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January 19, 2016

Via Email
Original via Mail

B.C. Sustainable Energy Association
c/o William J. Andrews, Barrister & Solicitor
1958 Parkside Lane
North Vancouver, B.C. V7G 1X5

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

Re: Project No. 3698858
FortisBC Energy Inc. (FEI)
Utilities Commission Act (UCA) - Section 71 Filing - Biomethane Purchase Agreement Between FEI and the City of Surrey (the Application)
Response to the B.C. Sustainable Energy Association and Sierra Club of British Columbia (BCSEA) Information Request (IR) No. 1

On November 24, 2015, FEI filed the Application referenced above. In accordance with Commission Order G-3-16 setting out the amended Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCSEA IR No. 1.

FEI and the City of Surrey have entered into an Amending Agreement to the Biomethane Purchase Agreement (the Amending Agreement), a redacted version of which can be found in Attachment 4.1a, provided in response to BCUC IR 1.4.1. In accordance with Directive 2 of Order G-3-16, FEI has also provided a blacklined redacted version of the original Agreement, showing the changes reflected in the Amending Agreement also as part of Attachment 4.1a. The Amending Agreement has been filed on a confidential basis with the Commission in Confidential Attachment 4.1.

The Amending Agreement contains three changes to the Agreement:

1. The method of calculating the monthly payments for biomethane produced from the Surrey Facility and the annual true up in Schedule D of the Agreement has been amended so that it will produce the correct result if there is more than one BERC rate or if the BERC rate changes during the year. Please refer to the response to BCUC IR 1.4.1.

2. The term over which the City will pay the Facility Fee in clause 6.2 of the Agreement has been amended to reflect the intention of FEI and the City that the City would begin paying the Facility Fee after the in-service date of the facilities. Please refer to the response to BCUC Confidential IR 1.5.1.
3. Clause 7.2 of the Agreement has been amended to clarify that the Designated Customers must acknowledge that the City has retained the environmental attributes of the Re-Purchased Biomethane. Please refer to the response to BCUC Confidential IR 1.1.1.

If further information is required, please contact Scott Gramm, Manager Renewable Gas and Mid-size Commercial Accounts (604) 576-7242.

Sincerely,

FORTISBC ENERGY INC.

Original signed by: Ilva Bevacqua

For: Diane Roy

Attachments

cc: Commission Secretary
Registered Parties (e-mail only)



FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i>	Submission Date: January 19, 2016
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1 **1.0 Topic: Timing of Decision**

2 **Reference: Exhibit B-1, Application, p.2**

3 “FEI respectfully requests a Commission decision on the Application by end of January
4 2016 in order to support Surrey’s construction schedule of its biofuel processing facility.”

5 1.1 Please explain why a Commission decision by the end of January 2016 is
6 required in order to support Surrey’s construction schedule of its biofuel
7 processing facility.

8
9 **Response:**

10 FEI and the City have agreed to design, construct and install their respective facilities with
11 reasonable diligence in accordance with certain project milestones in order to meet the City’s in-
12 service date. Specifically, FEI’s interconnection facilities need to be in place and able to accept
13 biomethane at the time that the biofuel processing facility begins to accept waste and produce
14 gas, which the City has indicated is scheduled to occur in October/November 2016. Following
15 that date, FEI and the City will work together to ensure that the FEI interconnection facility
16 operates as intended (by flowing gas through it) and is ready for the City’s target in-service date
17 of the 1st of January 2017.

18 Once the Commission approves the Application, FEI estimates that it will take at least eight
19 months to construct and install its interconnection facilities. FEI requested an approval date by
20 the end of January so that it would have a reasonable amount of time to meet the project
21 milestones as discussed above. To the extent that the approval is granted later than this date
22 due to the required regulatory process, FEI will continue to work with reasonable diligence to
23 meet the project milestones within the time available.

