

April 11, 2012

Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.comBritish Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C.
V6Z 2N3Attention: Ms. Alanna Gillis, Acting Commission Secretary

Dear Ms. Gillis:

**Re: FortisBC Energy Inc. ("FEI")
Application for a Certificate of Public Convenience and Necessity ("CPCN") for
Constructing and Operating a Compressed Natural Gas Refueling Station at BFI
Canada Inc.****Reply Submissions of FEI**

On February 29, 2012, FEI filed the Application as referenced above. In accordance with Commission Order No. G-23-12 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits its Reply Submissions attached hereto.

If there are any questions regarding the attached, please contact Shawn Hill at 604-592-7840 or Mark Grist at 604-592-7874.

Yours very truly,

FORTISBC ENERGY INC.***Original signed by: Shawn Hill*****For:** Diane Roy

Attachment

cc (e-mail only): Registered Parties

BRITISH COLUMBIA UTILITIES COMMISSION

**IN THE MATTER OF the *Utilities Commission Act*,
R.S.B.C. 1996, Chapter 473**

and

An Application by FortisBC Energy Inc.

For a Certificate of Public Convenience and Necessity for

Constructing and Operating a Compressed Natural Gas

Refueling Station at BFI Canada Inc.

REPLY SUBMISSIONS OF

FORTISBC ENERGY INC.

APRIL 11, 2012

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A. SUPPORT BY THE INTERVENERS

1. Three interveners in this Application have filed their submissions – British Columbia Old Age Pensioners’ Organization (“BCOAPO”), Commercial Energy Consumers Association of British Columbia (“CEC”) and BC Sustainable Energy Association (“BCSEA”). In general, all three interveners support the approval of the BFI Agreement and FEI’s participation in the development of the NGT market.¹

2. FEI acknowledges that BCSEA’s support is limited to FEI providing CNG fueling service to the heavy duty vehicle sector, and confirms that FEI’s present business target is to provide CNG and LNG fueling service to return-to-base fleets similar to BFI’s waste haulers.²

B. CPCN Should Be Granted

3. Similar to FEI’s argument that FEI’s fueling service to BFI provides benefits to BFI, FEI’s natural gas ratepayers, the City of Surrey, and potentially the City’s residents, and aligns with British Columbia’s energy objectives, both CEC and BCSEA conclude that the fueling station project applied-for in this Application is in the public interest, thereby warranting a CPCN.³ BCOAPO cites two primary reasons – an increase of throughput on the FEI’s natural gas distribution system and a lower cost alternative to gasoline and diesel fueled transportation – for its support of FEI’s CNG fueling station projects.⁴

4. With respect to the British Columbia’s energy objective and the public interest benefit from GHG emissions reduction, FEI’s evidence is an estimated 419 tonnes reduction per year, or the equivalent of taking 75 passenger cars off the road, will result from using 52 natural

¹ BCOAPO Submissions, at paragraphs 1, and 9; CEC Submissions, at pages 1 and 5; BCSEA Submissions, at page 1.

² Exhibit B-3, BCUC IR 1.51.1, attachment at page 1; Exhibit B-5, BCSEA IR 1.6.1.

³ CEC Submissions, at page 2; BCSEA Submissions at page3, 4. FEI notes that BCOAPO’s submissions mainly focus on the rate design aspect of the BFI Agreement.

⁴ BCOAPO Submissions, at paragraph 2.

gas fueled trucks compared to diesel vehicles.⁵ BCSEA and BCOAPO respectively make an observation relating to this benefit. FEI will address each observation briefly below.

5. BCSEA recognizes that the public interest benefits can include both the benefit from the GHG emission reduction and the benefit to the City of Surrey in terms of fuel cost savings, and is of the view that “it is the GHG emissions reductions themselves, rather than any reduced offset costs, that are the primary factors the Commission should consider in determining whether the project is in the public interest under the [Utilities Commission] Act.” FEI submits that when granting a CPCN, the Commission must consider the applicable British Columbia’s energy objectives, of which decrease of GHG emissions is part.⁶ Furthermore, as FEI has previously explained:

“Generally speaking, a consideration of the public interest requires the weighing of competing interests of all the affected members of the public and any legislated considerations in arriving at an opinion of whether a given project is in the public interest (or is required by the public convenience and necessity). It is a matter of discretion as to how much weight the regulator gives to any one consideration, impact, or concern of the public. The test allows the regulator to weigh both private and public interests in arriving at its opinion.”⁷

6. BCOAPO questions whether FEI was too conservative in terms of its calculation of GHG emissions reductions in light of the provincial government’s recent statement about the environmental effect of vehicle fuel switching from diesel to natural gas.⁸ In particular, BCOAPO questions whether the conclusion that 419 tonnes reduction is the equivalent of 75 passenger cars being taken off the road is “quite pessimistic.”⁹ FEI submits that its estimate

⁵ Exhibit B-1, at page 9.

