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November 21, 2017

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: FortisBC Energy Inc. (FEI)

Project No. 1598930

Application for Approval of Tariff Supplement No. K-1 Biomethane Long Term Large Volume Interruptible Sales Agreement between the University of British Columbia (UBC) and FEI (the Application)

Response to the B.C. Sustainable Energy Association and Sierra Club of British Columbia (BCSEA) Information Request (IR) No. 1

On September 14, 2017, FEI filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-154-17 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCSEA IR No. 1.

If further information is required, please contact Ilva Bevacqua at 604-592-7664.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties



FortisBC Energy Inc. (FEI or the Company) Application for Approval of TS No. K-1 Biomethane Long Term Sales Agreement between UBC and FEI (the Application)	Submission Date: November 21, 2017
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1 **1.0 Topic: Approval sought**

2 **Reference: Exhibit B-1, September 14, 2017 cover letter, p.1**

3 FEI seeks from the Commission “permanent approval and endorsement” of the rate set
4 out in Tariff Supplement No. K-1 of Rate Schedule 11B.

5 1.1 What does FEI mean by “endorsement,” in addition to “approval”?

6

7 **Response:**

8 FEI's Tariffs and Tariff Supplements establish rates for service. As part of its administrative
9 process, the Commission endorses (signs) tariff pages which establish the tariff rates as
10 approved, noting the orders which approve those rates and their respective effective dates.

11

FortisBC Energy Inc. (FEI or the Company) Application for Approval of TS No. K-1 Biomethane Long Term Sales Agreement between UBC and FEI (the Application)	Submission Date: November 21, 2017
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1 **2.0 Topic: Context**

2 **Reference: Decision and Order G-133-16 (BERC Decision), p.7, pdf p.11**

3 “A significant portion of the increase in sales volumes under Rate Schedule 11B is due
4 to sales of RNG to the University of British Columbia (UBC) to fuel the cogeneration
5 engine at the UBC BioEnergy Research Demonstration Facility. UBC initially intended to
6 purchase 96,000 GJ of RNG per year fuel until the BERC rate increased from
7 \$11.696/GJ to \$14.065/GJ in mid-2014. UBC then scaled back its planned RNG
8 purchases to 55,000 GJ/yr. UBC notes that this minimum level of RNG purchases is
9 driven by a 15 year Load Displacement Agreement with BC Hydro that requires the
10 electricity portion of the BioEnergy Research Demonstration Facility to be fuelled by a
11 green or biofuel source (i.e. RNG).28 55,000 GJ/yr (4583 GJ/month) is equivalent to 37
12 percent of the annual RNG sales for the last twelve months of sales shown in Figure 1
13 above.29”

14 2.1 For context, please explain how FEI’s sale of an annual minimum of 71,000 GJ of
15 Biomethane to UBC under TS K-1 relates to any other ongoing or anticipated FEI
16 Biomethane sales to UBC.

17
18 **Response:**

19 During negotiations, UBC determined that 71,000 GJ of Biomethane annually will meet current
20 requirements of the Load Displacement Agreement with the British Columbia Hydro and Power
21 Authority as well as reducing greenhouse gas emissions for campus operations. Sections 1.5.2
22 and 1.5.3 of the Agreement will further allow for a future increase in the quantity of Biomethane
23 sold to UBC up to the Maximum Annual Quantity stated in the Agreement. FEI will continue
24 discussions with UBC regarding any other potential future sales of Biomethane.

25
26

27
28 2.2 What is FEI’s understanding of UBC’s intended use of the Biomethane to be sold
29 under TS K-1?

30
31 **Response:**

32 Based on FEI’s discussions with UBC, the Biomethane delivered under the TS K-1 will be used
33 as a renewable/green source to continue to operate UBC’s cogeneration system to create
34 electricity and generate heat at the BioEnergy Research Demonstration Facility. Heat, in the
35 form of hot water and steam, will be distributed within UBC’s Vancouver Campus via the
36 recently completed hot water distribution district system and existing steam pipeline.



