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British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC, V6Z 2N3
Attn: Marija Tresoglavic, Acting Commission Secretary

By Web Posting

Dear Madam:

Re: FortisBC Energy Inc. Annual Review for 2020 and 2021 Delivery Rates
BCSEA Final Submission

This is the final submission of the intervener B.C. Sustainable Energy Association pursuant to the regulatory timetable established by Order G-209-20.¹

1. Background

The present proceeding concerns FEI's application² for approval of 2020 and 2021 delivery rates and annual review under the Multi-Year Rate Plan (MRP) for 2020 through 2024.³ FEI's 2020 delivery rates were approved on an interim basis by Order G-302-19.

BCSEA's interests in this proceeding are as a non-profit public interest energy policy organization, and as a representative of its members' interests as ratepayers of FEI. BCSEA is a registered charity and a non-profit association of citizens, professionals and practitioners committed to promoting the understanding, development and adoption of sustainable energy, energy efficiency and energy conservation in British Columbia. BCSEA supports the province's transition to a lower-carbon economy. BCSEA has participated fully in this proceeding.

2. Annual Review

One of the purposes of this proceeding is to conduct the MRP annual review. During this proceeding, BCSEA made information requests to FEI on a variety of topics of particular interest to BCSEA. These topics included: demand-side management, the demand forecast, LNG demand, biomethane, renewable gas development, the Clean Growth Innovation Fund, climate action and GHG emissions, the FortisBC corporate and sustainability report, FEI's Clean Growth Pathway to 2050 and 30BY30 Target, and LNG sales to customers from China. BCSEA considers that FEI's responses were forthcoming and informative.

¹ Exhibit A-2.

² Exhibit B-2.

³ The FEI's 2020-2024 MRP was approved by Decision and Order G-165-20.

3. Delivery Rates for 2020

BCSEA supports FEI's request that the existing interim delivery rate increase for 2020 (2 percent over 2019) be made permanent.

FEI's 2020 Total Rate Base is \$5,047 million and its 2020 Total Revenue Requirement is \$1,315 million (\$865 million Delivery Costs plus \$450 million Cost of Gas). The "waterfall graph" on slide 14 of FEI's presentation to the October 14, 2020 workshop identifies the various components that on balance yield a 2020 deficiency of \$16 million, which represents a 2 percent delivery rate increase.⁴ This includes amortization of \$10 million from the 2017/2018 Surplus, without which the 2020 delivery rate increase would be 3.3 percent.

BCSEA supports the use of \$10 million from the surplus in order to keep the permanent 2020 delivery rate increase to the same 2 percent increase that was approved on an interim basis.

4. Delivery Rates for 2021

BCSEA supports FEI's request for a permanent delivery rate increase of 6.59 percent for 2021 over 2020.

For 2021, FEI has a Total Rate Base of \$5,213 million and a Total Revenue Requirement of \$1,445 million (\$929 million Delivery Costs plus \$516 million Cost of Gas). The waterfall graph on page 16 of the workshop Presentation indicates the various components that yield a 2021 deficiency of \$54 million, which represents a 6.6 percent delivery rate increase. This includes amortization of \$25 million from the accumulated surplus.

5. Deferral Accounts

FEI seeks approval of four new deferral accounts for regulatory proceedings: Annual Reviews, the 2022 Long Term Gas Resource Plan (LTGRP), BCUC Initiated Inquiries, and the City of Coquitlam Application proceeding. BCSEA supports approval of these new deferral accounts as requested.

BCSEA is particularly interested in the 2022 LTGRP, in which the Commission directed FEI to address climate action and GHG emissions.⁵ The deferral account is for external resources incremental to the costs in FEI's Base O&M for the LTGRP. In response to BCSEA, FEI affirmed that it is confident that the proposed spending will be adequate to fully address climate action and GHG emissions in the 2022 LTGRP.⁶ FEI added that as part of the 2022 LTGRP it will also address its own Clean Growth Pathway commitments.⁷

Regarding existing deferral accounts, FEI seeks approval of: five-year amortization of a renamed 2020-2024 MRP Application deferral account, draw-down of the 2017/2018 Revenue Surplus deferral account to zero over 2020 and 2021 (referred to above), and inclusion of COVID-19

⁴ Exhibit B-9, p.14. The 2020 BVA Rate Rider was approved on a permanent basis by Order G-307-19.

