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March 8, 2019

VIA ELECTRONIC MAIL

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

**Attention: Patrick Wruck, Commission Secretary and
Manager, Regulatory Support**

Dear Sirs/Mesdames:

**Re: FortisBC Energy Inc. Application for Acceptance of the Biogas Purchase Agreement
between FortisBC Energy Inc. and the City of Vancouver – Project No. 1598977**

We are counsel to the Commercial Energy Consumers Association of British Columbia (the “CEC”). Attached please find the CEC’s Final Submissions with respect to the above-noted matter.

If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Yours truly,

OWEN BIRD LAW CORPORATION


Christopher P. Weafer

CPW/jj
cc: CEC
cc: FEI
cc: Registered Interveners

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**COMMERCIAL ENERGY CONSUMERS
ASSOCIATION OF BRITISH COLUMBIA**

FINAL SUBMISSIONS

**FortisBC Energy Inc. Application for Acceptance of the Biogas Purchase
Agreement between FortisBC Energy Inc. and the City of Vancouver
Project No. 1598977**

March 8, 2019

Commercial Energy Consumers Association of British Columbia

**FortisBC Energy Inc. Application for Acceptance of the Biogas Purchase Agreement
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**COMMERCIAL ENERGY CONSUMERS ASSOCIATION
OF BRITISH COLUMBIA**

FINAL SUBMISSIONS

**FortisBC Energy Inc. Application for Acceptance of the Biogas Purchase Agreement
between FortisBC Energy Inc. and the City of Vancouver
Project No. 1598977**

The Commercial Energy Consumers Association of BC (“**CEC**”) represents the interests of ratepayers consuming energy under commercial tariffs in applications before the BC Utilities Commission (“**BCUC**” or “**Commission**”).

FortisBC Energy Inc. (“**FEI**” or the “**Company**”) applies to the Commission for acceptance of the City of Vancouver (“**CoV**” or the “**City**”) Biomethane Purchase Agreement (“**BPA**”) under Section 71 of the *Utilities Commission Act* (“**UCA**” or the “**Act**”).

FEI submitted a redacted public filing and a variety of confidential documents pursuant to Section 18 of the Commission’s Rules of Practice and Procedure.¹

In Order G-14-19 the Commission established that within the context of the Greenhouse Gas Reduction Regulation (“**GGRR**”), arguments are to address the following issues:

- a) Whether the BPA and facilities are a prescribed undertaking;
- b) The definition of “acquire”;
- c) Whether calculating the price per GJ based on a levelized cost or an annual cost is appropriate;
- d) Whether FEI should be subject to a reporting requirement; and
- e) Whether there are consequences in the event that the cost per GJ exceeds the \$30 cap once the project is complete.

The CEC has participated in the proceeding reviewed the public and confidential documents and provides the following comments for the Commission’s review and consideration.

I. SUMMARY POSITION

1. The CEC submits that:

- the BPA and facilities are a prescribed undertaking;

¹ Exhibit B-1, page 19

- the definition of acquire encompasses the acquisition of landfill gas and the construction of facilities to achieve renewable natural gas for the purposes of injection in FEI's system;
- the levelized cost is the appropriate methodology for calculating the price per GJ;
- FEI is subject to reporting requirements that are sufficient and no additional reporting requirements are necessary;
- If reporting suggests that the project has fallen or will fall outside the volume and/or cost constraints (on a levelized basis) it would be appropriate for the Commission to undertake a review and determine if a prudency review is required.

