FORTIS BC™

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March 15, 2013

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

Re: FortisBC Energy Inc. ("FEI")

Biomethane Service Offering: Post Implementation Report and Application for Approval of the Continuation and Modification of the Biomethane Program on a Permanent Basis (the "Application")

Application for Reconsideration of British Columbia Utilities Commission (the "Commission") Order No. G-29-13

On February 28, 2013, the Commission issued Order No. G-29-13 in the above mentioned proceeding and determined that it would increase the supply cap for the Biomethane Pilot Program to accommodate four new supply agreements. However, the determination was conditional on FEI confirming that natural gas non-bypass customers bear no actual or potential risk for unsold biomethane from the four supply contracts unless deterimined otherwise in the Commission's decision on FEI's 2012 Biomethane Application.

On March 6, 2013, FEI wrote to the Commission indicating it would not accept the economic risk on the four supply contracts and requested reconsideration of Order No. G-29-13. On March 7, 2013, the Commission issued Letter No. L-14-13 and stated that it would proceed with an expedited Reconsideration Proceeding process if FEI filed an amended Reconsideration Application by March 15, 2013 with more expansive reasons and evidence in support.

Pursuant to the Commission's Letter No. L-14-13, please find attached the amended Reconsideration Application.

If you have any questions or require further information related to this Application, please do not hesitate to contact Shawn Hill at (604) 592-7840.

Yours very truly,

FORTISBC ENERGY INC.

Original signed by: Ilva Bevacqua

For: Diane Roy

Attachment
cc (email only): Registered Parties

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1 INTRODUCTION

In response to British Columbia Utilities Commission ("Commission") Letter No. L-14-13 and pursuant to section 99 of the *Utilities Commission Act* (the "Act"), FortisBC Energy Inc. ("FEI") is filing this amended application requesting reconsideration of item 1 of Order No. G-29-13, dated February 28, 2013 (the "Reconsideration Application").

In Order No. G-29-13, the Commission determined that it would increase the supply cap for the Biomethane Pilot Program to accommodate four new supply agreements with: EarthRenu Energy Corp. ("EarthRenu"), Greater Vancouver Sewerage and Drainage District ("GVS&DD"), Seabreeze Farm Ltd. ("Seabreeze") and Dicklands Farms ("Dicklands"). However, the determination was conditional on FEI confirming that natural gas non-bypass customers bear no actual or potential risk for unsold biomethane from the four supply contracts unless determined otherwise in the Commission's decision on FEI's 2012 Biomethane Application.[1] On March 6, 2013, FEI wrote to the Commission indicating that it would not accept the risk that biomethane from these projects would not be sold at the Biomethane Energy Recovery Charge ("BERC") rate (referred to herein as the "economic risk") and requested reconsideration of Order No. G-29-13. In Letter No. L-14-13, the Commission stated that it would proceed with an expedited Reconsideration Proceeding process if FEI filed an amended Reconsideration Application by March 15, 2013 with more expansive reasons.

FEI is filing this Reconsideration Application in response to Letter No. L-14-13 with expanded reasons and evidence in support of its reconsideration of item 1 of Order No. G-29-13. In the sections below, FEI indicates the aspect of Order No. G-29-13 of which it is seeking reconsideration and its requested relief, describes the reconsideration process, identifies its grounds for reconsideration, and sets out its evidence and reasons in support of reconsideration.

[1] The "2012 Biomethane Application" is FEI's Post Implementation Report and Application for Approval of the Continuation and Modification of the Biomethane Program on a Permanent Basis, filed December 19, 2012.

2 RECONSIDERATION AND REQUESTED RELIEF

The specific aspect of Order No. G-29-13 that is at issue in this Reconsideration Application is the condition on which the Commission agreed to increase the supply cap, as underlined in the quote below from Order No. G-29-13 item 1:

> *The supply cap, set by Order G-194-10, is increased by an amount sufficient to accommodate the supply from the four biomethane suppliers: Earth Renu, GVS&DD, Dicklands and Sea breeze, provided FEI confirms to the Commission by March 6, 2013, that natural gas non-bypass customers bear no actual or potential risk for unsold biomethane pending the outcome of the 2012 Biomethane Application. [Emphasis added.]*

As discussed below, FEI is seeking reconsideration on the basis that the condition in Order No. G-194-10 raises a new principle regarding who should bear the economic risk on biomethane supply and submissions and new and updated evidence should be considered on the issue. FEI submits that it should not be required to take the economic risk because biomethane supply is being developed to meet customer demand and provincial government energy policy objectives and that the cost of biomethane supply, like all gas supply, is properly borne by customers. FEI also submits that a requirement that it absorb the economic risk on biomethane supply, regardless of whether it is acting prudently, is inconsistent with the regulatory compact. In addition, in response to the new principle raised by Order No. G-29-13, FEI is filing in this Reconsideration Application new and updated evidence related to the demand and supply for biomethane and the impact of biomethane from the four supply projects not being sold at the BERC rate. FEI submits that this evidence, together with existing evidence on the record, indicates that it is prudent to proceed with the new supply at this time.

The specific relief that FEI seeks is that item 1 of Order No. G-29-13 be rescinded and that the Commission order that the supply cap set by Order No. G-193-10 be increased by an amount sufficient to accommodate the supply from the four biomethane suppliers without conditions. In accordance with the regulatory compact, FEI would only bear economic risk on the biomethane from the supply contracts to the extent it were found to have acted imprudently. FEI requests that if the relief is granted that a regulatory timetable be set for the review of the Earth Renu, Seabreeze and Dicklands supply projects in accordance with items 2 and 3 of Order No. G-29-13.[2]

[2] FEI is not in a position to pursue approval of the Supply Agreement with the GVS&DD at this time.

