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**BY ELECTRONIC FILING**

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

**Attention: Ms. Erica Hamilton,  
Commission Secretary**

Dear Ms. Hamilton:

**Re: FortisBC Energy Inc.**

**Biomethane Post Implementation and Program Modification  
(2012 Biomethane Application)**

In accordance with the Regulatory Timetable set for this proceeding by Order No. G-107-13, we enclose for filing the electronic version of the Reply Argument of FortisBC Energy Inc.

Twelve hard copies of the enclosed will follow by courier.

Yours truly,

**FASKEN MARTINEAU DuMOULIN LLP**

*[Original signed by Christopher Bystrom]*

Christopher R. Bystrom

CRB/ccm  
Encl.

**BRITISH COLUMBIA UTILITIES COMMISSION**

**PROJECT NO. 3698699**

**FORTISBC ENERGY INC.  
BIOMETHANE POST IMPLEMENTATION AND  
PROGRAM MODIFICATION**

**REPLY ARGUMENT  
OF  
FORTISBC ENERGY INC.**

**AUGUST 12, 2013**

**FASKEN MARTINEAU DuMOULIN LLP**

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## 1.0 INTRODUCTION

1. On December 19, 2012 FortisBC Energy Inc. (“FEI”) filed with the British Columbia Utilities Commission (the “Commission” or “BCUC”) its Biomethane Service Offering: Post Implementation Report and Application for Approval for the Continuation and Modification of the Biomethane Program on a Permanent Basis (the “2012 Biomethane Application”).<sup>1</sup> FEI’s 2012 Biomethane Application seeks approval pursuant to Sections 59-61 of the *Utilities Commission Act* for the continuation and modification of the biomethane pilot program approved by Order G-194-10 (the “Pilot Program”) on a permanent basis.
2. FEI filed its Final Argument on July 22, 2013. On July 30, 2013, the City of Vancouver filed its Final Argument. On August 2, 2013, the Commercial Energy Consumers Association of British Columbia (the “CEC”), the British Columbia Pensioners’ and Seniors’ Organization of B.C. et al (“BCPSO”) and British Columbia Sustainable Energy Association (“BCSEA”) also filed their Final Arguments.
3. The City of Vancouver, CEC and BCSEA each support the FEI’s 2012 Biomethane Application.
4. Significantly, the City of Vancouver has urged the Commission to approve the continuation of the Biomethane Program and the FEI’s ability to own upgrading facilities in certain circumstances, as in the case of the biogas project at the City’s landfill. FEI reiterates the importance that it be able to own upgrading facilities when its partner is a regional or municipal government, in order to ensure that these Biomethane opportunities are developed rather than having the biogas flared or developed in less efficient manner.
5. FEI notes the broad support for its 2012 Biomethane Application from BCSEA and the CEC. In particular, FEI endorses the CEC’s submissions that the energy from biogas resources is likely to be developed and the question is whether it will be as electricity or

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<sup>1</sup> Exhibit B-1.

Biomethane. As the CEC highlights, energy consumers are better off if these resources are developed for Biomethane.

6. The only intervenor to take issue with aspects of FEI's 2012 Biomethane Application is the BCPSO. FEI replies to BCPSO's Final Argument below.

## **2.0 REPLY TO BCPSO**

### **2.1 General**

7. The BCPSO makes the claim that its "constituents are the least likely to be able to afford the Biomethane premium, and in that regard, *represent the 99% of FEI's residential customers who are not currently participating in the program.*" [Emphasis added.] The BCPSO in fact does not represent 99% of FEI's residential customers and BCPSO's constituents are not representative of 99% of FEI's large and diverse customer base. FEI submits that the Commission should disregard the BCPSO's claim.