⁶ UCA, s.46(3.1).

⁷ AES Inquiry, Exhibit B-2, page 62,

⁸ BCOAPO Submissions, at paragraph 10.

⁹ *Ibid.*

may be conservative, but has based its estimated reduction of 419 tonnes per year on the GHGenius model (NRCan) and used a US EPA source for car conversion equivalent numbers.¹⁰

C. RATE DESIGNED FOR THE BFI REFUEING SERVICE IS JUST AND REASONABLE

7. As BCSEA nicely summarizes in its submissions, “the issue regarding rate design and rate is whether the BFI Service Agreement conforms [to] GT&C Section 12B. If it does, then the Commission should find that rate design and rates are just and reasonable and approve them.”¹¹ The evidence demonstrates that the key terms and conditions of the BFI Agreement are in full compliance with GT&C Section 12B, thereby, using CEC’s phrase, “effectively confin[ing] the entire cost of this proposed service to BFI.”¹²

8. While offering its full support for the approval of the BFI Agreement, BCOAPO expresses a concern that natural gas ratepayers may still be exposed to risks from some “extraordinary events” and suggests further refinement of GT&C Section 12B on a go-forward basis.¹³ FEI acknowledges that there may be some “extraordinary event” risks potentially uncovered by Seton 12B, but it is FEI’s position that this exposure is appropriate given the benefits to existing customer from the BFI Agreement and further benefits if the NGT market as whole can expand and grow and that Section 12B needs no further refinement for three main reasons.

9. First, Section 12B is the result of an in-depth regulatory review of FEI’s provision of CNG fueling service, where risks and benefits to natural gas ratepayers and other interested parties were explored. Section 12B went through revisions based on the Commission’s directives in Order No. G-128-11 and the accompanying Reasons for Decision (“NGT Decision”) and discussions with Commission staff, and was recently approved and endorsed by the

¹⁰ Exhibit B-1, at pages 8-9.

¹¹ BCSEA Submissions, at page 4. FEI acknowledges that BCSEA has assumed that the BFI Agreement conforms with GT&C Section 12B, without conducting its independent analysis.

¹² CEC Submissions, at page 3; see also Exhibit B-1, section 3.2 and Appendix A; Exhibit B-3, BCUC IR 1.5.1, 1.24.2, 1.35.1.

¹³ BCOAPO Submissions, at paragraphs 4, 5, and 9.

Commission.¹⁴ In FEI's view, Section 12B adequately addresses the actual cost of service will be collected from the fueling service customer as fully as possible and that natural gas ratepayers are sufficiently insulated from potential risks.

10. Second, Section 12B provides an appropriate balance of costs, risks, and benefits among the fueling service customer, natural gas ratepayers, and FEI relating to the construction and operation of a fueling station. In particular, natural gas ratepayers receive benefits from the Project, including the \$84,000 delivery revenue margin per year during the term of the BFI Agreement, and thus should be expected to bear some risks. Considering Rate Schedule 25 and GT&C Section 12B, FEI has successfully balanced risks in a fair manner similar to other industrial customers on the natural gas distribution system. In FEI's view, on balance, the existing ratepayers not only are sufficiently insulated from potential risks under the existing Section 12B but also are favored in terms of risk sharing.

11. Third, as BCOAPO itself has recognized, further uncertainty with respect to FEI's service offering and rate approval "may have a significantly negative impact on residential ratepayers over the longer term."¹⁵ Indeed, by revising the General Terms and Conditions when a new service agreement is entered into and by reopening the GT&C debate not only is impractical but also will further delay FEI's NGT market development efforts, thereby preventing FEI from generating additional benefits for natural gas ratepayers. Additionally, potential NGT customers will be further attracted to FEI's service because of the stability of established GT&C's, so that contracts between the two parties (FEI and customer) can be negotiated in accordance with the GT&C's. This will help the customers determine their cost for this service.

¹⁴ See FEI Final Submissions, at paragraph 19.

¹⁵ BCOAPO Submissions, at paragraph 8.

D. CONCLUSION

12. FEI respectfully requests that the Commission grants a CPCN for the BFI Project and approves the associated rate design and rates now. The Project has received general support from three of the interveners in the proceeding. Not only will any undue delay of the approval prejudice BFI as it stated in Exhibit D-1, the consequence of further delay or a non-approval will create uncertainty as recognized by BCOAPO.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: April 11, 2012

[original signed by Song Hill]

Song Hill

Counsel for FortisBC Energy Inc.