3 PROCEDURE FOR RECONSIDERATION AND PROCESS FOR THIS APPLICATION

As reflected in the Reconsideration and Appeals section of "Understanding Utility Regulation: A Participant's Guide to the B.C. Utilities Commission," the Commission's default process for addressing reconsideration applications is to proceed in two phases. The following is a description of these two phases.

The first phase is a preliminary examination in which the application is assessed in light of some or all of the following questions:

- Should there be a reconsideration by the Commission?
- If there is to be reconsideration, should the Commission hear new evidence and should new parties be given the opportunity to present evidence?
- If there is to be reconsideration, should it focus on the items from the application for reconsideration, a subset of these items or additional items?

The Commission also considers whether the claim of error is substantiated on a prima facie basis and/or the error has significant material implications in deciding whether to proceed to the second phase.

After the first phase evidence has been received, the Commission generally applies the following criteria to determine whether or not a reasonable basis exists for allowing reconsideration:

1. the Commission has made an error in fact or law;
2. there has been a fundamental change in circumstances or facts since the Decision;
3. a basic principle had not been raised in the original proceedings; or
4. a new principle has arisen as a result of the Decision.

In addition, the Commission will exercise its discretion to reconsider, in other situations, wherever it deems there to be just cause.

Where an error is alleged to have been made the application must meet the following criteria to advance to the second phase of reconsideration:

- the claim of error is substantiated on a prima facie basis; and
- the error has significant material implications.

If the applicant is successful, the Commission makes a determination based on the merits of the application.

In some cases, the Commission has addressed stages 1 and 2 at the same time as a means of enhancing the efficiency of the process. Letter No. L-14-13 states that the Commission would proceed directly to stage 2 of the process provided that FEI file a complete Reconsideration Application.

Based on the evidence and reasoning below, FEI submits that it has established a reasonable basis for reconsideration and that on the merits its Reconsideration Application should be approved.

4 GROUNDS FOR RECONSIDERATION

FEI is seeking reconsideration of the condition in item 1 of Order No. G-29-13 on the basis that the requirement in item 1 of Order No. G-29-13 raises a new principle that was not considered during the original proceedings. In particular, it raises the principle of who should bear the economic risk on biomethane supply. This issue has not been previously addressed by FEI or the Commission in any explicit manner. While FEI has included in its 2012 Biomethane Application a proposal for the recovery of the Biomethane Variance Account ("BVA") within the Midstream Cost Recovery Account ("MCRA"), the general issue of who should be bear the economic risk on biomethane supply has not been the subject of submissions in this proceeding. In particular, it was not the subject of comment from FEI or stakeholders in the process leading to the issuance of Order No. G-29-13. FEI therefore submits that the Commission should reconsider item 1 of Order No. G-29-13, considering the submissions from FEI and stakeholders as well in the context of the new and updated evidence provided in this Reconsideration Application.

It is FEI's submission in this Reconsideration Application that the risk that biomethane may not be sold at the BERC rate should be borne by FEI's non-bypass customers. This follows from the fact that gas supply is appropriately a customer cost and biomethane supply is being produced to meet customer demand and provincial government energy policy objectives, and because imposing the risk on FEI is inconsistent with the regulatory compact.

To further address the new principle raised, FEI provides below new and updated supply and demand information related to the potential risk that biomethane from the four supply projects may not be sold at the BERC rate. FEI also provides a calculation of the maximum potential rate impact of biomethane supply from the four supply projects to midstream customers. FEI submits that given the supply/demand balance and risk mitigation measures in place, it is prudent to raise the supply cap on the Biomethane Pilot Program to accommodate the four new supply projects.

5 MATERIAL IMPLICATIONS

This reconsideration request has material implications for FEI, potential biomethane customers, biomethane suppliers and the future of the Biomethane Program in general. Without reconsideration, it is our understanding that the Commission will not consider the biomethane supply agreements until after conclusion of the 2012 Biomethane Application proceeding. The Commission is aware of the time pressures faced by the four biomethane suppliers. It is possible that this delay will result in all four supply projects not being pursued. This will have implications for future supply of the program and the availability of biomethane for future customers. If the reconsideration is granted, the Commission's review of the supply agreements could still occur in a timely fashion.

6 SUBMISSIONS ON NEW PRINCIPLE RAISED BY ORDER G-29-13

Item 1 of Order No. G-29-13 raises the new principle of who should bear the economic risk on biomethane supply. In the subsections below FEI sets out its submissions on why customers should properly bear this risk.

6.1 *COST RECOVERY OF GAS SUPPLY*

It is established Commission practice that gas supply costs are treated as a "flow-through" cost. This practice reflects the fact that the gas supply is purchased for customers who consume the commodity and that gas supply costs are outside the control of the utility.[3] The theory that the utility should bear economic risk on gas supply therefore runs against these well-established practices and principles.

In principle FEI believes that biomethane supply should be treated in the same manner as other gas supply. Biomethane is interchangeable with conventional natural gas, is mixed with all other sources of supply and consumed by customers. FEI has developed a Biomethane Program which is primarily a "user pay model" in which customers choosing biomethane pay a premium reflecting its currently higher cost of production. However, this user pay model does not negate the fact that biomethane is a commodity purchased by FEI for consumption by its customers. Therefore, if there is biomethane that cannot be sold at the BERC rate, then such biomethane should be considered as a part of the overall gas supply for all customers and treated consistently with all other gas supply.

6.2 *BIOMETHANE DEVELOPED TO MEET CUSTOMER DEMAND AND PUBLIC POLICY*

Biomethane is a commodity requested by FEI's customers and is being developed to advance public policy, such as to use clean, innovative and renewable resources and reduce greenhouse gas ("GHG") emissions. The economic risk of biomethane supply is therefore properly borne by customers.

