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October 15, 2012

BC Sustainable Energy Association
5-4217 Glanford Avenue
Victoria, BC
V8Z 4B9

Attention: Thomas Hackney, Director

Dear Mr. Hackney:

Re: FortisBC Energy Inc. ("FEI")

Application for Approval of Rate Treatment of Expenditures under the Greenhouse Gas Reductions (Clean Energy) Regulation ("GGRR") and Prudency Review of Incentives under the 2010 – 2011 Commercial NGV Demonstration Program (the "Application")

Response to the BC Sustainable Energy Association ("BCSEA") Information Request ("IR") No. 1

On August 21, 2012, FEI filed the Application as referenced above. In accordance with the Regulatory Timetables set out by Commission Order No. G-125-12 for Phase 1 and Order No. G-127-12 for Phase 2, FEI respectfully submits the attached response to BCSEA IR No. 1.

If there are any questions regarding the attached, please contact the undersigned.

Yours very truly,

FORTISBC ENERGY INC.

Original signed by: Shawn Hill

For: Diane Roy

Attachment

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

Phase 1 "Prescribed Undertaking 1: Vehicle Incentives or Zero Interest Loans"

1.0 Topic: GHG emissions reductions

Reference: Exhibit B-1, p.6; p.8; Appendix J, Forecast Results of the FEI Initiatives under the GGRR, Table 4: Incremental Demand Volumes by Vehicle Type – 2012-2017; Appendix G, Scenario 1 (Expected Case); Appendix H, Scenario 2 (Low Growth Case)

"The use of natural gas as a fuel for transportation promotes the development of innovative technologies that support energy conservation and efficiency and the use of clean or renewable resources, reduces BC GHG emissions, encourages individuals to switch to lower GHG emission fuel sources, encourages communities to reduce GHG emissions and use energy efficiently, and encourages economic development and the creation and retention of jobs." [p.6]

"As well, BC residents as a whole will see benefits through the reduced amount of GHG emissions that are expected to result from transportation vehicles transitioning from their existing fuel to CNG or LNG." [p.8]

1.1 Please provide a table showing estimated GHG emissions reductions, using GHGenius 4.0, due to natural gas volumes added as a result of prescribed program NGV incentives as shown in Appendix J, Table 4. Please show GHG emissions reductions for each year in the test period, annually once the program is fully subscribed, and cumulatively over the lives of the vehicles. Please also show BAU GHG emissions, program GHG emissions and the difference.

Response:

The table below presents the GHG emission reductions for both CNG and LNG vehicles from 2012-2017. GHG emissions for these same vehicles, based on diesel consumption, or business-as-usual (BAU) emissions are also presented, along with the overall net GHG emission reductions between diesel and natural gas powered vehicles.

	GHGenius v4.01 Emissions	Average Annual Kms	2012	2013	2014	2015	2016	2017
Diesel (t/km)	0.0014768	475,000	**26,302**	**38,485**	**55,062**	**53,335**	**73,360**	**108,626**
CNG (t/km)	0.0011701							
Vocational trucks		40,000	983	2,995	2,481	5,804	5,757	7,816
Transit/School Buses		70,000	901	3,276	2,457	3,031	3,850	5,160
Total CNG Lifecycle (t/km)			1,884	6,272	4,938	8,834	9,607	12,976
LNG (t/km)	0.0010229							
Class 8 tractors		300,000	16,571	21,174	33,756	29,153	42,348	63,829
Marine Vessels + Other Applications		65,000	0	0	66	66	66	66
Total LNG Lifecycle (t/km)			16,571	21,174	33,822	29,219	42,415	63,895
Total CNG/LNG Lifecycle (t/km)			**18,455**	**27,446**	**38,760**	**38,053**	**52,021**	**76,872**
Net Emissions Reductions			**7,847**	**11,040**	**16,302**	**15,281**	**21,339**	**31,754**

As the table shows, there are significant GHG emission reductions from utilizing natural gas vehicles. This is consistent with government policy and the GGRR, and provides benefits to all British Columbians.

1.2 Please provide estimated GHG emissions reductions tables for Scenario 1 (Planned Growth), Scenario 2 (Low Growth).

Response:

Please refer to the response to BCSEA IR 1.1.1 for details on the GHG emission reductions assumptions used to calculate the tables in this response. The results in this response are directly related to the number of vehicles additions shown in the Application at Appendix J, Table 1.

The three tables below provide the estimated GHG emissions reductions for Scenario 1 (Planned Growth).