2. The CEC recommends that the Commission accept the BPA between FEI and the CoV.

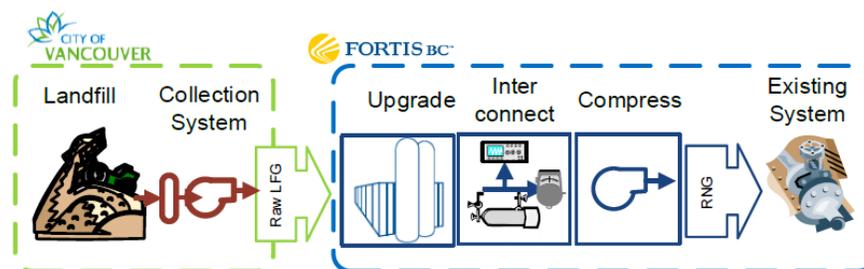
II. THE PROJECT IS APPROPRIATELY ASSESSED AND COSTED

3. FEI's proposes to purchase raw Landfill Gas (LFG) from the CoV's existing landfill and upgrade it to meet biomethane quality requirements. The biomethane will be compressed and injected into FEI's natural gas distribution system.² The project aligns well with CoV objectives and the CoV has actively supported the development of the project for over five years.³

4. The Project consists of the following elements:

- Connection to the existing landfill gas collection system,
- Installation of an upgrading plant,
- Connection to existing FEI natural gas distribution through an interconnect station.

Figure 1: Project Arrangement



4

² Exhibit B-1, page 8

³ Exhibit B-1, page 19

⁴ Exhibit B-1, page 8

5. The contract term is 20 years and the renewal period is 5 additional years upon mutual agreement. The Agreement is subject to Supply-based reviews which may affect renewal.⁵
6. The CEC submits that 20 years is an appropriate term in that it provides a reasonable period over which to recover equipment costs.⁶
7. FEI provides further details including maximum and minimum volumes, price of LFG, LFG composition, termination payments and other particulars in its Confidential filing and IR responses.
8. The CEC has reviewed the Project evidence and does not have any objections to the particulars of the Project.
9. FEI has used conservative estimates in its supply assessments,⁷ which the CEC finds to be appropriate given some uncertainty of the availability of supply over the duration of the CoV BPA.⁸
10. FEI's supply and recovery assumptions have been tested in responses to confidential IRs⁹ and the CEC finds the responses to be acceptable.
11. FEI reviewed multiple technologies in use at a combined total of 43 LFG upgrading facilities that were in commercial operation.¹⁰ A preliminary assessment concluded that a combined membrane separation and Pressure Swing Absorption technology is recommended based on the LFG composition, which forms the basis for the cost estimate. However, a final selection of upgrading will be made at the time of the project execution.¹¹
12. FEI has responded to multiple information requests regarding the technologies in Confidential Information Requests which the CEC has reviewed.
13. The CEC finds FEI's technological evaluation and proposal to be satisfactory.
14. FEI estimated capital and operating and maintenance (O&M) expenses. The cost estimates are in accordance with the AACE International Class 3 Guidelines with an accuracy range of +30/-20 percent.¹²

⁵ Exhibit B-1, page 8

⁶ Exhibit B-1, page 18

⁷ Exhibit B-1, page 11

⁸ Exhibit B-1, page 11

⁹ Exhibit B-4-1

¹⁰ Exhibit B-4, BCUC 1.1.3

¹¹ Exhibit B-1, page 13

¹² Exhibit B-1, page 14

15. The CEC has reviewed the cost estimates and finds them to be acceptable.
16. FEI used their own expertise and professional engineers to develop the preliminary designs. A bottom up estimating approach was also employed.¹³
17. Annual O&M costs were developed by an external consultant and equipment vendors and validated by FEI.¹⁴
18. Details of the capital costs were provided in various confidential appendices.
19. The CEC has reviewed the capital cost evaluation and finds them to be acceptably costed.
20. The total cost of the Project is well below the prescribed maximum.
21. FEI used approved depreciation rates and performed a secondary evaluation using a 20-year asset life to ensure the acquisition price per GJ remained below the prescribed maximum of \$30/GJ for the term of the CoV (20 years).¹⁵
22. The project will result in a rate impact of approximately \$1.03 per year for an average residential customer.¹⁶
23. FEI has also addressed risks and potential mitigation in its application.
24. Overall the CEC finds the project to be adequately considered and evaluated.