8. The BCPSO is generally supportive of FEI's 2012 Biomethane Application. BCPSO submits:<sup>2</sup>

- The continuation and expansion of the Biomethane Service Offering is in the public interest, insofar as it is based on a renewable resource, reduces waste and can reduce greenhouse gas ("GHG") emissions.
- The provincial government has been supportive of the program.
- The service offering has almost achieved the industry median of 1% participation.
- Using Biomethane to displace natural gas is a more efficient and effective use of Biomethane than burning it to produce electricity.
- BCPSO supports FEI's proposal to provide additional blend options.

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<sup>2</sup> BCPSO Final Argument, p. 4.

- BCPSO supports the Biomethane program “because it will likely have some environmental benefits that could benefit all ratepayers: it is a renewable resource, it displaces conventional natural gas, and it reduces the emission of methane into the atmosphere.”<sup>3</sup>
9. Despite this support, BCPSO takes issue with what it calls the “asymmetry of costs and risks borne by this program.”<sup>4</sup> In reply, FEI submits that it has proposed a balanced approach to the costs and risks of the Biomethane Program that is consistent with regulatory principles and the regulatory compact.
  10. As the evidence in this proceeding demonstrates, an alternative approach to FEI’s user-pay model would be a model which recovered all the costs of the Biomethane Program from all customers. Such a model would be justified given the objectives of the program and benefits it achieves for the Province. On the other end of the spectrum would be the model that BCPSO proposes, where all costs are borne by the voluntary participants in the Biomethane Program.
  11. FEI’s proposed model is a balanced approach which allocates the costs of the Biomethane Program on a principled basis. While costs to make the service available are allocated to all customers, the cost of the Biomethane commodity itself is recovered only from voluntary participants. This approach allocates costs appropriately and also achieves the objective of keeping the premium for Biomethane to reasonable levels to maximize voluntary participation.
  12. FEI submits that the asymmetry in this case instead lies in BCPSO’s unwillingness to bear any of the costs for the Biomethane Program, even though it recognizes that:
    - BCPSO’s constituents receive the benefits of the Biomethane Program;<sup>5</sup> and

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<sup>3</sup> BCPSO Final Argument, p. 7.

<sup>4</sup> BCPSO Final Argument, p. 3.

<sup>5</sup> BCPSO Final Argument, p. 7.

- using Biomethane to displace natural gas is a more efficient and effective use of Biomethane than burning it to produce electricity.<sup>6</sup>
13. In short, BCPSO's constituents benefit from the Biomethane Program and are also better off overall if biogas resources are developed for Biomethane rather than for electricity, in which case all electricity customers would pay for the energy in any case.
  14. In FEI's submission, the evidence in this proceeding has demonstrated that FEI's proposed cost allocation approach is balanced and principled and superior to the one-sided cost-allocation model suggested by the BCPSO.
  15. FEI discusses below each particular issue raised by the BCPSO.

## **2.2 Cross-Subsidization**

16. BCPSO submits that it is concerned that "non-bypass ratepayers are not cross-subsidizing the Biomethane rate class." It argues that the "principle of cost causality" as identified in the AES Inquiry Report means that the Biomethane rate should capture the full incremental costs that the program causes, including all or a part of the interconnection, education and program manager costs.<sup>7</sup> FEI submits that there is no cross-subsidization of the Biomethane Program and that BCPSO's submission should be rejected.
17. FEI's proposed cost-allocation approach is based on established regulatory principles and does not result in a cross-subsidization. The education, program manager and interconnection costs are required to make the Biomethane Program available to all customers, contribute to the retention of customers generally and additional throughput, advance government policy, and provide benefits which accrue to all customers, including reduction of waste, reduction of GHG emissions, and development of renewable resources in the Province. It is therefore appropriate that all customers bear these costs. This cost allocation approach is consistent with the AES Inquiry Report's finding that Biomethane service is part of the natural gas class of service and the

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<sup>6</sup> BCPSO Final Argument, p. 4.