24



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1 **2.0 Topic: Project Description**

2 **Reference: Exhibit B-1, Application, p.5**

3 “The post-AD digestate product will then be blended with fresh organic waste in the in-
4 vessel compost tunnels to produce finished compost with anticipated biogas production
5 volumes of 30,000 tonnes per year.” [underline added]

6 2.1 Please confirm, or otherwise explain, that “production volumes of 30,000 tonnes
7 per year” refers to finished compost.

8
9 **Response:**

10 Confirmed.

11 FEI understands from Surrey that there is an error in the sentence found on page 5 of Exhibit B-
12 1 that is quoted in the question preamble. The sentence should read as follows: “The post-AD
13 digestate product will then be blended with fresh organic waste in the in-vessel compost tunnels
14 to produce finished compost with anticipated production volumes of 30,000 tonnes per year.”

15

FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i>	Submission Date: January 19, 2016
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1 **3.0 Topic: Project Description**

2 **Reference: Exhibit B-1, Application, p.5**

3 “Once fully operational, the Surrey Facility is anticipating average annual raw biogas
4 production of approximately 5.5 million cubic meters, which will amount to roughly 3.1
5 million cubic meters of refined biomethane or approximately 119,000 GJ.

6 However, as FEI understands it, the upper design limit of the Surrey Facility would allow
7 Surrey to produce as much as 160,000 GJ of refined biomethane annually. That is, if
8 Surrey is able to successfully operate the Surrey Facility at its optimum capacity, it may
9 produce as much as 160,000 GJ of biomethane annually.”

10 3.1 Please confirm, or otherwise explain, that the figures for refined biomethane of
11 119,000 GJ/year (anticipated) and 160,000 GJ/year (maximum) compare ‘apples
12 to apples’ with the biomethane supply cap of 1,500,000 GJ/year approved by the
13 Commission in the 2013 Biomethane Decision.

14

15 **Response:**

16 The referenced GJ/year of anticipated and maximum supply compares apples to apples with the
17 GJ/year of the biomethane supply cap.

18 FEI notes that the Commission stated at page 85 of the 2013 Biomethane Decision: “The Panel
19 notes FEI’s submission regarding lower than expected volumes from existing supply contracts.
20 Accordingly, when calculating the maximum amount that can be contracted for the purpose of
21 determining if the Supply Cap has been reached, the Panel directs that the total contracted
22 maximum amount must not exceed 2 PJ.”



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1 **4.0 Topic: Project Description**

2 **Reference: Exhibit B-1, Application, p.4**

3 “Surrey will be constructing, owning, and operating a biofuel processing facility, which
4 will be used to generate, capture, purify and upgrade biogas to pipeline quality
5 biomethane and to deliver the biomethane to FEI’s facilities (the Surrey Facility).”

6 4.1 With reference to the term “Upgrader Facilities” used in the 2013 Biomethane
7 Decision, please confirm that Surrey, not FEI, will own the Upgrader Facilities in
8 the project associated with the subject biomethane purchase agreement.

9
10 **Response:**

11 Confirmed.

12

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1 **5.0 Topic: Stranded Asset Risk**

2 **Reference: Exhibit B-1, Application, p.6**

3 “FEI will base the design of the Interconnection Station on its previous biomethane
4 interconnect facilities. Similar to the previously designed interconnection facilities, FEI
5 will place the Interconnection Station on a skid to ensure that the station is portable and
6 can be easily re-deployed if necessary.” [underline added]

7 5.1 Under what circumstances would it be necessary for FEI to re-deploy the
8 Interconnection Station?

9
10 **Response:**

11 It may be necessary for FEI to remove the Interconnection Station in the event the Agreement is
12 terminated and no other agreement is entered into with Surrey which requires and gives FEI the
13 right to operate and maintain the Interconnection Station at the planned location on the City’s
14 land, i.e. when it is no longer required to provide utility service at that location.

15
16

17
18 5.2 To what extent does the decision to design the Interconnection Station to be
19 portable imply a risk that the Surrey biomethane facility will not operate as
20 intended?