The Biomethane Program was designed to meet customer demand for renewable natural gas ("RNG"). FEI's has submitted evidence in its 2012 Biomethane Application regarding the level of customer support for the Biomethane Program.[4] FEI's primary research both in 2009 and in 2012 shows there is a high level of support for FEI to be investing in RNG projects as well as offering RNG.

[3] E.g. see section 61(4) of the Act.
[4] Exhibit B-1, pp. 116-118 and Appendix E, Market Research.

The Biomethane Program was also advanced to meet public policy objectives such as to develop clean, renewable and innovative resources, to reduce waste and to reduce GHG emissions. FEI has submitted detailed evidence on the policy supporting the Biomethane Program in Section 3 of the 2012 Biomethane Application. This evidence will not be repeated here, but it is clear that public policy from all levels of government supports the development of RNG. This policy is reflected in "British Columbia's energy objectives" found in the *Clean Energy Act* which are incorporated by reference into the Act. FEI's Biomethane Program is in direct response to this policy. In addition FEI was also awarded the Green Economy Leadership Award from the Ministry of Environment as demonstrated by the attached news release in Appendix A. Further to that evidence, FEI attaches a letter of support from the Ministry of Environment (Appendix B) demonstrating its support for the continuation of the Biomethane Program and confirming its alignment with the objectives set out in the provincial government's natural gas strategy.

It is significant that policy objectives are not only reasons to pursue the Biomethane Program in themselves, but are real factors affecting natural gas customer behavior. FEI's customers are pursuing the same policy objectives, such as to reduce GHG emissions and use clean and renewable resources. Prime examples of such customers are UBC and municipalities, such as the City of Richmond and the City of Vancouver, whose own policy objectives to reduce GHG emissions have led to their interest in purchasing RNG from FEI.

Given these circumstances, FEI submits that it is inconsistent and inappropriate to force FEI to accept the economic risk on the supply contracts. Whether or not the biomethane supply is sold at the BERC rate, the biomethane will be consumed by customers, displacing conventional natural gas and reducing GHG emissions. The economic risk of pursuing policy and customer demand is therefore appropriately borne by all non-bypass customers.

6.3 *RECOVERY OF PRUDENTLY INCURRED COSTS*

A requirement for FEI to take on the economic risk of the four supply contracts is also inconsistent with the regulatory compact.

The regulatory compact reflects that, as the Commission has previously concluded,[5] under sections 59 and 60 of the Act a public utility must be provided an opportunity to recover its prudent cost of service and a fair return on its investment. This is rooted in the case law which makes it clear that a utility has a right to a fair return on its investment.[6] The opportunity to earn

[5] *An Application by Pacific Northern Gas Ltd (PNG-West and Granisle) for Approval of 2006 Rates*. Reasons for Decision to Order No. G-99-06, dated August 16, 2006, at pp. 23-24. Online at: http://www.bcuc.com/Documents/Decisions/2006/DOC_12356_G-99-06_PNG_2006RR_Reasons.pdf .

[6] For example, in *Hemlock Valley Electrical Services Ltd. v. British Columbia Utilities Commission et al.*, 1992 CanLII 5959 (BC CA), the B.C. Court of Appeal confirmed (at para. 55) that the utility has a "statutory right to the approval of rates which will afford it the opportunity to earn a fair and reasonable rate of return upon the appraised value of its property." Online at: http://www.canlii.org/en/bc/bcca/doc/1992/1992canlii5959/1992canlii5959.pdf.

a fair return is only a real opportunity if a fair return can be reasonably achieved through prudent management, as reflected in the Commission's acceptance of the test of prudence when reviewing past management decisions.[7]

The effect of forcing FEI to take all economic risk on the supply contracts would be to determine that FEI's shareholder should bear certain costs over the 10 to 15-year lives of the supply contracts in advance of, and independent of, any finding of lack of prudence. To the extent such costs are incurred despite FEI's prudent management, FEI's shareholder would bear the cost which would, in turn, lower its earned return. This scheme would therefore fundamentally change the regulatory compact.

The Commission has previously recognized that similar mechanisms (cost collars for CPCN projects), in which potential costs for public utility service are assigned to the shareholder prospectively, without regard to the prudence of such expenditures, must be subject to Commission review to allow the recovery of prudently incurred costs.[8]

FEI therefore submits that the requirement that FEI take economic risk on supply projects independent of FEI's prudent management decisions, is inconsistent with the regulatory compact and should not be ordered.

6.4 *CONCLUSION*

In summary, FEI submits that, in accordance with the regulatory compact, FEI should only bear the economic risk on supply contracts to the extent it acts imprudently. FEI is pursuing the Biomethane Program in response to customer demand and public policy. There is concrete evidence that the Biomethane Program is supported both by customers and from a policy perspective. The two are intimately linked as customer interest in biomethane is driven by individual customers' own goals, policies and interests in using clean, renewable fuel and reducing GHG emissions. As such, it is appropriate that any risk that biomethane may not be sold at the BERC rate be borne by all non-bypass customers consistent with the established treatment of all other gas supply. For all these reasons, FEI submits that as a general principle it is just and reasonable that all non-bypass customers bear the costs of biomethane that cannot be sold at the BERC rate.

[7] *In the Matter of British Columbia Hydro and Power Authority and F2009 and F2010 Revenue Requirements,* March 13, 2009 (Order No. G-16-09), at pp. 31-39. Online at: http://www.bcuc.com/Documents/Decisions/2009/DOC_21287_BCH-2009RR_WEB.pdf .

[8] *In the Matter of Terason Gas (Whistler) Inc. 2010-2011 Revenue Requirements*, Reasons for Decision for Order No. G-138-10, dated October 25, 2010, p. 18. Online at: http://www.bcuc.com/Documents/Decisions/2010/DOC_26347_G-138-10_TGW_F2011-RRA-Reasons-Appendix-A.pdf .