<sup>7</sup> BCPSO Final Argument, p. 4.

treatment of other natural gas services such as the Customer Choice and EEC programs.<sup>8</sup> The treatment of interconnection costs is also the same treatment applied to interprovincial pipelines which are similar and serve the same function on FEI's system.<sup>9</sup>

18. Notably, BCPSO supports the Biomethane program "because it will likely have some environmental benefits that could benefit all ratepayers: it is a renewable resource, it displaces conventional natural gas, and it reduces the emission of methane into the atmosphere."<sup>10</sup> The fact that the Biomethane Program is being developed to produce a benefit for all customers is one of the many reasons why it is reasonable that all customers bear a portion of the costs.
19. There is no requirement articulated in the AES Inquiry Report that all incremental costs of the Biomethane Program be recovered by the Biomethane Energy Recovery Charge ("BERC"). The AES Inquiry Report (at p. 46) has determined that the Biomethane rate class is part of the natural gas class cost of service. As discussed at paragraphs 108 to 110 of FEI's Final Argument, the AES Inquiry Report indicates that the principle of cost causation simply requires the Commission to apply its existing practices to the allocation of costs to the Biomethane Program. The existing practice for the natural gas class of service is that the costs of providing service are recovered in the delivery rate of all customers. It is therefore consistent with existing practices to recover the costs of providing Biomethane service in the delivery rate of all customers, rather than from the Biomethane commodity rate (i.e. the BERC).
20. FEI submits that its proposed cost allocation approach for the Biomethane Program follows the principle of cost causation. Both the CEC and BCSEA agree that FEI has complied with this principle.<sup>11</sup> FEI therefore submits that its proposed cost-allocation approach results in no cross-subsidization and is just and reasonable and not unduly discriminatory.

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<sup>8</sup> Please see paragraph 113 of FEI's Final Argument for more detail and evidentiary references.

<sup>9</sup> Please see paragraphs 121-122 of FEI's Final Argument for more detail and evidentiary references.

<sup>10</sup> BCPSO Final Argument, p. 7.

<sup>11</sup> CEC Final Argument, p. 22; BCSEA Final Argument, p. 14.



### **2.3 Availability of the Biomethane Program**

21. BCPSO argues that the premium for Biomethane makes it not accessible to all ratepayers and therefore the Biomethane Program should not be subsidized by all ratepayers.<sup>12</sup> In reply, FEI reiterates its submission above that its proposed cost-allocation approach meets the principle of cost-causation and does not result in any cross-subsidization.
22. As discussed above, the benefits of the Biomethane Program accrue to all customers, whether or not they choose to participate. Given these benefits, FEI's cost allocation approach does not result in an unreasonable burden for customers. For instance, the rate impact of the education and program manager costs of approximately \$400,000 per year is approximately 33 cents for the average residential customer (\$400,000 divided by the total throughput of 115,000,000 GJ x average residential consumption of 95 GJ per year). The recovery of interconnection costs from all FEI non-bypass customers is relatively insignificant. The calculated impact of interconnection costs for the first three Biomethane projects is \$0.002/GJ, which for the average residential customer using 95 GJ per year is 19 cents per year.<sup>13</sup>
23. FEI submits that these rate impacts are reasonable given the benefits flowing from the Biomethane Program to all customers.

### **2.4 Education Costs**

24. BCPSO submits that FEI should focus its education costs on those areas that are proven to be effective and low-cost, implying that some communication channels such as radio and events should not be pursued.<sup>14</sup> FEI submits that the comprehensive evidence filed in this proceeding demonstrates that an integrated marketing campaign which utilizes multiple channels to reach potential customers is needed to continue to educate customers, increase awareness and encourage and retain participation.

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<sup>12</sup> BCPSO Final Argument, p. 4.

<sup>13</sup> Exhibit B-17, BCUC IR 1.61.6.

<sup>14</sup> BCPSO Final Argument, p. 5.