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2.3 To what extent will the delivery of Biomethane to UBC under TS K-1 displace deliveries of conventional natural gas by FEI to UBC?

Response:

100 percent of the Biomethane delivered to UBC under TS K-1 will displace the equivalent amount of conventional natural gas on the system.

2.4 Please explain at a high level whether FEI has other potential sales of large volumes of Biomethane under development.

Response:

FEI interprets “other potential sales” as customers other than UBC. At the time of responding to this information request, FEI has engaged in discussions with one other known customer who has expressed an interest in large volumes of Biomethane under a long term Agreement. FEI has used the UBC tariff supplement terms as the basis for those negotiations. Should a long term agreement be finalized with this other customer, FEI will file it for Commission approval as another tariff supplement.

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1 **3.0 Topic: Post-expiry**

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

3 TS K-1 has a term of ten years.

4 3.1 Please confirm that there are no renewal or extension clauses in TS K-1. If
5 confirmed, please explain why there are no renewal or extension clauses in TS
6 K-1.

7

8 **Response:**

9 Confirmed. Tariff Supplement K-1 (the Agreement) has a term of 10 years. There are no
10 renewal or extension clauses in the Agreement in accordance with the BERC Decision and
11 Order G-133-16, which sets out the Commission's determination¹:

12 In order for a contract to be eligible for the Long Term BERC Rate, the contract
13 must be for a commitment to purchase no less than 60,000 GJ in aggregate over
14 the term of the contract and must be for a term of no less than five years and no
15 more than ten years.

16 At the end of the Agreement, FEI and UBC could enter into a new agreement based on the
17 terms of the Biomethane Program at that time.

18

19

20

21 3.2 Apart from contractual commitments, what is FEI's general expectation regarding
22 sales of Biomethane to UBC following the expiry of TS K-1?

23

24 **Response:**

25 It is FEI's understanding that UBC is potentially considering options to purchase additional
26 quantities of Biomethane outside of TS K-1. FEI's intention is to stay in communication with
27 UBC to understand their requirements for additional quantities of Biomethane past the term of
28 the TS K-1.

29

¹ Page 29.

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1 **4.0 Topic: Without undue discrimination**

2 **Reference: Decision and Order G-133-16 (BERC Decision), p.30, pdf p.34**

3 The preamble to Exhibit A-4, BCUC IR 6.1, states:

4 “Section 4.2.1 on page 30 of the FEI BERC Rate Methodology Decision states:

5 The Panel notes that all contract terms, including those not specified as
6 part of this Decision will be subject to a complete review by the
7 Commission pursuant to sections 59 to 61 of the UCA when FEI files the
8 contract for approval as a tariff supplement. **The Panel expects FEI will**
9 **address the issue of discriminatory treatment of long term customers**
10 **when it files each contract and that the Commission would consider**
11 **it at that time. (Emphasis added)”**

12 4.1 If TS K-1 is approved by the Commission, will it be a model for other contracts for
13 long-term, large volume sales of Biomethane by FEI?

14
15 **Response:**

16 Please refer to the response to BCUC IR 1.2.3.

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19
20 4.2 In addition to FEI’s responses to BCUC IR 6.1 and 10.0, please discuss more
21 broadly how TS K-1 relates to the issue of discriminatory treatment of long term
22 customers.

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24 **Response:**

25 FEI does not consider there to be any potential for discriminatory treatment of long term
26 customers. As compared to short term Biomethane customers, a long term customer’s
27 commitment to volumes and contract term justify the rate savings the long term agreement
28 offers. As the Commission’s BERC Decision and Order G-133-16 approved the concept and
29 certain requirements for a long term contract for Biomethane, the approved rate is not unduly
30 discriminatory. Further, FEI intends to use virtually the identical terms for negotiation with future
31 long term customers, which also addresses any potential for discriminatory treatment between
32 multiple long term customers.

33 Please also refer to the response to BCUC IR 1.2.3.

34