7 NEW AND UPDATED EVIDENCE REGARDING ECONOMIC RISK

In this section, FEI provides new and updated evidence regarding the potential economic risk to non-bypass customers from the four supply contracts. This evidence includes:

- An update on the demand for biomethane
- An update on the biomethane supply
- A calculation of the potential impact on the MCRA

Based on the Reasons for Decision for Order No. G-29-13, the reason for the conditional approval of an increase to the supply cap was due to the different circumstances of the four contracts and the concern about natural gas non-bypass customer risk. FEI submits that the evidence below demonstrates that the economic risk from the four supply contracts is less than previously considered. This is primarily due to the revised supply projections and additional evidence regarding the volumes of biomethane committed to by UBC. Together with the evidence already on the record, FEI submits that it is prudent to increase the supply cap on the Biomethane Pilot Program to accommodate the four new supply agreements.

7.1 *DEMAND UPDATE*

The following is new and updated evidence regarding the extent of demand for biomethane, including from UBC and residential customers.

7.1.1 Update on Demand from UBC

In its 2012 Biomethane Application, FEI filed a letter of intent from UBC dated December 3, 2012 (Exhibit B-1, Appendix G). In the letter, UBC stated that its intent was to purchase 20,000 GJ of biomethane beginning April 1st 2013. UBC has now confirmed that commitment by signing the enrollment form on January 23, 2013. A copy of the enrollment form is attached as Appendix C. Under the moderate demand forecast presented in Section 4 of the 2012 Biomethane Application, FEI conservatively assumed only a 30 percent capture rate from the emerging markets, which resulted in an assumption of approximately 6,000 GJ from UBC in 2013 and 2014. Based on the signed agreement with UBC, there is an increase to the moderate demand forecast of approximately 6,600 GJ in 2013 and 14,000 in 2014.

In addition, in its letter of December 3, 2012, UBC referred to the possibility of increasing the 20,000 GJ amount from 2013 through 2015. FEI can now state that UBC is looking at adding up to 100,000 GJ of biomethane this year for their cogeneration facility. This agreement would be executed through the existing approved rate Schedule 11B. This 100,000 GJ of potential new load is not captured for the years 2013 and 2014 under any scenarios of the projected demand in Section 4.5 of the 2012 Biomethane Application.

UBC confirmed in a meeting held on March 6, 2013 that they are still committed to go to their board of governors in early 2014 for approval of 500,000 GJ of biomethane to serve a new Combined Heating and Power Facility. In the moderate case scenario, FEI has only assumed 30 percent capture rate; however, FEI notes that customers such as UBC need the entire 500,000 GJ to meet their GHG reduction targets.

7.1.2 Impact on and Correction to First Quarter Gas Cost Report

The FEI 2013 First Quarter Gas Cost Report, dated March 7, 2013, incorporated the same assumptions as that of the Moderate Demand Forecast scenario presented in section 4 of the 2012 Biomethane Application, with the recorded results updated to include information to January 31, 2013. In its 2013 Second Quarter Gas Cost Report that will be filed in early June, FEI will be updating the demand forecast to reflect the additional volumes from UBC, as described above.

Additionally, the recorded January 31, 2013 BVA volume of Biomethane Available for Sale in the 2013 First Quarter Gas Cost Report does not incorporate the recent sales to the City of Vancouver (approximately 4700 GJ for the four months from November 2012 until the end of February 2013). This was due to the time required to set up the system to manually invoice them. The sales volumes from the City of Vancouver will be reflected in FEI's 2013 Second Quarter Gas Cost Report and will further reduce the BVA unsold volumes.

7.1.3 Long-term Agreements with Large Customers

With respect to the change in circumstances in relying on demand from large customers such as UBC, FEI notes that it is investigating entering into long-term contracts with such customers. UBC writes the following in its December 3, 2012 letter (Exhibit B-1, Appendix G):

> *It is UBC's understanding that the price for RNG would be in the range of $10-15 per GJ and that UBC would enter into a long term supply contract (up to 20 years) with FortisBC for the supply of RNG applicable to its load requirements, subject to key terms and conditions being agreement to UBC (including but not limited to pricing)…*

Such long-term contracts would extend over the lifespan of current supply agreements and would mitigate any economic risk on biomethane supply. Such agreemetns can be executed through the existing Rate Schedule 11B.

7.1.4 Continued Increase in Residential Customers

FEI still continues to add residential customers into the program and as of the end of Feb 2013; there were approximately 4927 customers up from the 4777 at the end of 2012.

7.1.5 Impact of Amalgamation Decision

Offsetting the increases noted above is a decrease to demand due to the removal of demand from FortisBC (Vancouver Island) Inc. as a result of the Commission's denial of FEI's application to amalgamate.

7.1.6 Conclusion on Demand Update

All of these factors lead to an increase in demand in 2013 and 2014, with a slight decrease in the forecast demand by 2017. However, the more substantial point is that the demand forecast is remaining stable and the prospects of significant demand from UBC are on track and more certain. An updated demand and supply forecast is presented in Section 5.4 below.

7.2 *SUPPLY UPDATE*

FEI provides the following update to its supply forecast, based on the amended Earth Renu contract and updated expected annual production volumes. FEI also provides a clarification of volume under the GVS&DD contract.

7.2.1 Amended Earth Renu Agreement

The most significant change to the projected supply is a result of the Amended Supply Agreement with EarthRenu. The contract maximum volume was reduced from 205,000 GJ annually to 100,000 GJ annually.

7.2.2 Updated Expected Annual Production Volumes

Since the issuance of Order No. G-29-13, EarthRenu, SeaBreeze, Dicklands Farms and the GVS&DD have provided updated expected annual production volumes to FEI. These production volumes are the best estimate available today based upon the expected inputs and efficiencies of the projects. While these volumes could either increase or decrease, the updated maximum and expected volumes are indicated in the following table.