25. FEI's integrated marketing plan utilizes a number of channels to reach customers. FEI's multi-channel plan is guided by the accepted proposition that customers need to hear things at least seven times before they take action.<sup>15</sup> FEI has taken numerous steps to measure the success of its program, and the evidence shows that FEI's integrated, multi-channel approach has been successful.<sup>16</sup> For example, there is clear evidence of an increase in enrollments and website visits as a result of multiple, simultaneous campaigns.<sup>17</sup>
26. While FEI's program has been successful, customer awareness levels are still low (at 13%) and continued effort is needed to increase awareness levels.<sup>18</sup> It would therefore be premature to determine at this stage that any communication channel is unnecessary or not cost-effective.<sup>19</sup> It is instead more reasonable to build on the success of the education program to date and continue with FEI's integrated and multi-channel communication plan. Curtailing customer communications channels at this time is unwarranted and potentially harmful to the continued success of the program.
27. FEI is, however, continuously evaluating the effectiveness of its communications activities and adjusting those activities accordingly.<sup>20</sup> If it becomes apparent that any particular communication channel is no longer effective, FEI can and will adjust accordingly.
28. BCPSO also submits that "customers should not be required to pay to be 'educated' about programs which they do not want or cannot afford to participate in".<sup>21</sup> There is circularity to the BCPSO's submission as customers cannot know if they do not want or cannot afford to participate in the program if they are not educated about it in the first place. As FEI has submitted above, the benefits of the Biomethane Program accrue to all

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<sup>15</sup> Exhibit B-17, BCUC IR 1.10.1, 1.10.4 and 1.15.3 and Attachment 10.1; Exhibit B-19, BCUC IR 2.6.2, 2.8.1 and 2.8.1.1 and Attachment 8.1.1.

<sup>16</sup> Exhibit B-17, BCUC IR 1.10.2, 1.15.4, and 1.15.4.2; and Exhibit B-19, BCUC IR 2.14.1.

<sup>17</sup> Exhibit B-17, BCUC IR 1.10.2.1 and 1.15.4; Exhibit B-19, BCUC IR 2.5.1 and 2.6.1.

<sup>18</sup> Exhibit B-19, BCUC IR 2.7.1.

<sup>19</sup> Exhibit B-19, BCUC IR 2.6.2.

<sup>20</sup> Exhibit B-19, BCUC IR 2.14.1.

<sup>21</sup> BCPSO Final Argument, p. 5.

customers whether they choose to participate or not. Moreover, the principle that the costs to make a program available should be recovered from all customers is applied to other services of FEI, including Customer Care and EEC program costs.<sup>22</sup> There is no reason why Biomethane Program costs should be treated any differently. FEI has discussed the rationale for recovery of education costs from all customers more comprehensively at pages 37 to 40 of its Final Argument.

29. BCPSO submits that Biomethane customers should at least be contributing to education costs.<sup>23</sup> Biomethane customers, however, do contribute to the education costs as they pay the same delivery rate as all other non-bypass customers in their rate class. The BERC rate only displaces 10% of their commodity cost.
30. FEI submits that it has provided comprehensive evidence demonstrating that its education program has been a success to date. Given the early stages of the Biomethane Program and the low awareness levels, FEI should build on this success and continue with its strategy of using an integrated and multi-channel approach to reach customers. As discussed above and in FEI's Final Argument, there is a sound basis for the recovery of education costs from all customers.

## **2.5 Ownership and Operating Upgrading Facilities**

31. The BCPSO accepts that Biomethane costs will tend to be lower if FEI owns upgrading facilities, as opposed to a regulated affiliate business and "is willing to accept this proposal on that basis."<sup>24</sup> FEI understands from this submission that BCPSO accepts FEI's submission that it should be able to own the upgrader when dealing with a regional or municipal government on the basis that it would reduce costs for FEI customers. FEI has submitted detailed evidence and argument as to why it should be able to own and operate upgrading facilities in these circumstances.<sup>25</sup>

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<sup>22</sup> Exhibit B-1, p. 121; Commission Decision regarding the FortisBC Energy Utilities 2012-2013 Revenue Requirements Application, dated April 12, 2012, Section 8.0.