III. BIOGAS PURCHASE AGREEMENT IS A PRESCRIBED UNDERTAKING

25. Pursuant to Section 18(3) of the *Clean Energy Act* (“CEA”) the Commission must not exercise a power under the UCA in a way that would directly or indirectly prevent a public utility from carrying out a prescribed undertaking.¹⁷
26. The CEC is of the view that the Project qualifies as a prescribed undertaking under the GGRR.
27. Section 2 of the GGRR addresses prescribed undertakings.
28. Subsections 2(3.7) and 2(3.8) of the GGRR provides for the acquisition of renewable natural gas as a prescribed undertaking for the purposes of Section 18 of the CEA.

¹³ Exhibit B-1, pages 14-15

¹⁴ Exhibit B-1, pages 15 and 16

¹⁵ Exhibit B-4, BCUC 1.1.2

¹⁶ Exhibit B-1, page 17

¹⁷ Exhibit B-1, page 2

(3.7) A public utility's undertaking that is in the class defined in subsection (3.8) is a prescribed undertaking for the purposes of section 18 of the Act.

(3.8) The public utility acquires renewable natural gas:

(a) for which the public utility pays no more than \$30 per GJ, and

(b) that, subject to subsection (3.9), in a calendar year, does not exceed 5% of the total volume of natural gas provided by the public utility to its non-bypass customers in 2015.

29. The CEC is of the view that the Project may be considered to be 'acquiring renewable natural gas' for the reasons set out below in 'Definition of Acquire.'
30. The CEC is also of the view that the Project fulfills the considerations established in subsections 2(3.8)(a) and (b).
31. The CEC notes that the proposed purchase agreement includes a delivered RNG costs which is significantly below \$30 per GJ on a levelized cost basis.¹⁸ Even at the high end of the cost-estimate range the cost of acquisition remains below \$30/GJ.¹⁹
32. The CEC has reviewed the confidential evidence relating to capital costs and operations and management and finds that the cost is appropriately calculated by FEI in that it includes the purchase price of raw biogas plus the upgrading and interconnection costs which are necessary to acquire the RNG.²⁰
33. The CEC also considers that the levelized cost is the appropriate criterion, as discussed under 'Levelized Cost' below.
34. FEI has calculated that the maximum annual volume of RNG that would qualify as a prescribed undertaking for FEI is 8,900,000 GJ.²¹
35. FEI has provided evidence that Project will not result in FEI exceeding this volume²² and the CEC accepts this evidence as valid.
36. Under Section 18(1) of the CEA a prescribed undertaking is as follows:

18 (1) In this section, "prescribed undertaking" means a project, program, contract or expenditure that is in a class of projects, programs, contracts or expenditures prescribed for the purpose of reducing greenhouse gas emissions in British Columbia.

¹⁸ Exhibit B-4, BCUC 1.5.4

¹⁹ Exhibit B-4, BCUC 1.5.4

²⁰ FEI Final Argument page 16

²¹ Exhibit B-1, page 7

²² Exhibit B-1, page 7 and Confidential Exhibit B-1-1 page 7

37. The CEC submits that the Project is encompassed in this definition in that the Biomethane Program is intended to reduce greenhouse gas emissions associated with natural gas distribution.
38. Overall the CEC finds that the Project should be considered a prescribed undertaking.

