

REQUESTOR NAME: BCOAPO *et al.*
INFORMATION REQUEST ROUND NO: #2
TO: FortisBC Energy Inc. (FEI)
DATE: May 07, 2019
APPLICATION NAME: Certificate of Public Convenience and Necessity (CPCN) Application for the Inland Gas Upgrade Project (IGU)

1.0 Reference: Exhibit B-2, BCUC IR 1.1.1 Table and BCUC IR 1.3.1

The referenced table indicates that the subject transmission laterals range in age from approximately 24 years to 62 years (since construction). The second referenced IR response to the request:

3.1 Please describe any assessments to prioritize the 29 Transmission Laterals in order of risk level and provide the result of these assessments.

The response reads (in part)

Based on FEI's existing methods and the information available on the Transmission Laterals, FEI's assessment is that there is not a material difference in the integrity risk level of the laterals. All of the 29 Transmission Laterals are subject to the same potential for rupture due to external corrosion that may go undetected by FEI's current integrity management techniques. FEI's ability to prioritize amongst the 29 Transmission Laterals based on risk level is limited because the available condition information is comprised of limited quantities of integrity digs and failure records (rather than in-line inspection), and this information does not provide any indication of systemic issues on any particular lateral. Given the information available, FEI's assessment is that it is appropriate to implement the proposed scope of the IGU Project for all 29 Transmission Laterals proactively over a reasonable planning horizon.

- 1.1 Given the range in ages (24 years to 62 years) and the geographic locations of the subject laterals, why does FEI consider that the minimum information required to simply prioritize (i.e., just order the laterals in order of the rupture risk they present) the rupture risks among the 29 laterals is not required to substantiate its application which agglomerates all 29 laterals into one application?
- 1.2 Does FEI agree that it could have, in the past, augmented "the available condition information" by conducting more investigative digs, control digs, etc.? That is, does not the available information largely depend on FEI's past efforts?

2.0 Reference: Exhibit B-2, BCUC IR 1.4.2

The referenced IR and response are reproduced below:

4.2 For each of the 29 Transmission Laterals, please identify any control digs (i.e. digs where there has been no indication of potential corrosion from the above-15 ground surveys).

Response:

FEI has not performed control digs on any of the 29 Transmission Laterals. FEI does not consider that random control digs provide sufficient value as they are not targeted to a specific site for the purposes of addressing any particular integrity concern.

2.1 Does FEI maintain that the sample information obtained from a random control dig is of insufficient value generally or insufficient value for the purposes of the instant application?

3.0 Reference: Exhibit B-2, BCUC IR 1.6.6

Regarding the quantitative risk assessment directed by the BC OGC in respect of the TIMC project, FEI states:

Response:

FEI is in the process of developing and conducting a quantitative risk assessment of its transmission pipeline system as part of Phase 1 of the development of its TIMC project CPCN application. FEI is currently working with an external consultant on this assessment. The risk assessment is planned to include estimation of probability of failure for each of the threats included in FEI's integrity management program (external corrosion, third-party damage, stress corrosion cracking, etc.) as well as potential location specific safety, security of supply (outage), environmental, regulatory and reputation consequences for each potential failure type (small leak, large leak, rupture). The risk assessment will combine the calculated probability and consequence of failure to estimate operational risk on a segment-by-segment basis (a segment being a section of pipeline with common risk factors). The segment-by-segment risk estimates will then be used for prioritization of data quality improvement, risk analysis refinement and/or risk mitigation efforts.

3.1 Given the scope, scale, and ratepayer impacts of the instant proposal, please explain why FEI did not consider it appropriate to conduct a similar QRA in support of this application.

3.2 Did FEI consider framing the instant application in phases?

4.0 Reference: Exhibit B-2, BCUC IR 1.7.1

The referenced response states (in part):

During the 2014-2019 PBR term, FEI did not incur Sustainment capital expenditures on any transmission laterals to (1) retrofit the lateral to provide ILI capability; (2) construct

pressure regulating stations for the purpose of reducing operating pressure in a pipeline for an extended period of time; or (3) replace the lateral with new pipe. Neither has FEI included any of the capital activities on the 29 Transmission Laterals in its forecast of Sustainment capital expenditures in its 2020-2024 Multi-Year Rate Plan, which will be the relevant rate setting framework during the time period that the IGU Project will be undertaken.

4.1 In FEI's view, would retrofitting laterals to provide ILI capability, constructing pressure regulating stations to reduce operating pressure, and replacing laterals with new pipe qualify definitionally as "sustainment capital"?

5.0 Reference: Exhibit B-4, BCOAPO IR 1.4.1

The referenced response reads (in part):

Response:

There is no financial incentive for FEI to defer or not defer the IGU Project until the end of the approved PBR plan. The cost of the IGU Project is well above the materiality threshold of \$20 million approved by the BCUC for the current PBR plan in Order G-120-15, and therefore the capital spending on the IGU Project is excluded from the capital expenditure formula within FEI's current PBR plan.

5.1 Does FEI agree that had all of the 29 lateral projects not been included in the single IGU project (as structured by FEI), then at least some of the subject project work may not have pierced the materiality threshold in the PBR plan?

6.0 Reference: Exhibit B-5, CEC IR 1.3.4

The referenced IR and response are reproduced below:

3.4 *Please provide, and briefly summarize, a statistical risk assessment of the potential for a rupture due to corrosion on the 29 Transmission Laterals.*

Response:

As discussed in the response to BCUC IR 1.6.7, a quantitative risk assessment was not considered necessary by FEI to justify or inform the IGU Project. FEI has proposed the IGU Project on the basis of the identified potential for failure by rupture due to corrosion on the 29 Transmission Laterals. FEI has also considered inputs such as its legal and regulatory obligations, its assessment of relevant hazards to its pipeline system, its understanding of industry practice, as well as FEI's knowledge of evolving technology available for assessing and managing pipeline condition. Please also refer to the response to BCUC IR 1.3.1.

6.1 Would it have been possible for FEI to provide such a QRA in support of the instant application had such an initiative been undertaken by FEI?

6.2 Please explain fully why FEI believes that intervenors would not have found value in a supporting QRA for the instant application, given the scope, scale, and impacts of the proposal?