<sup>23</sup> BCPSO Final Argument, p. 5.

<sup>24</sup> BCPSO Final Argument, p. 5.

<sup>25</sup> See Section 3.2.2, pages 28 to 35 of FEI's Final Argument.

32. BCPSO goes on to state that it is “not convinced that FEI has made the case that exceptional circumstances exist. Indeed, FEI argues that “the trend appears to be that it is more likely that FEI would own upgraders in cases where regional or municipal governments own and operates a landfill.”<sup>26</sup> FEI understands from this submission that BCPSO does not except that FEI has not established that exceptional circumstances exist generally. Indeed, FEI has not claimed to establish exceptional circumstances generally, but that it is in the public interest for it to own upgraders when dealing with regional or municipal governments, since the evidence indicates that such projects may otherwise go undeveloped. The City of Vancouver’s evidence<sup>27</sup> response to IRs from the Commission and intervenors,<sup>28</sup> and Final Argument in this proceeding support FEI’s evidence in this regard.
33. As a final point on this topic, BCPSO notes that FEI took the position in the AES Inquiry that FEI biomethane projects are exempt from the CPCN requirement.<sup>29</sup> FEI notes in reply that it recognizes the \$5 million dollar CPCN threshold established by the AES Inquiry Report (at p. 48) for Biomethane activities. FEI submits that this CPCN threshold should continue.

## **2.6 MCRA Cost Recovery Mechanism**

34. FEI has proposed a MCRA cost-recovery mechanism as a final method for the cost recovery of Biomethane that cannot be sold at the BERC rate. FEI relies on the evidence and submissions as set out in Section 3.3.2.2, pages 44 to 50, of its Final Argument in support of the MCRA cost recovery mechanism.
35. BCPSO argues that the MCRA mechanism results in an inappropriate allocation of risk because “it reduces FEI’s incentive to source supply in a reasonable manner.”<sup>30</sup> FEI

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<sup>26</sup> BCPSO Final Argument, p. 6.

<sup>27</sup> Exhibit C7-3.

<sup>28</sup> Exhibit C7-4 to 6.

<sup>29</sup> BCPSO Final Argument, p. 6.

<sup>30</sup> BCPSO Final Argument, p. 6.

submits that imposing a Biomethane commodity cost risk on FEI is unnecessary and will not achieve the reasonable development of Biomethane in BC:

- (a) The Biomethane Program has checks and balances, including the Commission review and approval of supply contracts, that ensure that FEI develops Biomethane in a reasonable manner. FEI also has effective over-supply risk mitigation measures to ensure that the risk of the use of the MCRA cost-recovery mechanism is low.<sup>31</sup> There is therefore no need to impose any Biomethane commodity cost risk on FEI.
  - (b) If FEI is not given assurance of cost-recovery (barring a finding of lack of prudence), this will deter FEI from expanding Biomethane supply and create regulatory uncertainty for the Biomethane Program. This will result in some biogas instead being flared or developed into electricity supply which will increase costs for energy consumers.<sup>32</sup> BCPSO's proposed approach would therefore be detrimental to the development of Biomethane supply and would increase waste or energy costs or both. FEI's approach, on the other hand, provides regulatory certainty which will benefit all customers, suppliers and the utility.
36. FEI submits that there is no principled basis on which to impose Biomethane oversupply risk on FEI. As FEI has submitted, FEI's proposed MCRA cost-recovery mechanism is consistent with the treatment of other commodity costs, the electricity supply model and the regulatory compact.<sup>33</sup> FEI therefore submits that its MCRA cost-recovery mechanism is in the best interest of FEI's customers and based on sound regulatory principles.
37. BCPSO also submits that "FEI will earn its ROE on the Biomethane program and any assets that are associated with it."<sup>34</sup> This is misleading. FEI does not earn any ROE on the Biomethane Program generally. FEI only earns a return on its invested capital. For

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<sup>31</sup> See pages 67 to 69 of FEI's Final Argument.