⁵ 2019 LTGRP Decision and Order G-39-19.

⁶ Exhibit B-5, BCSEA 7.1.

⁷ Exhibit B-5, BCSEA 7.1.

incremental costs and related savings from 2020 and 2021 in the COVID-19 Customer Recovery Fund deferral account. BCSEA supports approval of these requests.

6. Renewable Natural Gas (Biomethane)

FEI seeks approval of a Biomethane Variance Account (BVA) Rate Rider for 2021 in the amount of \$0.022 per GJ recoverable from all non-bypass customers.⁸ BCSEA supports this request.

BCSEA has a strong interest in the Biomethane program because it reduces GHG emissions, one of the B.C. energy objectives. This is due primarily to displacement of fossil fuel natural gas that would otherwise be consumed by participants in the program. In addition, the program fosters the reduction of GHG emissions by the collection and destruction of biomethane that might otherwise be released directly to the atmosphere or flared. The Renewable Natural Gas program allows FEI customers to ‘green their energy use’ and to support a valuable renewable energy resource.

FEI provided an update on the RNG program in response to an information request from BCSEA.⁹ The RNG Program is temporarily closed to new participants, as the demand exceeds the available supply. Curtailment of deliveries to large-volume, interruptible customers (RS 11B) is likely to be maintained until late 2021. However, supply of RNG is increasing rapidly, and FEI says it will resume full service to existing customers, as well as enrolling new participants, as sufficient new RNG supply becomes available. FEI says that “in the later part of 2021 the available supply of RNG will exceed the demand of all currently enrolled customers.” In 2022, FEI expects the demand from currently enrolled customers to be approximately 0.58 PJs for the year, while the volume of supply is expected to exceed 3.8 PJs. However, FEI says that “a number of large volume customers have made their interest in RNG known to FEI.” FEI says that “Based on the biomethane facilities currently operating, BCUC-approved projects, and filed applications awaiting BCUC approval, the total maximum volume of RNG that could be delivered to the program is nearing the Greenhouse Gas Reduction (Clean Energy) Regulation volume cap of about 9 PJs per annum.”

BCSEA appreciates this update and notes that the adoption of RNG in place of fossil fuel natural gas forms a significant portion of the CleanBC Plan.

7. Clean Growth Innovation Fund

FEI’s Clean Growth Innovation Fund (CGIF) was approved as part of the Commission’s approval of FEI’s 2020-2024 MRP.¹⁰ The Fund is supported by a rate rider of \$0.40 per month commencing on August 1, 2020. The CGIF rate rider does not require specific approvals in the current proceeding.

FEI reported on the initial CGIF activities in the current proceeding. The Fund is supported by an External Advisory Council, on which BCSEA has a representative. The CGIF is projected to

⁸ Exhibit B-2, pp.3, 83-89.

⁹ Exhibit B-5, BCSEA 5.1.

¹⁰ Decision and Order G-165-20.

collect \$2.1 million in 2020 and forecast to collect \$5.1 million in 2021.¹¹ The CGIF is designed to support feasibility studies that will identify pre-commercial technologies or commercial technology gaps in areas related to the CGIF mandate. BCSEA is satisfied with the ongoing implementation of the CGIF.

8. Renewable Gas Development

In response to an information request from BCSEA, FEI confirmed that spending under the CGIF does not overlap with FEI's proposed spending on Renewable Gas Development.¹² FEI says internal Renewable Gas team resources will undertake work on activities such as safety, codes and standards and feasibility work related to developing the supply of additional renewable gases and hydrogen into the program. FEI says that "CGIF-funded research may indirectly advance efforts undertaken by the Renewable Gas team towards the development of codes and standards as project proponents work with regulatory agencies to get pilot projects and other technology trials approved and advanced." BCSEA is satisfied that overlap between CGIF spending and Renewable Gas spending is not a current problem.