Project	**Max (GJ/year)**	**Expected (GJ/year)**
GVS&DD (MetroVan)[9]	40,000	40,000
Seabreeze	70,000	42,000
Dicklands	70,000	46,000
Earth Renu	100,000	50,000
Total	**280,000**	**178,000**

[9] Not updated

Despite the estimates above, FEI believes that it is in the best interest of suppliers to work toward reaching contract maximum volumes over the lives of their respective projects. However, it is not likely that this would happen quickly. To illustrate, CHFour has indicated (on behalf of Seabreeze and Dicklands) that the date of initial delivery from the SeaBreeze and Dicklands projects will be delayed as the ordering of the necessary upgrading equipment has been delayed pending Commission approval, and FEI cannot expect to have more than approximately 50 percent of the expected volumes in 2014. The expected volumes should be reached in the year 2015 assuming a contract approval date within the next one or two months. Further increases to volumes are unlikely until 2016 at the earliest.

7.2.3 Clarification on Volumes from GVS&DD Supply Agreement

The contract is unique among the four new supply contracts with regard to the structure around the volumes. At the request of the GVS&DD, there are two maximum volumes. The first maximum at 40,000 GJ per year is the maximum amount of annually purchased biomethane. The second maximum at 100,000 GJ per year is the maximum volume that FEI can accept in the local distribution system based upon a capacity analysis.

From the perspective of biomethane pricing, FEI only pays a biomethane rate on the first 40,000 GJ per year. GVS&DD indicated a desire to potentially add to their project in the future and therefore increase volumes. However, they also indicated a desire to potentially use the biomethane for their own purposes, but wanted to have the ability to use the FEI system to inject potentially more than 40,000 GJ annually. To further clarify, any gas provided above 40,000 GJ per year is purchased at standard natural gas rates and is therefore not considered part of the RNG supply pool by FEI.

7.2.4 Conclusion on Supply Update

The revised supply update shows a lower supply forecast than previously presented and thereby reduces the economic risk from the four new supply contracts.

7.3 *UPDATED DEMAND AND SUPPLY FORECAST*

FEI has used industry trends, primary market research, and emerging markets in BC to determine low, moderate, and high case demand scenarios. FEI continues to incorporate new information as it comes available.

Presented below are updates to Figures 4-3 and 8-1 from pages 61 and 112 of the 2012 Biomethane Application, respectively. The changes made to the forecast presented in the 2012 Biomethane Application are as follows:

1. Removed demand from FEVI due to amalgamation decision.
2. Increased demand from UBC in 2013 and 2014 from original 6,000 (30 percent of 20,000) to a more realistic 12,600 in 2013 and 20,000 in 2014. **(Note that volumes will be higher as UBC has continued to demonstrate their commitment to biomethane with a commitment to purchase an additional 40,000 to 100,000 starting in Summer 2013. This has not been included in this forecast as FEI does not have a signed contract.)**
3. Adjusted 2012 numbers to reflect actuals.
4. Adjusted supply based on updates from suppliers. Most significant adjustment made to Earth Renu volumes.
5. All other assumptions from the original forecast remain the same.

The significant changes are a result of decreased supply from the 4 proposed supply contracts as well as increased demand confirmed in 2013 and 2014. The result in the short term is available supply decreased and known demand increased but changes to both still result in a supply shortfall by 2015 in the high and moderate demand scenarios and by 2016 in the low case scenario.

Figure 1: Updated Figure 4-3 (Exhibit B-1, p. 61)