<sup>32</sup> Exhibit B-15, CEC IR 1.29.3; Exhibit B-20, CEC IR 2.30.6.

<sup>33</sup> See pages 47 to 50, of FEI's Final Argument.

<sup>34</sup> BCPSO Final Argument, p. 6.

the Biomethane Program, FEI's invested capital is minimal, consisting only of interconnection facilities and upgrading facilities where FEI owns them.

38. BCPSO submits that if the MCRA cost recovery mechanism is approved then FEI bears no risk, and implies that FEI should therefore not earn any ROE.<sup>35</sup> This submission is incorrect and misleading. The MCRA cost recovery mechanism removes the risk of oversupply of a commodity, and does not relate to any risk related to FEI's invested capital. The costs of the natural gas commodity are a flow-through item for FEI and FEI earns no return on its commodity costs. The MCRA cost recovery mechanism is consistent with the existing flow-through treatment of FEI's commodity costs. As such, the rejection of the MCRA cost recovery mechanism would impose a *new* commodity cost risk on FEI that it has hitherto not borne and therefore would result in an *increase* in FEI's business risk. In any case, FEI's rate of return has been recently set by the Commission based on the fair return standard and is not within the scope of this proceeding.
39. BCPSO submits that FEI can apply to the Commission at a future date and provide evidence that expansion of supply of Biomethane was prudent.<sup>36</sup> In reply, FEI submits that it has established that its proposed MCRA cost recovery mechanism is just and reasonable and that it should be approved in this proceeding. FEI's submissions have shown that the risk to customers from the MCRA cost recovery mechanism is limited, is beneficial for the development of the Biomethane Program, consistent with the electricity supply model, consistent with the treatment of other natural gas supply, consistent with the purpose and benefits of the program, and consistent with the regulatory compact.<sup>37</sup>
40. In addition, any risk entailed by the MCRA cost recovery mechanism is outweighed by the benefits of developing biomethane projects in place of burning biogas for electricity

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<sup>35</sup> BCPSO Final Argument, p. 6.

<sup>36</sup> BCPSO Final Argument, p. 6.

<sup>37</sup> See pages 46 to 50 of FEI's Final Argument.

consumption – a benefit recognized by BCPSO.<sup>38</sup> The CEC acknowledges this when it writes in relation to the MCRA cost recovery mechanism:<sup>39</sup>

“The CEC submits that biogas will be developed and introduced into the public energy system either by way of the electricity system or by upgrading to biomethane and injecting into the natural gas system and risk protection is appropriate. The CEC submits that if inadequate risk protection for FEI is in place the Biomethane program is unlikely to expand to its best potential resulting in lost biomethane opportunities and risk to consumers.”

41. The particular risk to customers is the increased costs if biogas is developed by way of the electricity system. As stated in FEI’s Final Argument:
  - (a) If a Biomethane developer decides to generate and sell power to BC Hydro instead of selling upgraded gas to FEI, the additional cost to provide the same energy for residential heating results in the electric option costing \$20.9 million more than the gas option in NPV terms over twenty years.<sup>40</sup>
  - (b) FEI has calculated the total cost of space heating for a single residential customer in the Lower Mainland using either a Biomethane or electricity generation option. The results show that using electricity for residential space heating is about 35% to 37% (or \$5,200 to \$5,500) greater in total costs (NPV) over 25 years relative to using Biomethane.<sup>41</sup>
42. FEI also relies on the detailed submission of the CEC in this regard.
43. For the reasons discussed above and in FEI’s Final Argument and as supported by CEC and BCSEA, FEI submits that the Commission should approve FEI’s proposed MCRA cost-recovery mechanism.