21
22 **Response:**

23 The portability of the Interconnect Station reflects the use of FEI’s standard design for
24 biomethane facility interconnection stations and should not be taken to imply any particular or
25 heightened risk that the Surrey Facility will not operate as intended. FEI expects the Surrey
26 Facility to operate as intended.

27
28

29
30 5.3 Please discuss whether, and to what extent, FEI (as distinct from Surrey) is
31 exposed to a stranded asset risk in the event that the Surrey biomethane facility
32 fails to operate as intended.

33
34 **Response:**

35 Please refer to section 7 of the Application and the response to BCOAPO IR 1.3.3.



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1 **6.0 Topic: CPCN**

2 **Reference: Exhibit B-1, Application, p.7**

3 The estimated capital cost to FEI of the Interconnection Facilities is \$850,000 [Figure 4-
4 3].

5 6.1 Please confirm, or otherwise explain, that FEI is not applying for a CPCN for the
6 Interconnection Facilities because the estimated capital cost (\$850,000) is below
7 the \$5-million CPCN threshold set in G-27-14.

8
9 **Response:**

10 Confirmed.

11

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1 **7.0 Topic: Facility Fee**

2 **Reference: Exhibit B-1, Application, p.7, p.8**

3 “Secondly, at the request of Surrey, FEI has added a return meter. FEI will use this
4 meter to provide Surrey with a means of tracking the volume of gas that is returned to
5 Surrey either due to failure to meet the specified biomethane quality or excess
6 biomethane volume. The second meter, with associated components, adds
7 approximately \$59,000 of cost to the Interconnection Facilities.” [p.7]

8 “The Facility Fee is designed to recover the full capital and operating cost of the
9 Interconnection Facilities and the costs associated with the administration of this
10 Agreement.” [p.8]

11 7.1 Is the rationale for inclusion of the cost of the return meter (approximately
12 \$59,000), requested by Surrey, in FEI’s capital cost for the Interconnection
13 Facility the fact that Surrey will pay the Facility Fee to FEI to recover the capital
14 and operating costs of the Interconnection Facilities (and administration of the
15 Agreement)?
16

17 **Response:**

18 The cost of the return meter was identified as a cost necessary for this project and as such, it
19 has been included in the capital costs which are recovered through the Facilities Fee. Surrey
20 requested that a return meter be included in the station so that it would able to monitor the
21 quantity of gas returned to it. According to Surrey “the City wants to track this information for
22 the purposes of the City’s contract with Orgaworld”.

23 FEI does not anticipate including a return meter in its future interconnection stations. If future
24 suppliers wish to have a return meter, FEI would expect that either the supplier would pay FEI to
25 incorporate such a meter into the capital costs for the interconnection facility or the supplier
26 would pay for and install its own meter.

27

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1 **8.0 Topic: Notional versus physical consumption of own RNG**

2 **Reference: Exhibit B-1, Application, 4.2 SURREY TO PRODUCE AND CONSUME**
3 **ITS OWN RNG**

4 “Surrey has expressed intent to consume (or re-purchase) the Renewable Natural Gas
5 (RNG) the Surrey Facility produces and delivers to FEI. In Appendix E, Surrey describes
6 in more details its plan as a consumer of the RNG as follows:

7 *The City’s vision has always been to fuel its CNG waste collection fleet with*
8 *renewable biomethane produced from the organic waste being collected by the*
9 *trucks themselves. To this end, the City will be operating one of the only “closed-*
10 *loop” waste collection systems in the world. This vision aligns with key City of*
11 *Surrey policy documents, including the Sustainability Charter, the Corporate*
12 *Emissions Action Plan and the Community Energy and Emissions Plan.” [p.9,*
13 *underline added]*