A. TERM OF THE PRESCRIBED UNDERTAKING

39. FEI submits that if the CoV Project is a prescribed undertaking it remains a prescribed undertaking indefinitely, subject to any conditions or constraints for the prescribed undertaking set out in the GRR.²³
40. Since the prescribed undertaking for RNG has no expiry date or set period of time during which the undertaking must be carried out, FEI concludes that RNG project qualifying as prescribed undertakings retain that status indefinitely.²⁴
41. In the event that a supply-based or anniversary review (conducted at 10 and 18 years²⁵) determined that the acquisition price is close to or over \$30/FJ then other measures (improving quality of LFG, increasing quantity of LFG, reducing pair price etc.) could be taken to lower this price.²⁶
42. FEI also argues in its discussion of levelized price that the object of sections 2(3.7) to (3.9) of the GRR to enable FEI to acquire more RNG is important, and that to best achieve its object, these sections of the GRR must provide some assurance of cost recovery for FEI prior to entering into binding commitments with suppliers. FEI must be able to know on a forecast basis whether the project meets the criteria in the GRR. The contrary view would undermine the object of the GRR as FEI would not proceed with RNG projects due to the uncertainty of cost recovery. FEI therefore must be able to bring forward RNG supply contracts for approval that can meet the criteria in the GRR.²⁷
43. FEI states:

‘based on the language in the GRR, if the CoV Project cost estimates show a levelized cost below the prescribed undertaking maximum of \$30/GJ, then section 2(3.8)(a) of the GRR is satisfied. This means that section 2(3.8)(a) of the GRR is satisfied even if the non-levelized cost per GJ is greater than \$30/GJ at any time during the term of the CoV BPA, which FEI does not expect to occur ..’²⁸

²³ FEI Final Argument page 22

²⁴ Exhibit B-4, BCUC 1.4.1

²⁵ Exhibit B-1, pages 9- 10 Table 2

²⁶ Exhibit B-4, BCUC 1.4.1

²⁷ FEI Final Argument page 20

²⁸ FEI Final Argument page 20

44. The CEC submits that the intent of the legislation is not simply to encourage the development of RNG projects at any cost, but to encourage the development of RNG projects that are within cost and volume constraints. The CEC submits that these conditions are appropriately considered as ongoing and there is no persuasive evidence to suggest that a one-time forecast is all that is necessary to fulfill these conditions.
45. The CEC is of the view that it is not uncommon for costs to exceed those originally anticipated and it is reasonable for FEI to develop projects conservatively with the expectation that they will be required to continue to fall within the prescribed conditions for the duration of the project.
46. The CEC agrees that a levelized cost is useful in analysing the costs of the project such that annual variances do not trigger reviews, but that ongoing assessment can potentially suggest that the levelized cost (or volumes) will not be within the prescribed limits over the project term.
47. The CEC recommends that the Commission view the project as a prescribed undertaking for the purposes of proceeding with the project, but that a failure to continue to meet the constraints projected on a levelized basis will mean that the project no longer qualifies as a prescribed project.
48. The CEC discusses the appropriate repercussions under ‘Consequences if the Cost per GJ exceeds \$30/GJ’ below.
49. The CEC submits that once the project has exceeded its original term and any embedded extensions, it should also not be considered a prescribed undertaking, but should require re-application by the utility based on updated evidence.

B. DEFINITION OF ACQUIRE

50. In BCUC Order G-234-18 the Commission requested submissions on:

“whether the term ‘the public utility acquires renewable natural gas.’ (Section 2 (3.8)) includes:

1. The purchase of landfill gas (“LFG”) (as opposed to renewable natural gas (“RNG”)); and/or
 2. The construction of capital facilities to upgrade LFG to RNG for injection into FEI’s natural gas system”.
51. FEI provided its views in Exhibit B-2.
 52. FEI concluded that the BCUC should determine that section 2(3.8) of the GGRR includes the purchasing of Landfill Gas and the construction of capital facilities to upgrade LFG to RNG for injection.