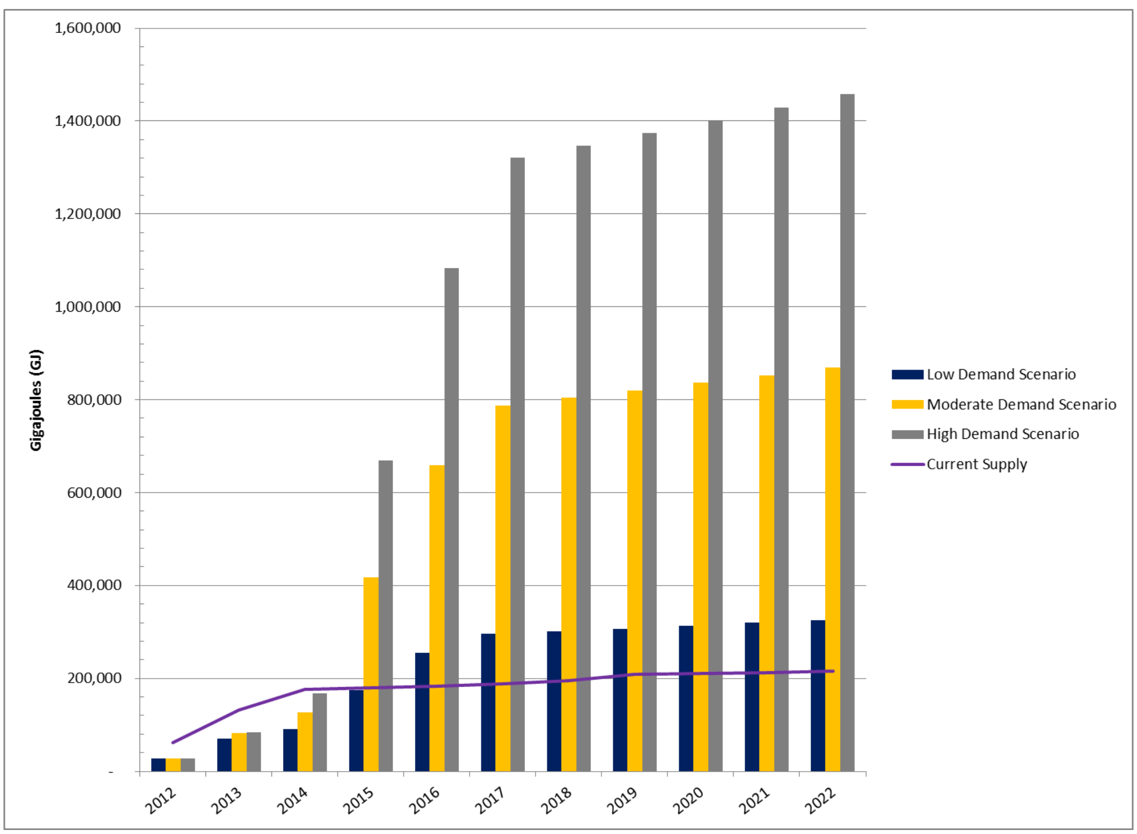
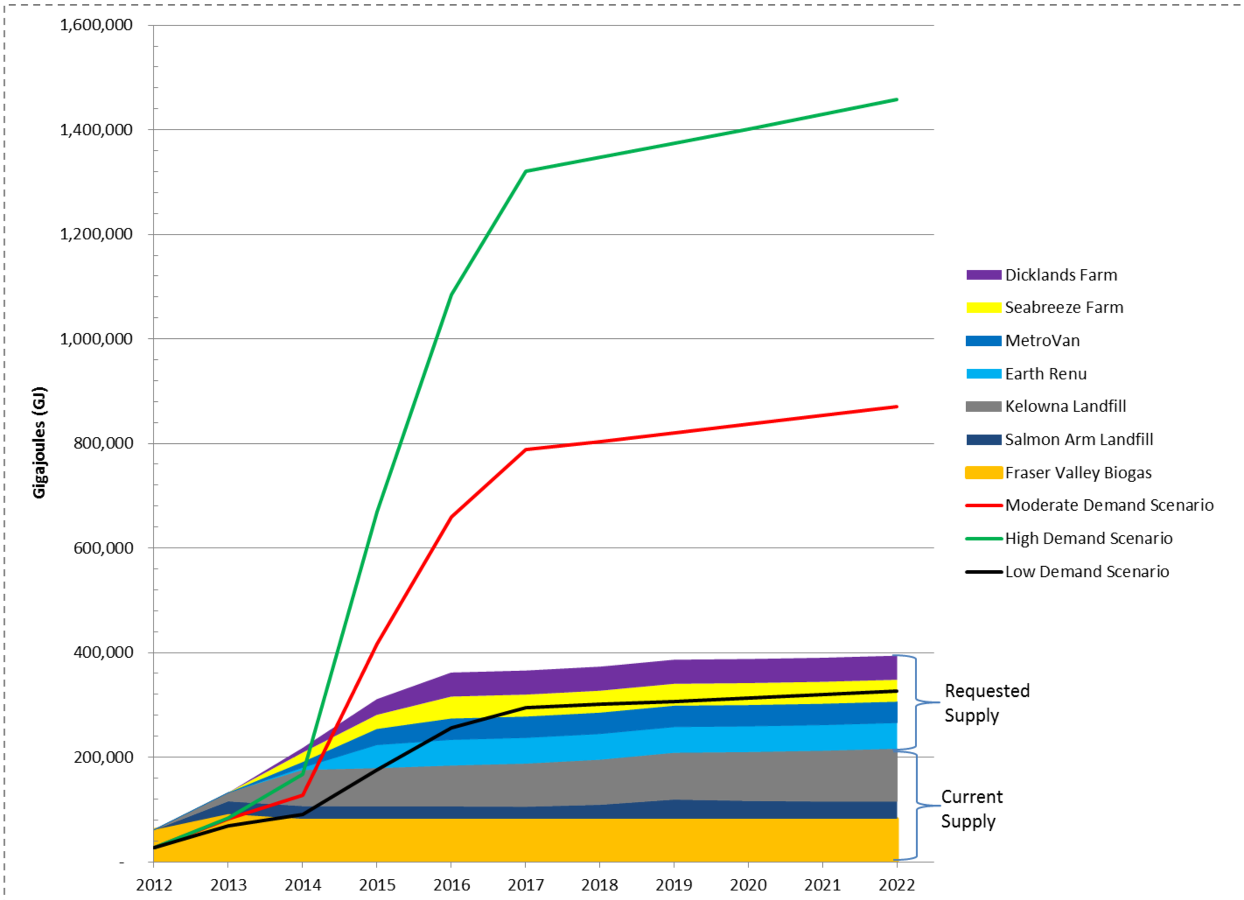


Figure 2: Updated Figure 8-1 (Exhibit B-1, p. 112)



7.4 *REVISED IMPACT TO ALL CUSTOMERS IN CASE OF MCRA RECOVERY*

In the 2012 Biomethane Application, FEI proposed the potential cost recovery of biomethane costs through the MCRA. The potential impact to MCRA customer rates was estimated to be $0.003/GJ based on the difference between the current BERC rate and natural gas commodity costs and an unsold balance of 100,000 GJ.

Using a similar method, FEI has calculated a maximum rate impact of the four new supply projects based upon contract prices and maximums. As a worst case impact, the following assumptions could be made:

1. All four projects operate at maximum annual volume (aggregate supply of 280,000 GJ/yr).
2. None of this volume is sold to RNG customers at the BERC rate.
3. All of these gas costs are added to the MCRA.

4. The incremental cost in the MCRA is the difference between biomethane contract prices and the current commodity rate.

If, for example, all of the incremental biomethane volume (estimated at the total maximum of the four contracts) was sold at current market prices for natural gas, the differential price would impact the MCRA by about $0.023/GJ. For a typical residential customer with a 95 GJ annual load the yearly impact would be approximately $2.18. FEI emphasizes that this is not a realistic projection based upon the expected demand for RNG, but it does provide an indication of upper bound on the possible rate impact to MCRA customers. FEI submits that the calculated rate impact above demonstrates that in the unlikely even that the worst case scenario came to pass, it would not result in a material impact to customers.