9. Renewable Natural Gas Reporting

For FEI's Renewable Natural Gas (biomethane) program, FEI provides information to the BCUC in four ways:

- Biomethane supply projects are brought to the BCUC for approval;
- FEI provides the BCUC with a BVA Annual Status Report;
- The Annual Review process, which includes information on the revenues, capital and O&M related to the various biomethane projects; and
- FEI copies the BCUC on FEI's Annual Report under Section 18 of the *Clean Energy Act* to the Ministry of Energy, Mines and Petroleum Resources (MEMPR) for biomethane projects that are undertaken through the GRR.¹³

BCSEA asked FEI how it will report on the results of its further development of other renewable gases such as hydrogen and synthetic methane. FEI said it will include information on the Renewable Gas team O&M through the Annual Review process.¹⁴

In addition, however, FEI says that as the biomethane program is growing and expanding into other renewable gases it proposes to develop "an annual report to the BCUC on its Renewable Gas program that provides a more comprehensive overview of all of the activities undertaken in support of the program." FEI states:

"FEI would report, for example, on its progress on various initiatives, technical and economic feasibility studies, testing programs, work to support codes and standards development, and education, safety and training that may need to occur

¹¹ Exhibit B-2, p.90.

¹² Exhibit B-5, BCSEA 6.1.

¹³ Exhibit B-5, BCSEA 6.2.

¹⁴ Exhibit B-5, BCSEA 6.2.

before FEI could acquire, produce or deliver these new types of renewable gases and hydrogen gas to our customers. FEI proposes that this reporting be aligned with the timing and content of the reporting that FEI currently undertakes to MEMPR on its GRR activities, to avoid duplication of any overlapping content.”¹⁵

BCSEA strongly supports FEI’s proposal to report annually to the Commission on a comprehensive overview of FEI’s activities regarding biomethane and other renewable gases.

10. Revenue Stabilization Adjustment Mechanism

FEI seeks approval of 2021 Revenue Stabilization Adjustment Mechanism (RSAM) rate riders in the amount of \$0.87/GJ for Schedule 1, 2, 3 and 23 customers. Differences between 2020 actuals and projections and between 2021 actuals and forecasts will be included in the calculation of the 2022 RSAM Rate Riders and refunded to or collected from customers.¹⁶

11. Demand-Side Management

No approvals regarding DSM are sought in the current proceeding. FEI is operating under a 2019-2022 Demand-Side Management expenditure schedule accepted by the Commission in January 2019.¹⁷

BCSEA asked FEI to discuss the impact of the COVID-19 pandemic on FEI’s DSM spending and energy savings in 2020 and 2021. FEI responded that “Overall, FEI’s DSM spending and energy savings are largely on track for 2020 and, if current DSM activity levels continue as planned, are expected be on track in 2021 as well.”¹⁸ FEI described the adjustments it has made to all of its DSM programs to adapt to the pandemic. Looking forward, FEI states:

“To help meet approved DSM expenditure and energy saving levels, FortisBC is supporting the BC Restart Plan, collaborating with program partners BC Hydro and CleanBC, and enhancing incentives to financially support all customers. In the Residential and Income Qualified Program areas, FEI is launching a time-limited, pre-qualification period for enhanced heating system incentives from October 1 to December 31, 2020, with the opportunity for equipment installation by March 31, 2021. To support the construction of high performance homes in an economic downturn, the New Home Program enhanced incentives will remain in the market through 2021. In the Commercial and Industrial program areas, FEI is supporting customers by offering increased incentives through 2021, and modifying the payment structure in to support capital project studies and project completion.”¹⁹

BCSEA is satisfied with FEI’s response and commends FEI for steering the DSM portfolio through the difficult pandemic period.

¹⁵ Exhibit B-5, BCSEA 6.2.

¹⁶ Exhibit B-2, p.89.