14
15 8.1 Please clarify whether the intention is that Surrey will physically deliver pipeline
16 quality biomethane to the Interconnection Facility and will physically receive
17 natural gas (deemed to be renewable natural gas) from FEI at a different
18 location. Or, is the intention that Surrey will notionally deliver pipeline quality
19 biomethane to FEI and notionally purchase renewable natural gas from FEI,
20 while physically Surrey will actually use pipeline quality biomethane directly from
21 the Surrey Facility at times when Surrey is purchasing renewable natural gas
22 from FEI?
23

24 **Response:**

25 The intention is that the City will physically deliver pipeline quality biomethane to FEI’s
26 Interconnection Facilities and, to the extent that Surrey and its Designated Customers purchase
27 biomethane, Surrey will physically receive natural gas (deemed to be renewable natural gas)
28 from FEI at a different location.

29 For clarity, if the City or its Designated Customers purchase biomethane, the purchase will be
30 under FEI’s Commission-approved biomethane rate schedules and FEI will notionally deliver
31 biomethane to the City or its Designated Customers consistent with section 28.1 of FEI’s
32 General Terms and Conditions, which states that customers participating in the biomethane
33 program “agree and recognize that the location of generation facilities will determine where
34 Biomethane will physically be introduced to the FortisBC Energy System and that Customers
35 receiving Biomethane Service may not receive actual Biomethane at their Premises...”



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1
2 8.2 Is there any expectation that Surrey will physically divert and consume any
3 biomethane produced by the Surrey Facility that would otherwise have gone to
4 the Interconnection Facility and hence to the FEI system?

5
6 **Response:**

7 FEI understands that the City does not expect to divert biomethane produced by the City's
8 biofuel processing facility away from the Interconnection Facilities and to a different use.

9

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1 **9.0 Topic: Agreement Concept**

2 **Reference: Exhibit B-1, Application, p.10; Figure 4-1: SURREY Agreement Concept**

3 “In order to facilitate Surrey’s achievement of the above plan, FEI and Surrey have
4 negotiated and structured the Agreement to enable Surrey either to consume by the City
5 itself certain amount of biomethane that the Surrey Facility produces or, to require,
6 through contractual obligations, that its affiliates or its service providers (the Designated
7 Customers) purchase RNG from FEI.” [p.10]

8 9.1 Please provide an explanation of Figure 4-1: SURREY Agreement Concept.

9

10 **Response:**

11 In Figure 4-1, FEI is trying to convey the following concepts contemplated in the Agreement (as
12 amended by FEI’s response to BCUC IR 1.4.1):

- 13 1. FEI will purchase at the Net Sale Rate all of the biomethane delivered to FEI from
14 the Surrey Facility that meets the specifications and volumetric limits under the
15 Agreement.
- 16 2. RNG is always sold to Surrey or its Designated Customers at the BERC rate:
- 17 a. Surrey may purchase RNG from FEI at the BERC rate under the applicable rate
18 schedule (like all other RNG customers);
- 19 b. Surrey may require its affiliates or contractors (Designated Customers) to
20 purchase RNG from FEI through written agreements;
- 21 c. The biomethane purchased by Surrey itself plus the volume purchased by its
22 Designated Customers is defined in the Agreement as the “Re-purchased
23 Biomethane”¹ (in Figure 4-1 this is referred to as the “Purchase Designated
24 Volume”).
- 25 d. The amount of Re-Purchased Biomethane is expected to vary annually and may
26 also vary month to month.
- 27 3. On an annual basis, FEI will true up the amount paid for delivered biomethane such
28 that:

¹ Note that Surrey does not repurchase the *actual* biomethane produced by the Surrey Facility, but does so notionally.