A more realistic approach would be to take into account the expected biomethane volume and the expected demand as was done in the 2012 Biomethane Application. While under the moderate demand forecast demand would exceed supply, if the low demand forecast were to materialize, this would result in a yearly rate impact to the typical residential customers in the range of $1.04 to $0.50 from 2015 to 2022.

To substantiate that the rate impact above are unlikely to occur, FEI reiterates that it has supply mitigation measures available as discussed in section 8 of the 2012 Biomethane Application, including the sale of up to 1,500,000 GJ of biomethane to Wespac. As stated on page 113 of the 2012 Biomethane Application, the emergence of mandatory renewable power portfolios has caused electric utilities across North America to seek out biomethane supply for their natural gas fired power production. FEI has received a Letter of Intent from Wespac for up to 1,500,000 GJ of biomethane as a result of this policy. Such a sale would be done through FEI Rate Schedule 30B, which sets out the terms and conditions for gas sold on the spot market that is notionally biomethane. In addition, independent of Wespac, FEI could always market and sell natural gas through Rate Schedule 30B to off-system customers and mitigate the price differential between FEI's conventional natural gas and the BERC rate. While FEI would prefer to keep the sale of biomethane within BC, these risk mitigation options are available.

FEI therefore submits that the economic risk on the four biomethane supply contracts is minimal and not material at this time. As such, FEI submits that it is prudent to proceed with an expansion of the supply cap to accommodate the four new supply contracts.

8 CONCLUSION AND ORDER SOUGHT

FEI submits that in principle the risk of biomethane not being sold at the BERC rate should be borne by FEI's non-bypass customers. This is consistent with the established treatment of all other gas supply and follows from the fact that biomethane supply is being produced to meet customer demand and policy. In contrast, imposing the risk on FEI is inconsistent with the regulatory compact.

Since filing of the 2012 Biomethane Application, FEI has now received a firm contract from UBC for 20,000 GJ, potential to add an incremental 100,000 GJ and the continued commitment to potentially sign a firm contract of 500,000 GJ sometime in 2014. With these additional UBC volumes, reduced supply and momentum in the market place, and government support, FEI submits that it is reasonable to conclude that the demand for biomethane should outstrip supply and that it is therefore prudent to expand the supply cap for the Biomethane Pilot Program at this time.

For the reasons described herein, FEI seeks an order pursuant to section 99 of the *Utilities Commission Act* granting the following:

1. Item 1 of Order No. G-29-13 is rescinded.
2. The supply cap set by Order No. G-193-10 is increased by an amount sufficient to accommodate the supply from the four biomethane suppliers.

FEI requests that if the relief is granted that a regulatory timetable be set for the review of the EarthRenu, Seabreeze and Dicklands supply projects in accordance with items 2 and 3 of Order No. G-29-13.

Appendix A

MINISTRY OF ENVIRONMENT NEWS RELEASE
MARCH 13, 2013

BRITISH COLUMBIA

NEWS RELEASE

For Immediate Release
2013ENV0023-000486
March 13, 2013

Ministry of Environment

FortisBC receives Green Economy Leadership Award

VANCOUVER – Environment Minister Terry Lake presented FortisBC with the first ever Green Economy Leadership Award for their innovative work in clean technology last night, on the eve of the Global Methane Initiative's Methane Expo.

FortisBC is leading the way in reducing greenhouse gas emissions and improving the environment through creating innovative ideas in every sector.

Working to help bring costs and emissions down, FortisBC is the first utility in North America to introduce a renewable natural gas offering to residential customers. At the Salmon Arm landfill, FortisBC is working with the Columbia Shuswap Regional District to upgrade and inject biomethane derived from landfill gas into the local distribution system. Using renewable natural gas reduces greenhouse gas emissions and creates new jobs from clean technology projects that capture landfill gas.

FortisBC's Natural Gas for Transportation program initially targeted liquefied and compressed natural gas for large vehicle fleets, such as waste haulers, tractor trailers and transit buses. By providing incentives to other companies, FortisBC has helped companies like Vedder Transport and Waste Management transition their vehicle fleet to natural gas.

Building great partnerships does not stop with the transportation sector for FortisBC. The company has teamed up with school districts and municipalities to create more efficient energy systems. High-efficiency natural gas boilers are coming to 19 buildings in the Delta school district, helping to lower energy consumption and carbon emissions as well as save an estimated $180,000 annually. FortisBC also has partnered with the City of Kelowna to construct, own, operate and maintain a district energy system to provide heating and cooling for dozens of buildings in the city's downtown core.

Since its inception in 1989, FortisBC's PowerSense program has helped Southern Interior electricity customers save more than 425 gigawatt hours, enough electricity to power over 32,000 homes for a year. In 2012, the PowerSense team handed out almost 10,000 clotheslines to encourage hanging clothes to dry and reducing electricity.

The Green Economy Leadership Award recognizes a B.C. business for leadership in turning the green policies of the Province into new economic opportunities.

The Global Methane Initiative (GMI) is a voluntary, multilateral partnership that aims to reduce global methane emissions and to advance the abatement, recovery and use of methane as a valuable, clean energy source. GMI achieves this by creating an international network of partner governments, private-sector members, development banks, universities and non-governmental organizations in order to build capacity, develop strategies and markets, and remove barriers to project development for methane reduction in partner countries.

Photos from the award presentation can be found at: http://flic.kr/s/aHsjtWwxv8

Quotes:

Terry Lake, Minister of Environment –
"Congratulations FortisBC for your instrumental work to develop innovative and green ideas to help bring costs down, as well as emissions. You have created a whole new line of businesses in the province, leading to clean technology innovations across all sectors. British Columbia is a climate change leader and will remain so with the help of companies like FortisBC."