¹⁷ Decision and Order G-10-19.

¹⁸ Exhibit B-5, BCSEA 1.1.

¹⁹ Exhibit B-5, BCSEA 1.1.

12. Service Quality Indicators

The MRP Decision and Order G-165-20 requires FEI to report on its performance according to approved Service Quality Indicators (SQIs). This continues the SQI framework established under the 2014-2019 PBR Plan. Table 13-1 of the Application provides June 2020 year-to-date performance in comparison with the SQI benchmarks and thresholds. BCSEA agrees with FEI's summary conclusion that the June 2020 year-to-date SQI results indicate that the FEI's overall performance meets service quality requirements.²⁰

The Leaks per KM of Distribution System Mains metric is an informational indicator of the integrity of the distribution system. As FEI explains, "Each year, approximately one fifth of the distribution system is surveyed for leaks, with the number of leaks varying from year to year, depending on the condition of the pipe surveyed."²¹ Table 13-16 shows five-year rolling averages for each year from 2014 to 2019 and the 2020 year-to-date. BCSEA is satisfied that the 2020 year-to-date figure is consistent with the figures for previous years.

13. GHG Emissions from Operational Activities

FEI provided the following table showing FEI's annual reported estimated GHG emissions for 2009 to 2019:²²

Year	GHG Emissions Reported to ECCC using IPCC 4 th Assessment (tCO ₂ e)
2009	177,827
2010	171,059
2011	153,611
2012	150,647
2013	141,948
2014	140,507
2015	120,997
2016	126,612
2017	142,534
2018	123,509
2019	145,127

In addition to its integrity management costs, FEI described its 2019 and 2020 costs associated with GHG reduction measures as follows:

"For 2019, the cost of these additional GHG reduction measures was similar to previous years at \$50 thousand for detailed Leak Detection and Repair (LDAR) surveys using Optical Gas Imaging (OGI) cameras by an external consultant at Tilbury Expansion and Mt. Hayes LNG plants.

²⁰ Exhibit B-2, p.183. BCSEA accepts FEI's explanation that the results for Meter Reading Accuracy were negatively impacted by the COVID-19 pandemic.

²¹ Exhibit B-2, p.182.

²² Exhibit B-5, BCSEA 8.1.

For 2020, the cost to complete LDAR surveys using OGI will increase from \$50 thousand to approximately \$100 to \$150 thousand due to requirements under the BC OGC Methane regulations and the Fugitive Methane Guideline. In addition, FEI's capital program in 2020 will include the purchase of Zero Emission Vacuum (ZeVAC) compressor units to reduce venting from transmission pipeline maintenance projects. The estimated capital cost associated with the ZeVAC units is approximately \$1.25 million. Additional programs such as research on compliance options on dry seal gas requirements and revisions to the fugitive emission factor for farm taps were examined in 2019 and 2020 at a cost of approximately \$10 thousand."²³

BCSEA appreciates this update on FEI's 2019 and 2020 GHG reduction measures (in addition to integrity management costs).

14. FortisBC Corporate and Sustainability Report, Clean Growth Pathway to 2050, and 30BY30 Target

FEI responded to BCSEA's information requests²⁴ about FortisBC's 2019 Corporate and Sustainability Report,²⁵ Clean Growth Pathway to 2050, and 30BY30 Target. BCSEA considers this an important aspect of the public annual review of FEI's performance under the MRP. BCSEA appreciates FEI's fulsome responses to these IRs.

15. Conclusion

BCSEA supports FEI's proposed permanent delivery rate increases of 2.0 percent for 2020 and 6.59 percent for 2021. BCSEA's positions regarding FEI's additional requests are set out in the text above. BCSEA strongly supports FEI's proposal to report annually to the Commission on a comprehensive overview of FEI's activities regarding biomethane and other renewable gases.

Yours truly,

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²³ Exhibit B-5, BCSEA 8.2.

²⁴ Exhibit B-5, BCSEA 9, 10, 11, 12.

²⁵ <https://www.fortisbc.com/sustainabilityreport/home>.