

MINISTRY OF ENERGY, MINES AND LOW CARBON INNOVATION

BRIEFING NOTE

PREPARED FOR: Honourable Josie Osborne, Minister of Energy, Mines and Low Carbon Innovation

ISSUE: Amendment to Direction 5 Rate Schedule 50

BACKGROUND:

In 2012, under the *Utilities Commission Act* (UCA), Cabinet issued Direction 5 to the British Columbia Utilities Commission (Commission) allowing FortisBC (Fortis) to expand its existing LNG liquefaction and storage facilities at Tilbury (referred to as Phase 1A) and established a liquefaction tariff.

Rate Schedule 50 (RS50) was developed to provide service to large volume, long term customers and is designed to recover Fortis' infrastructure costs to serve industrial customers and accrue ratepayer benefits. RS50 ensures there are no affordability impacts to British Columbians (ratepayers) as a result of service to large industrial users. RS50 also ensures that FortisBC can support the Woodfibre LNG (Woodfibre) project with benefits to ratepayers.

Over the years, a series of additional amendments to Direction 5 have occurred allowing for additional capital investments, additional storage and amendments to contractual arrangements between commercial parties.

s.13

DISCUSSION:

Woodfibre will require more feed gas than the current system can deliver. In order to serve Woodfibre, FortisBC (Fortis) will expand a portion of its existing natural gas transmission system, with the Eagle Mountain Pipeline project (EGP). The EGP will involve the construction of approximately 47 kilometres of gas pipeline, beginning north of the Coquitlam watershed and ending at the terminal in Squamish.

Fortis and Woodfibre have been negotiating on natural gas supply and have executed a series of agreements that protect ratepayer exposure through security provisions, protect rate increases, provide ratepayer benefits, provide First Nations benefits and provide certainty during construction. These agreements dictate the relevant terms for construction and operation of the EGP between Fortis, Pacific Energy Corporation (PEC) the gas owner, Woodfibre and partner Enbridge:

- Rate Schedule 50 – Tariff for long term industrial customers.

- Construction Security Agreement – defines funding obligations, capital contributions and terms for construction and operation.
- Transportation Services Agreement 1 (TSA1) – defines security provisions, terms of gas transportation and contracted demand.
- Transportation Services Agreement 2 (TSA2) – capacity formerly contracted to BC Hydro, defines contracted demand and terms for transportation.

Agreement	Notes	Status
RS 50 Rate Schedule 50	<ul style="list-style-type: none"> • FortisBC's tariff for long-term, large volume industrial transportation. 	<input checked="" type="checkbox"/> BCUC Order Received
CSA Construction Security Agreement	<ul style="list-style-type: none"> • Defines important terms for construction and operation of the EGP, specifically: • Defines funding obligations through construction. • Sets out when PEC's capital contributions (CIAC) would be received and trued-up. 	<input checked="" type="checkbox"/> Signed and Executed
TSA 1 Transportation Agreement 1	<ul style="list-style-type: none"> • The primary transportation agreement that defines the terms under which FortisBC will transport and deliver gas to WLNG through the EGP. • Base Contract Demand: 260,000 GJ per day. • Defines Security and Security Reduction Conditions. 	<input checked="" type="checkbox"/> Signed and Executed September 13, 2021
TSA 2 Transportation Agreement 2	<ul style="list-style-type: none"> • Defines the terms under which FortisBC will transport and deliver gas to WLNG using existing pipeline capacity. • Base Contract Demand: 40,000 GJ per day. • TSA 2 capacity was formerly reserved for BC Hydro Island Generation power plant but has been terminated by BC Hydro. 	<input checked="" type="checkbox"/> Signed and Executed May 10, 2022

s.13; s.17; s.21

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Withheld pursuant to/removed as

s.13 ; s.16 ; s.17 ; s.21

DRAFTED BY:

Suzanne Manahan, A/ADM
250-217-1567

APPROVED BY:

Suzanne Manahan, A/ADM
Shannon Baskerville, DM, EMLI

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