John Walker, FortisBC president and CEO –
"I would like to thank the Province for recognizing FortisBC's efforts in promoting energy efficiency and innovation in the use of natural gas and electricity, achieving lower costs for our customers and lower provincial carbon emissions. We are able to develop these economic opportunities through forward-thinking environmental policies and the continued support of government."

Quick Facts:

- A green economy is any economic activity that grows the economy and creates jobs, while also preserving or enhancing the environment.
- Signals of a growing green economy in B.C.:
  - 2.1 times the Canadian rate of hybrid vehicle adoption.
  - 48 per cent growth in clean-tech sales (2008-10).
  - 2,348 gigawatt hours of electricity saved through conservation programs in 2011.
  - 20 per cent of Canadian LEED gold building projects registered since 2007 have been from British Columbia.
- Criteria for the Green Economy Leadership Award:
  - Ecology: Measurable improvement to the environment, especially related to climate change.
  - Innovation: Unique technology or service that challenges current business thinking and promises tangible and significant environmental benefits.
  - Culture: Plays a significant role in achieving permanent shifts in behaviour that are part of a low carbon economy.
  - Competiveness: Increases overall competitiveness of the province and B.C. companies in global markets.

Learn More:

- For more information about the Ministry of Environment's Climate Action Secretariat, please visit: www.env.gov.bc.ca/cas
- BC's Green Economy report can be viewed at: www.bcge.ca/BCs_Green_Economy.pdf
- More information on FortisBC can be found at: www.fortisbc.com

Contact: Media Relations
Ministry of Environment
250 953-3834

Connect with the Province of B.C. at: www.gov.bc.ca/connect

Appendix B

MINISTRY OF ENVIRONMENT LETTER OF SUPPORT

BRITISH
COLUMBIA

Reference: 188996

MAR 1 1 2013

Vanessa Connolly
Government Relations & Public Affairs Manager
FortisBC
1111 West Georgia Street
Vancouver BC V6E 4M3

Dear Ms. Connolly:

I am writing regarding FortisBC's Biomethane Post Implementation and Program Modification application submitted to the BC Utilities Commission (BCUC) on December 19, 2012.

The BC Ministry of Environment is pleased to support the continuation and recommended modification of FortisBC's Renewable Natural Gas (RNG) program. This program allows FortisBC's residential and commercial customers to designate a portion of their natural gas usage as renewable for a small premium. The methane gas used to produce RNG comes from organic waste found at local landfills and farms. Instead of escaping into the atmosphere as a harmful greenhouse gas, it is captured, cleaned and added to FortisBC's pipeline, giving British Columbians a renewable energy source.

This program aligns with objectives set out in the BC Government's natural gas strategy, to encourage biomethane opportunities, including offering consumers low-carbon natural gas. Furthermore the development of RNG aligns with the BC Job's Plan priority to maintain a competitive advantage in the clean energy technology sector by supporting the use of clean energy technology in the domestic market. It is for these reasons that the Government of British Columbia presented Fortis BC with our first annual Green Economy Leadership award at the Global Methane Initiative this March in Vancouver.

Nearly 5,000 residential customers and 75 commercial customers have signed onto FortisBC's RNG program, demonstrating this new offering is being embraced by a wide range of British Columbians. Current and future supply potential for RNG is significant and can replace up to an estimated 470,000 GJs of natural gas.

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Ministry of Environment | Office of the Minister | Mailing Address: Parliament Buildings Victoria BC V8V 1X4 | Telephone: 250 387-1187 Facsimile: 250 387-1356

Efforts such as these demonstrated by FortisBC's RNG programs advance BC's green economy by creating jobs, spurring innovation, and reducing greenhouse gas emissions. It is encouraging to see leadership in corporations like yours to address climate change and help turn BC into a clean technology powerhouse.

Sincerely,

Terry Lake
Minister of Environment

Appendix C

UBC ENROLMENT FORM

Commercial renewable natural gas enrollment

FORTIS BC

Business name	Contact name	Date (Yr/Mth/Day)
University of British Columbia	Paul Holt	13/01/23
Address	**City**	**Postal code**
2040 ~~2329~~ West Mall	Vancouver	V6T 1Z2

Phone number	Email address	Account number
(604)822-0852	paul.holt@ubc.ca	see below

Renewable Natural Gas (RNG) option

☐ Small commercial (less than 2000 GJ / yr) – 10% RNG option, Rate Schedule 2B
10% natural gas usage will be designated as RNG and charged at the current RNG rate

☐ Large commercial (more than 2000 GJ / yr) – 10% RNG option, Rate Schedule 3B
10% natural gas usage will be designated as RNG and charged at the current RNG rate

☒ Bulk purchase - # of GJ's__________________ / yr)
Bulk purchases are subject to availability and for customers signed up with a gas marketer.
RNG will be sold to your gas marketer on your behalf at the current RNG rate via Rate Schedule 11B.

RNG transaction schedule (for bulk purchase)

☐ Quarterly ☒ Monthly ☐ Annually Start date (Yr/Mth/Day): April 1, 2013

Additional information

Please provide any additional information that would aid in the process of this application (additional account numbers, addresses etc.)

20,000 GJ/s per year of RNG to be purchased monthly based on load profile. Gas Marketer - Shell

Account #'s (Point Grey Campus):

1057936

1178752

1180354

1180355

Paul Holt
Applicant name (PRINT)

Paul Holt
Applicant signature

2013/03/01
Date (Yr/Mth/Day)

☐ **I would like to participate in the coupon program.**

☐ **I would like to receive future emails about renewable natural gas from FortisBC.**

Return this form to : RNG program manager,
renewablenaturalgas@fortisbc.com

3129 12/02