53. The CEC adopted FEI's views in Exhibit C-3-2.
54. The BCUC has requested submissions on the definition of acquire in Final Submissions.
55. FEI provides its views at pages 14-16 of its Final Argument.
56. The CEC submits that FEI has provided significant evidence that a broad interpretation is appropriate and includes purchasing LFG and constructing capital facilities to upgrade LFG to RNG for injection into FEI's natural gas system.
57. FEI points out that in an enactment

“acquire” means to obtain by any method and includes accept, receive, purchase, be vested with, lease, take possession, control or occupation of, and agree to do any of those things, but does not include expropriate’. [Emphasis added by FEI.]²⁹
58. In Exhibit B-2, FEI points out that the appropriate context is FEI's well-established Biomethane Program.³⁰
59. All of FEI's supply projects consist of three major components which work together to produce raw biogas, purify the raw biogas to become RNG and confirm that the RNG meets strict pipeline quality standards.³¹
60. The CEC submits that the current Project of purchasing landfill gas and constructing capital facilities is reasonably in keeping with the supply model routinely used in FEI's Biomethane Program and there is no substantive evidence on the record to suggest that the project falls outside these parameters.
61. FEI also points out that Section 18 refers to a Project, Program, Contract or Expenditure³², and there is no requirement that the acquisition must be by contract.
62. The CEC submits that the means of acquiring the RNG is not particularly relevant and the legislation provides no constraints on how it may be accomplished.
63. Utility construction and ownership of the facilities can create a capital cost burden, however section 2(3.8)(a) of the GGRR serves to constrain the delivered cost of the RNG to \$30/GJ and the maximum volume of RNG to be acquired.
64. The CEC submits that the presence of the cost constraint, along with the quantity constraint, in the legislation weigh in favour of a broad interpretation of the term ‘acquire’ in that they

²⁹ FEI Final Argument page 14

³⁰ Exhibit B-2, page 3

³¹ Exhibit B-2, page 3

³² FEI Final Argument page 14

provide some definition as to the acceptable end-results, leaving leeway as to how these results are achieved.

65. As stated by FEI, the ‘...result of purchasing LFG and constructing capital facilities to upgrade the LFG is that FEI acquires RNG’.³³
66. The CEC notes that the acquisition of RNG could be achieved directly if the City or other project proponent were to construct and operate the necessary facilities to convert the biogas and supply the RNG to the utility with a similar end result or potentially higher delivered costs.
67. The CEC supports the acquisition of RNG at the lowest delivered cost possible, and submits that FEI’s participation could potentially result in a lower delivered cost as a result of FEI’s experience and the avoided CoV costs such as debt that would potentially be subject to markup and included in the final delivered price for RNG to FEI.
68. The CEC submits that FEI has provided sound reasoning and ample evidence to support the interpretation of acquiring RNG as including the purchase of landfill gas and the proposed construction of capital facilities.
69. The CEC recommends that the Commission adopt FEI’s argument with regard to the definition of acquire and find the project to be a prescribed undertaking subject to the cost and volume constraints outlined in Section 2(3.8) (a) and (b).

C. LEVELIZED COST OR ANNUAL COST

70. The BCUC requested submissions on the use of the levelized cost versus an annual cost in the maximum price per GJ.
71. FEI states that the acquisition price of \$30/GJ in section 2(3.8) of the GRR refers to the levelized cost of delivered RNG on a forecast basis at the time of approval.³⁴
72. The CEC has reviewed the reasons outlined in FEI’s Final Argument at page 16 and finds them to be persuasive.
73. FEI also argues that calculating the price per GJ on an annual basis is not a reasonable interpretation of section 2(3.8)(a) of the GRR because there was no annual requirement specified in section 2(3.8)(a) for the cost whereas there is in section 2(3.8)(b) for the volume. FEI interprets this to mean that if the legislature intended there to be an annual cost per GJ requirement, then it would have drafted that requirement just as it did for the volume requirement.³⁵