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<sup>38</sup> BCPSO Final Argument, p. 4.

<sup>39</sup> CEC Final Submission, p. 24.

<sup>40</sup> Exhibit B-15, CEC IR 1.29.3.

<sup>41</sup> Exhibit B-20, CEC IR 2.30.6.

## 2.7 “Rebound” and “Greenwashing”

44. The BCPSO “notes the possibility of a rebound effect” whereby a Biomethane or non-Biomethane customer comes to believe that natural gas as a whole is environmentally benign and therefore ceases to conserve.<sup>42</sup> BCPSO similarly submits that “promotion of the Biomethane program that is disproportionate with the actual environmental benefits could result in greenwashing by FEI which will primarily benefit shareholders.”<sup>43</sup>
45. FEI submits that BCPSO’s concerns are misplaced. If there were a “rebound” or “greenwashing” effect, then this would primarily benefit customers, not the shareholder, as it would increase throughput on the system, which would reduce delivery rates for customers. As stated by the Commission in its 2010 Biomethane Decision: “it is in the long term interest of all Terasen utility customers that new initiatives contribute to retention and the addition of throughput in the system, which will result in system costs being spread over a larger base.”<sup>44</sup> To this extent, any “rebound” or “greenwashing” effect would benefit BCPSO’s constituents from a rate perspective.
46. In further reply, FEI is properly and accurately educating its customers about the Biomethane Program and is also carrying out separate EEC activities to encourage conservation. FEI notes the following:
- (a) The level of consumption of Biomethane customers is in line with consumption patterns of non-Biomethane customers.<sup>45</sup>
  - (b) The BCPSO’s apparent view that Biomethane customers may become confused about the difference between Biomethane and conventional natural gas is not reasonable. Biomethane Program customers sign up for a 10% blend of Biomethane, so would therefore know that 90% of their blend is not Biomethane.

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<sup>42</sup> BCPSO Final Argument, p. 7.

<sup>43</sup> BCPSO Final Submission, p. 7.

<sup>44</sup> Decision regarding Terasen Gas Inc. Biomethane Application, dated December 14, 2010, accompanying Order G-194-10, at page 51.

<sup>45</sup> Exhibit B-9, BCUC IR 1.35.1.1.



- (c) It is more reasonable to believe that customers that sign up for the Biomethane Program are motivated to act in an environmentally conscious way and would also be the same customers that seek to conserve.
  - (d) FEI's educational program is accurate and does not over-represent the environmental benefits of the Biomethane Program.
  - (e) FEI has an EEC program in place that seeks to encourage natural gas conservation.
47. In summary, FEI's Biomethane Program offers a beneficial service to its customers and complements FEI's EEC activities to encourage conservation. To the extent that the Biomethane Program does result in any "rebound" and "greenwashing" effect, this would be to the benefit of customers.

## **2.8 Airmiles**

48. BCPSO states that "the irony of rewording Biomethane customers with AIR MILES is obvious" and argues that the costs of the program should not be recovered from non-bypass customers.<sup>46</sup> FEI strongly disagrees. Any irony apparent to the BCPSO is superficial. The evidence demonstrates that in fact AIR MILES is an effective educational tool that is consistent with the Biomethane Program. As submitted by FEI in Section 4.2 of its Final Argument:

"FEI's partnership is with AIR MILES for social change (AMSC), which inspires positive social change to benefit the environment. AMSC has been successful in increasing participation rates in other energy efficiency, utility and government offerings in other jurisdictions and can offer a lower participant acquisition cost when compared to other communications channels. While it is possible that customers could use AIR MILES for air travel, this does not necessarily mean it is incremental air travel. AIR MILES is just another currency that could be used for air travel that may have been purchased with cash otherwise. Moreover, most collectors today redeem their points for non-flight based rewards.