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- 1 e. FEI pays the Recovery Rate (equal to the BERC rate) for each GJ of biomethane
2 produced from the Surrey Facility and accepted by FEI up to the total amount of
3 the Re-Purchased Biomethane;
- 4 f. FEI pays the Net Sale Rate to Surrey for each GJ of biomethane produced from
5 the Surrey Facility and accepted by FEI that is in excess of the total amount of
6 Re-Purchased Biomethane.
- 7 4. While all the biomethane that the Surrey Facility supplies is added to the RNG pool,
8 the amount of biomethane produced by the Surrey Facility and accepted by FEI in
9 excess of the Re-Purchased Biomethane is the amount of biomethane that the
10 Surrey Facility supplies that is available to RNG customers other than the City and its
11 Designated Customers.
- 12 5. Surrey pays a monthly Facilities Fee regardless of the amount of biomethane that is
13 produced by the Surrey Facility and whether or not it or its Designated Customers
14 purchase any RNG from FEI.

15 The result is that there is no net financial effect (other than the Facilities Fee) if the City and its
16 Designated Affiliates purchase the same amount of biomethane that is produced by the Surrey
17 Facility (as both transactions are at the BERC rate). Any biomethane produced by the Surrey
18 Facility that is in excess of the amount purchased by the City and its Designated Affiliates is
19 purchased by FEI at the Net Sale Rate and is available for other RNG customers.

20
21

22

- 23 9.2 Please explain the phrase “FEI and Surrey have negotiated and structured the
24 Agreement to enable Surrey either to consume by the City itself certain amount
25 of biomethane that the Surrey Facility produces or...”

26

27 **Response:**

28 The quoted phrase was meant to indicate that the Agreement reflects the City’s intention to be
29 both a producer and a purchaser of biomethane. As discussed in the sentences following the
30 quoted phrase, the City’s purchase of biomethane will be pursuant to FEI’s biomethane rate
31 schedules. Please refer to the responses to BCSEA IRs 1.8.1 and 1.9.2.1.

32

33

34



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1 9.2.1 Why does Surrey require a contractual right to consume biomethane
2 produced by its own facility? Is it because the entire volume of
3 biomethane produced by the Surrey Facility is contractually conveyed to
4 FEI?
5

6 **Response:**

7 The Agreement does not provide the City with a contractual right to consume biomethane
8 produced by the Surrey Facility, but reflects the intention of the City to purchase biomethane
9 pursuant to FEI’s biomethane rate schedules as discussed in response to BCSEA IR 1.8.1.

10 The Agreement does not require the entire volume of biomethane produced from the Surrey
11 Facility be supplied to FEI. Rather, the Agreement sets forth a maximum annual quantity of
12 biomethane that may be supplied to FEI from the Surrey Facility.
13

14

15

16 9.2.2 Can the phrase be understood to mean that the Agreement allows
17 Surrey to receive natural gas from FEI that is deemed to be 100%
18 biomethane purchased by Surrey from FEI at the BERC Rate and
19 originally sold by Surrey to FEI at the BERC rate?
20

21 **Response:**

22 No. The Agreement contemplates that the City and its Designated Customers will purchase
23 biomethane from FEI in accordance with FEI’s existing tariff and rate schedules. Please refer to
24 the responses to BCSEA IRs 1.8.1, 1.9.2 and 1.9.2.1.

25

26

27

28 9.3 Does the Facility Fee vary over time? If so, by what process will it be determined
29 from time to time?
30

31 **Response:**

32 No, the Facilities Fee is a levelized charge as noted on page 16 of the Application and, as such,
33 will not vary over time.



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- 1 Following the construction of the Interconnection Facilities, the Facilities Fee will be updated to
- 2 reflect the actual capital costs and the Commission approved depreciation and salvage rates as
- 3 well as the approved cost of capital for 2016.
- 4

1 **10.0 Topic: Scenarios**

2 **Reference: Exhibit B-1, Application**

3 “4.3.1 Surrey Uses Substantial Amount of Supply

4 In this scenario, Surrey produces and delivers to FEI approximately 120,000 GJ of
 5 biomethane annually at the Surrey Facility, while Surrey’s own use (or use by its
 6 Designated Customers) is approximately 70,000 GJ.”