³³ FEI Final Argument page 14

³⁴ FEI Final Argument page 16

³⁵ FEI Final Argument page 16

74. The CEC submits that the levelized cost is the appropriate criterion for evaluating the cost per GJ where a project involves the construction of facilities and there is a long term associated with the contract.
75. The levelized cost is a standard cost evaluation measure for energy production and provides an opportunity to evaluate the costs and benefits over the lifetime of the asset, accounting for the time value of money, the duration of the project and potential variation in costs and benefits from year to year.
76. The CEC submits that ‘annual cost’ could be an appropriate criterion for evaluation if the proposed purchase was for a short term, annual volume of RNG.
77. FEI provides an overview of when the levelized cost may not be appropriate in CEC CONFIDENTIAL IR 1.2.1.
78. FEI also points out that non-levelized costs vary from year to year, are less certain than the levelized cost approach and create differences in how purchases of biomethane and biogas are evaluated. Overall, the use of a non-levelized cost per GJ test when applying section 2(3.8) of the GRR would impose an unreasonable standard that could inhibit the acquisition of RNG and thwart government policy objectives.³⁶
79. The CEC agrees with FEI’s views as to the use of the levelized Cost per GJ as an evaluation criterion for capital projects and submits that the use of a levelized cost in this instance is appropriate.

D. REPORTING

80. Subsections 18(4) and 18(5) of the CEA create obligations regarding reporting:
 - (4) A public utility referred to in subsection (2) must submit to the minister, on the minister's request, a report respecting the prescribed undertaking.
 - (5) A report to be submitted under subsection (4) must include the information the minister specifies and be submitted in the form and by the time the minister specifies.
81. FEI currently files two annual reports related to its Biomethane Program and is not proposing any additional reporting beyond that which it already provides.
 - a) FEI files an annual report with the BCUC on the BVA that captures ongoing operational costs of all RNG projects.
 - b) (b) FEI files an annual report with the B.C. government, with a copy to the BCUC, for all projects that are prescribed undertakings under the Greenhouse Gas Reduction Regulation. The report is intended to ensure accountability for any projects completed

³⁶ FEI Final Argument pages 17-20

as prescribed undertakings. It captures the key aspects of the Biomethane Program, including project capital costs, cost per GJ (an indirect measure of operating costs), volumes of RNG, and expected rate impact.³⁷

82. FEI will report on the CoV Project in these annual reports.
83. Pursuant to the 2010 Biomethane Decision FEI also provides information on its Biomethane Program in revenue requirements applications or annual review materials under Performance Based ratemaking. The decision requires FEI to provide actual and forecasted biomethane operating, maintenance and capital costs and an analysis of those costs.³⁸
84. Additional information is also provided in FEI's Fourth Quarter Gas Cost Report.³⁹
85. Given the annual reporting FEI is not proposing any specific thresholds of project or ongoing operational change that would trigger any additional reporting to the BCUC specific to the CoV project.⁴⁰
86. The CEC has reviewed the evidence and submits that the regular reporting is sufficient to provide an overview of key aspects of the project in that both capital and operating costs are reviewed, cost per GJ as well as volumes and expected rate impacts are provided and analysis of the costs is undertaken in the reporting provided to government.
87. The CEC submits that to the extent the BCUC is provided with the report annually and is able to utilize the information for its own regulatory purposes, no additional reporting on the project is required on an ongoing basis.
88. However, the CEC submits that to the extent there is evidence of significant changes in the actual vs forecasted costs or volumes then it would be appropriate for the Commission to request additional reporting.
89. The CEC submits that changes in forecast average volumes or forecast levelized cost that would place the project forecast outside the prescriptive undertaking bounds in Section 2(3.) of the GRR should form a trigger for additional reporting.

E. CONSEQUENCE IF THE COST PER GJ EXCEEDS THE \$30/GJ CAP WHEN PROJECT COMPLETE

90. FEI considers that if for some unforeseeable reason FEI's costs exceed the \$30 per GJ after the project is completed, the utility should still be permitted to recover its prudently incurred costs.