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<sup>46</sup> BCPSO Final Argument, p. 7.

Additionally, AIR MILES has added over 100 ‘green’ rewards to its “My Planet” rewards section.<sup>47</sup>

FEI’s partnership with AMSC is a cost-effective tool that FEI uses to provide Biomethane Program information to potential customers and encourage customer participation and ongoing support for the Biomethane Program.<sup>48</sup>

Partnering with AIR MILES enables FEI to leverage the communication channels owned by AIR MILES, including the FEI’S RNG webpage on the AIR MILES website, RNG program emails sent to collectors of AIR MILES by AIR MILES, and RNG promotion messages on AIR MILES’ social media accounts to educate and promote the offering. These channels reach customers in a new way that would otherwise be unavailable to FEI and leverages the influential AIR MILES brand and program. FEI is also able to take advantage of rich data analytics available through AIR MILES.<sup>49</sup>

The success of the AIR MILES program is clear. The AIR MILES program has resulted in enrollments and visits to FEI’s Biomethane website.<sup>50</sup> Over 70% of surveyed customers indicated that AIR MILES was a motivation to sign up for the Biomethane Program. The ability for customers to collect points is also a cost-effective way to retain customers. AIR MILES has also been successfully used by other utilities, including the Ontario Power Authority and BC Hydro.<sup>51</sup>

49. BCPSO also submits that “[t]o the extent that AIR MILS are a currency of sorts, the AIR MILES incentive amounts to non-Biomethane ratepayers paying Biomethane customers to participate in the program.” In FEI’s submission, this is again a superficial observation, which does not take into account the evidence. As FEI submitted in its Final Argument:

“The fact that the AIR MILES program results in direct incentives to Biomethane customers appears to have led to a misunderstanding of the benefits from FEI’s participation in the

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<sup>47</sup> Exhibit B-14, BCSEA IR 1.26.1.

<sup>48</sup> Exhibit B-19, BCUC IR 2.14.3.

<sup>49</sup> Exhibit B-17, BCUC IR 1.14.3.

<sup>50</sup> Exhibit B-17, BCUC 1.15.4; Exhibit B-19, BCUC IRs 2.5.1 and 2.6.1.

<sup>51</sup> Exhibit B-17, BCUC IR 1.14.3.

AIR MILES program. Paying only for the actual AIR MILES delivered is simply the mechanism by which AIR MILES determines how much FEI pays for the program, and does not reflect the range of benefits that FEI is actually deriving. Regardless of how many customers sign up and receive AIR MILES, FEI receives the full benefits of the use of the AIR MILES program to spread awareness and information about the Biomethane Program broadly and in new and otherwise inaccessible ways. Payment for AIR MILES only when the customers choose to participate is actually a beneficial and cost-effective aspect of the program for FEI's customer education purposes.”

50. Forcing Biomethane customers to pay for the AIR MILES program would therefore be to unfairly charge them for the cost of reaching out to and informing all customers about the Biomethane Program. It would also tend to undermine the incentive provided by the AIR MILES program if customers were directly paying for the incentive they received.
51. As discussed in Sections 3.3.1 and 4.2 of FEI's Final Argument, FEI submits that it is just and reasonable that the costs of the AIR MILES program be recovered from all non-bypass customers similar to all other education costs.

### 3.0 CONCLUSION

52. FEI submits that the intervenor final arguments further demonstrate the strong support for the Biomethane Program. The sole intervenor to raise concerns with the Biomethane Program, BCPSO, largely supports the program but seeks to minimize the costs to its constituents. As FEI has submitted above, FEI's cost-allocation approach is balanced and justified on sound regulatory principles and is preferable to the one-sided approach advocated for by BCPSO.
53. FEI therefore submits that its proposed continuation and modifications to the Biomethane Program are just and reasonable, in the public interest and should be approved.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: August 12, 2013

*[original signed by Christopher Bystrom]*

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