	2012	2013	2014	2015	2016	2017
Diesel (t/km)	**26,302**	**38,485**	**55,062**	**53,335**	**73,360**	**108,626**
CNG (t/km)						
Vocational trucks	983	2,995	2,481	5,804	5,757	7,816
Transit/School Buses	901	3,276	2,457	3,031	3,850	5,160
Total CNG Lifecycle (t/km)	1,884	6,272	4,938	8,834	9,607	12,976
LNG (t/km)						
Class 8 tractors	16,571	21,174	33,756	29,153	42,348	63,829
Marine Vessels + Other Applications	0	0	66	66	66	66
Total LNG Lifecycle (t/km)	16,571	21,174	33,822	29,219	42,415	63,895
Total CNG/LNG Lifecycle (t/km)	**18,455**	**27,446**	**38,760**	**38,053**	**52,021**	**76,872**
Net Emissions Reductions	**7,847**	**11,040**	**16,302**	**15,281**	**21,339**	**31,754**

	2018	2019	2020	2021	2022	2023
Diesel (t/km)	**128,396**	**151,764**	**179,385**	**212,033**	**250,623**	**296,237**
CNG (t/km)						
Vocational trucks	9,239	10,920	12,908	15,257	18,034	21,316
Transit/School Buses	6,099	7,209	8,521	10,072	11,906	14,072
Total CNG Lifecycle (t/km)	15,338	18,130	21,429	25,329	29,939	35,388
LNG (t/km)						
Class 8 tractors	75,446	89,177	105,407	124,591	147,267	174,069
Marine Vessels + Other Applications	79	93	110	130	153	181
Total LNG Lifecycle (t/km)	75,524	89,270	105,517	124,721	147,420	174,251
Total CNG/LNG Lifecycle (t/km)	**90,863**	**107,400**	**126,946**	**150,050**	**177,360**	**209,639**
Net Emissions Reductions	**37,533**	**44,365**	**52,439**	**61,983**	**73,264**	**86,598**

	2024	2025	2026	2027	2028	2029	2030
Diesel (t/km)	**350,152**	**413,879**	**489,205**	**578,241**	**683,480**	**807,874**	**954,907**
CNG (t/km)							
Vocational trucks	25,195	29,781	35,201	41,608	49,180	58,131	68,711
Transit/School Buses	16,634	19,661	23,239	27,469	32,468	38,377	45,362
Total CNG Lifecycle (t/km)	41,829	49,442	58,440	69,076	81,648	96,508	114,073
LNG (t/km)							
Class 8 tractors	205,750	243,197	287,458	339,776	401,615	474,709	561,106
Marine Vessels + Other Applications	214	253	299	354	418	494	584
Total LNG Lifecycle (t/km)	205,964	243,450	287,758	340,130	402,033	475,204	561,691
Total CNG/LNG Lifecycle (t/km)	**247,793**	**292,892**	**346,198**	**409,206**	**483,682**	**571,712**	**675,763**
Net Emissions Reductions	**102,358**	**120,988**	**143,007**	**169,035**	**199,799**	**236,162**	**279,144**

By the end of 2017, GHG emission reductions sum to approximately 104 thousand tCO2e, which is the equivalent of removing 20 thousand passenger cars off the road. By the end of 2030, GHG emission reductions sum to approximately 1.71 million tCO2e, which is the equivalent of removing 335 thousand passenger cars off the road.

The table below provides the estimated GHG emissions reductions for Scenario 2 (Low Growth)

	2012	2013	2014	2015	2016	2017-2030
Diesel (t/km)	**26,302**	**38,485**	**55,062**	**53,335**	**73,360**	**108,626**
CNG (t/km)						
Vocational trucks	983	2,995	2,481	5,804	5,757	7,816
Transit/School Buses	901	3,276	2,457	3,031	3,850	5,160
Total CNG Lifecycle (t/km)	1,884	6,272	4,938	8,834	9,607	12,976
LNG (t/km)						
Class 8 tractors	16,571	21,174	33,756	29,153	42,348	63,829
Marine Vessels + Other Applications	0	0	66	66	66	66
Total LNG Lifecycle (t/km)	16,571	21,174	33,822	29,219	42,415	63,895
Total CNG/LNG Lifecycle (t/km)	**18,455**	**27,446**	**38,760**	**38,053**	**52,021**	**76,872**
Net Emissions Reductions	**7,847**	**11,040**	**16,302**	**15,281**	**21,339**	**31,754**

2.0 Topic: an open and competitive application process

Reference: Exhibit B-1, p.25; GGRR s.2(1)(a)

"Details of the NGT Incentive Program, including the number and types of vehicles that are forecast to receive funding, are provided in Appendix J. At this time, FEI intends to hold one call to fund projects for the 2012 period, and at least one call process per year in subsequent years. The overall program design, terms and conditions, and evaluation criteria will be assessed in conjunction with the annual reports to the Minister in order to make any adjustments for the next funding period."

2.1 Please explain how FEI's evaluation of applications for prescribed program NGV incentives will be open and competitive.

Response:

FEI is working with the fairness advisor and providing reports back to the Minister in order to ensure it's an open and competitive process. Please also refer to the response to BCSPO IR 1.1.1.

2.2 Will FEI's selection of successful applications for prescribed program NGV incentives include consideration of the amount GHG emissions reduction per dollar of incentive?