³⁷ Exhibit B-5, CEC 1.1.1

³⁸ FEI Final Argument page 25

³⁹ FEI Final Argument page 25

⁴⁰ Exhibit B-5, CEC 1.1.1.1

91. FEI argues that:

As FEI is entitled to recover its prudently incurred costs, the BCUC cannot establish in this proceeding any consequences if the costs per GJ of the CoV Project exceed \$30 per GJ after the CoV Project is completed. The BCUC may determine at a later date if a prudency review is warranted. However, it would be speculative to consider at this time whether such a review could be warranted at a future date, and even more speculative to consider what the potential consequences would be. FEI, therefore, submits that the BCUC should take no decision on prudency reviews at this time, as it did in Order G-56-1.⁴¹

92. Additionally, they state that

In summary, in the unlikely event that increases in actual construction costs, initial operating costs, or annual operating costs result in the cost to acquire RNG exceed \$30/GJ, all prudently incurred Project costs, even costs in excess of \$30/GJ, would be recoverable through the BVA in the same manner as existing biomethane projects, first from voluntary RNG or Biomethane Program customers.

93. The CEC submits that it is not in the ratepayer's interest for the utility to have unfettered license to recover costs from projects that do not fall, or are no longer falling, within the prescribed limits simply because they were originally forecast to do so.

94. The CEC submits that the long term result of such policy could be to encourage optimistic valuations of projects since the utility bears no responsibility for excess expenditures and costs, which are borne without recourse by ratepayers.

95. The CEC submits that this also applies to the volume constraints also embedded in Section 2(3.8) of the GGRR.

96. FEI argues that there is a potential chilling effect from conditions and potential sanctions. They state:

“Section 18(3) of the CEA states that the “commission must not exercise a power under the *Utilities Commission Act* in a way that would directly or indirectly prevent a public utility referred to in subsection (2) from carrying out a prescribed undertaking.” [Emphasis added.] If the BCUC were to impose conditions or prescribe potential sanctions on FEI if the costs of the CoV Project were, for some unforeseeable reason, to exceed \$30 per GJ, this could indirectly prevent FEI from carrying out the CoV Project, and would be contrary to section 18 of the CEA. As discussed in this submission, the object of the GGRR is to enable FEI to acquire more RNG. The BCUC should be exercising its powers to fulfill the intention of the legislature. Prescribing adverse consequences to FEI from carrying the CoV Project now would be contrary to that intention’.⁴²

⁴¹ FEI Final Argument page 23

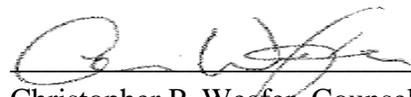
⁴² FEI Final Argument page 24

97. The CEC submits that FEI's interpretation of 'indirectly' is excessively broad.
98. The CEC submits that FEI's reasoning relies on the condition that the project is a prescribed undertaking indefinitely regardless of whether or not it falls within the GRRR constraints if it did at the initial forecast.
99. As noted above, the intent of the legislation is not simply to enable FEI to acquire more RNG, but to enable FEI to acquire more RNG that is within cost and volume constraints.
100. The CEC submits that the conditions contained in subsections 2(3.8)(a) and (b) of the GRRR are reasonably considered as ongoing and there is no persuasive evidence to suggest that a one-time forecast is all that is necessary to fulfill them.
101. The CEC noted above that cost overruns are not uncommon in significant capital projects and that it is appropriate for FEI to develop projects understanding that costs may exceed those predicted, and the expectation that the project will be required to remain within the constraints of the legislation over the life of the project.
102. The CEC submits that, if project reporting suggests that the cost/GJ or volumes on a levelized basis will fall outside the constraints defined in Section 2(3.8) of the GRRR, it would then be appropriate for the Commission to undertake a review process to examine the issue of whether or not to assess the prudence of the expenditures.
103. Such a review would permit the Commission to examine the issues and the reasons for the failure of the project to meet specifications of the CEA prescribed undertaking.
104. The CEC expects that even under such a review it would be unlikely that the Commission would find that the project required a prudence review. However, the CEC considers that failure to even re-examine a project that no longer falls within the bounds of the CEA prescribed undertakings would not support the intent of the legislation over the longer term.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

David Craig

David Craig, Consultant for the Commercial Energy
Consumers Association of British Columbia



Christopher P. Weaver, Counsel for the Commercial
Energy Consumers Association of British Columbia