7 10.1 Please confirm, or otherwise explain, that this means that 120,000 GJ/y of actual
 8 100% biomethane from the Surrey Facility is physically delivered to FEI, and that
 9 Surrey and its Designated Customers use approximately 70,000 GJ/y of deemed
 10 100% biomethane from the FEI system.

11 **Response:**

12 Confirmed. However, FEI makes the following two clarifications:

- 13 1. Surrey and each of its Designated Customer can designate a percentage of
 14 biomethane blend in their consumption and this percentage blend may not be 100%;
 15 and,
 16 2. The consumption of RNG by Surrey and its Designated Customers will total 70,000
 17 GJ/year of RNG (for this scenario).
 18

19 The following table illustrates this concept using theoretical numbers:

Customer	Total Load (GJ/year)	Percent RNG	Deemed RNG Load (GJ/year)	NG load (GJ/Year)
Surrey	30,000	10%	3,000	27,000
Designated Customer 1	20,000	50%	10,000	10,000
Designated Customer 2	57,000	100%	57,000	0
TOTALS	107,000		70,000	37,000

20

21

22

23

24 10.2 Please confirm, or otherwise explain, that neither Surrey nor the Designated
 25 Customers take delivery of any physical biomethane before it would otherwise
 26 reach the Interconnection Facility and the FEI system.
 27

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1 **Response:**

2 Please refer to the response to BCSEA 1.8.1.

3

4

5

6 “FEI will pay Surrey the current BERC rate for all 120,000 GJ produced from the Surrey
7 Facility. In the agreement this is referred to as the Recovery Rate. Payments to Surrey
8 for the biomethane supplied to FEI occur on a monthly basis, as do payments to FEI
9 from Surrey for the Facilities Fee. Surrey or its Designated Customers, which will
10 consume 70,000 GJ over the year under this scenario, will pay FEI for this volume of
11 RNG at the applicable BERC rate under existing rate schedules.”

12 10.3 Please confirm, or otherwise explain, that in this explanation “the current BERC
13 rate” means the same as “the applicable BERC rate under existing rate
14 schedules.”

15

16 **Response:**

17 Confirmed that the current BERC rate in the agreement refers to the applicable BERC rate
18 under existing rate schedules. However, the language referred to in the preamble has now
19 been revised. Please refer to the response to BCUC IR 1.4.1 for a complete understanding of
20 the revisions that have been made.

21

22

23

24 “...Thus, under this scenario, due to the fact that there is a difference between the
25 volume consumed by Surrey and the volume supplied by the Surrey Facility, a true up is
26 required. On a yearly basis, FEI has already paid Surrey for 120,000 GJ of biomethane
27 at the applicable BERC rate (the Recovery Rate in the Agreement); however, FEI should
28 only be paying for 70,000 GJ (the amount that Surrey consumes) at the BERC/Recovery
29 Rate and for 50,000 GJ (difference between 70,000 consumed and 120,000 supplied) at
30 the Net Sale Rate. Therefore, Surrey must refund FEI for the monetary difference
31 between the BERC rate and the Net Sale Rate for the 50,000GJ.”

32 10.4 To understand the Agreement concept, would it be equivalent to structure it so
33 that Surrey sells all the produced biomethane to FEI at the Net Sale Price; Surrey
34 and Designated Customers purchase deemed 100% biomethane from FEI at the
35 BERC Rate; and FEI reimburses Surrey and Designated Customers for the
36 difference between the Net Sale Price and the BERC Rate?

37



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1 **Response:**

2 Yes (although whether Surrey or FEI reimburses depends on whether the BERC rate or the Net
3 Sale Rate is higher). FEI has made amendments to the Agreement to reflect this. Please see
4 the response to BCUC IR 1.4.1.

5



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1 **11.0 Topic: BERC Rate Methodology Proceeding**

2 **Reference: Exhibit B-1, Application**

3 11.1 Please whether, and, if so, how, the Surrey Biomethane Purchase Agreement
4 would be affected by the outcome of the BERC Rate Methodology proceeding.

5
6 **Response:**

7 FEI has made modifications to the Agreement to accommodate potential outcomes of the BERC
8 Rate Methodology proceeding. The Agreement now accommodates the potential for both a
9 long-term and a short-term BERC, and the potential for BERC changes throughout the year.
10 Please see the response to BCUC IR 1.4.1.

11 In the event that the BERC changes as a result of the BERC Rate Methodology proceeding, the
12 price paid to Surrey for biomethane supplied to FEI would, through the annual true-up, reflect
13 the actual BERC rates paid by Surrey and its Designated Customers. Since Surrey also buys
14 RNG at the BERC rate, there is no net financial impact to FEI or other RNG customers.

15
16

17
18 11.2 Please confirm, or otherwise explain, that at present the Net Sale Price is lower
19 than the BERC Rate.

20
21 **Response:**

22 The Net-Sale Price is confidential and FEI cannot disclose on the public record whether it is
23 higher or lower than the BERC rate.

24 At present the BERC Rate is \$14.414/GJ.

25
26

27
28 11.3 Is it a potential outcome of the BERC Rate Methodology proceeding that the Net
29 Sale Price becomes higher than the BERC Rate?

30
31 **Response:**

32 Please see the response to CEC IR 1.8.5.



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11.4 If the Net Sale Price becomes higher than the BERC Rate, then does the mechanism in the Agreement work in reverse, so that FEI would refund money to Surrey (for the difference between the two prices applied to the net quantity of biomethane received by FEI from Surrey after subtracting biomethane purchases by Surrey and Designated Customers)?

Response:

The Net-Sale Price is confidential. Schedule D of the Agreement provides that a payment is made from FEI to Surrey or from Surrey to FEI depending on whether the differential between the BERC and the Net-Sale Rate is positive or negative.

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1 **12.0 Topic: Designated Customers**

2 **Reference: Exhibit B-1, Application**

3 12.1 Does FEI currently sell 100% biomethane under the RNG program?

4

5 **Response:**

6 Yes, a customer can elect to take 100% biomethane.

7

8

9

10 12.2 Is the Surrey Biomethane Purchase Agreement novel in that it effectively allows
11 Surrey and Designated Customers to purchase 100% deemed biomethane from
12 FEI?

13

14 **Response:**

15 No. Surrey and its Designated Customers, like other RNG customers, need not purchase 100%
16 of their total gas consumption at a given location or purchase RNG at a 100% blend. Please
17 refer to the response to BCSEA IR 1.10.1.

18 However, the Agreement is novel in that it reflects the intention of Surrey to purchase from FEI
19 the equivalent volume of biomethane that it expects to supply to FEI from the Surrey Facility.

20

21

22

23 12.3 Please explain the rationale for the Designated Customers provision in the
24 Agreement. Is the Designated Customer concept essentially a work-around to
25 the fact that the RNG program does not offer 100% biomethane? Is the
26 Designated Customer concept designed so that the City, rather than the City
27 contractors, obtains the difference between the BERC Rate and the Net Sale
28 Price?

29

30 **Response:**

31 No.

32 The Agreement has no bearing on the terms and conditions under which the City and
33 Designated Customers will purchase RNG from FEI. The Agreement contemplates that the City
34 and Designated Customers will purchase biomethane from FEI in accordance with FEI's



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1 existing tariff and rate schedules and there are already provisions in existing FEI tariffs that
2 allow customers to purchase 100% RNG.

3 The Designated Customer concept is a mechanism that recognizes the fact that Surrey may or
4 may not directly be a customer, but can, through a written agreement, require its affiliates or its
5 contractors (as an example) to be a customer of FEI's RNG program. It thus allows the City to
6 carry out the intent to consume the same or substantially the same amount of biomethane under
7 the RNG program as the amount produced from its Surrey Facility.

8 Please also refer to the response to BCSEA IR 1.9.2.

9