Response:

Yes, FEI's evaluation criteria for this round of funding does include, "liters of fuel displaced per dollar incentive" as the most heavily weighted criteria in scoring and ranking the applicants that passed the minimum established eligibility threshold. FEI asked applicants to provide credible estimates of high-carbon fuel consumption that will be displaced through the proposed project on an annual basis and used that information to estimate the ratios during the initial screening. Since the amount of GHG emission reduction per dollar incentive is directly related to the amount of diesel fuel displacement per dollar incentive, this would put projects with higher GHG emission reduction to the top of the list based on this criteria only. FEI anticipates that these considerations will be part of the report requested by the Ministry of Energy, Mines and Natural Gas.

3.0 Topic: Future applications and reporting

Reference: Exhibit B-1

3.1 In addition to applications regarding specific NGV fueling stations, will FEI submit program plans for prescribed NGV incentives or fuelling stations to the Commission for review?

Response:

FEI will not submit program plans for prescribed NGV incentives to the Commission for the purpose of seeking approval. All prescribed undertakings that are specific to the GGRR will be included in yearly reports to the MEMNG as a requirement under section 18(2) of the *Clean Energy Act.* CNG/LNG stations that are not included under the GGRR will be subject to CPCN approval by the Commission at the current time but this may change depending on the AES Inquiry decision which should establish thresholds for the NGT initiative. Information on GGRR prescribed undertakings and other NGT activities will also be included in future revenue requirements applications to explain their effect on rates and to demonstrate their compliance with Commission orders and decisions.

3.2 The application refers to reporting to the Minister [p.25]. What does FEI propose regarding requirements for reporting to the Commission?

Response:

Please refer to the response to BCSEA IR 1.3.1.

3.2.1 Would FEI agree to a requirement that it report to the Commission on achieved GHG emissions reductions due to the prescribed NGV incentives?

Response:

Section 18(4) of the *Clean Energy Act* requires that a public utility must submit a report to the Minister at the Minister's request with respect to the prescribed undertaking. The information to be included in the report is still to be determined; however, FEI expects that the reporting will include detail on the achieved GHG emission reductions. FEI would have no objection to providing the achieved GHG emission reductions to the Commission for its information if the Commission requested it, but recognizing that the achieved GHG emissions are not specifically required for the Commission to fulfil its mandate under the GGRR to ensure cost recovery in rates. Please also refer to the response to BCSEA IR 1.3.1.

4.0 Topic: Application phases

Reference: Exhibit B-1, p.4, and Appendix Z, Draft Order; Exhibit A-1, Order G-125-12

4.1 Does the Commission's September 14, 2012 decision to review the application in three phases change FEI's proposed Draft Order? If so, please provide a revised Draft Order(s) for Phase 1.

Response:

Yes, the Commission's Decision may require that there be three separate Orders or in the alternative Phases 1 and 2 may be combined into one Order at the discretion of the Commission. The draft form of Order included in Appendix Z of Exhibit B-1, has been revised to reflect a separate Order for Phase 1 as follows:

WHEREAS:

A. On May 14, 2012, the Lieutenant Governor In Council approved the Greenhouse Gas Reduction (Clean Energy) Regulation, B.C. Reg. 102/2012 (the GGRR); and

B. On August 21, 2012, FortisBC Energy Inc. (FEI) applied (the Application) to the British Columbia Utilities; and pursuant to sections 59 to 61, and 90 of the Utilities Commission Act (the Act), for approval of a deferral account and the accounting and rate treatment methodology for the prescribed undertaking 1, established by the GGRR; and

C. Letter dated September 14, 2012, Order G-125-12 determined that Phase 1 or Prescribed Undertaking 1 would be reviewed by a Streamlined Review Process; and

D. The Commission has reviewed the Application and concludes that the accounting treatment proposed for Prescribed Undertaking 1 should be approved.

NOW THEREFORE pursuant to sections 59-61 and 90 of the Act, the Commission orders as follows:

1. A non-rate base deferral account (the NGT Incentives Account) with the accumulated balance attracting AFUDC on a net of tax basis is to capture all grants and costs, including a portion of application costs, related to Prescribed Undertaking 1 for the period until December 31, 2013. This account is to be transferred to rate base, effective January 1, 2014. Once transferred to rate base this account will continue to capture the actual incentives granted under Prescribed Undertaking 1 and will be amortized over a 10 year period into the delivery rates of all non-bypass natural gas customers.

2. The deferral account and prescribed undertaking expenditures are subject to the rate recovery and accounting treatment of costs as described in Sections 5.2 of the Application.

4.2 If not provided elsewhere, please state the Order FEI seeks within Phase 1 of this proceeding.

Response:

Please refer to the response to BCSEA IR 1.4.1.

5.0 Topic: Grants v. Zero-Interest Loans

Reference: Exhibit B-1, p.14

"It is at the discretion of the utility whether a grant or an interest free loan is provided, and at this time FEI intends to provide grants for the purchase of a CNG/LNG eligible. The rationale for providing grants as opposed to interest free loans is discussed in Section 5.2.3. Applications will be judged on a competitive evaluation process based on specified criteria. As experience is gained during the prescribed undertaking period, FEI may make modifications to its programs, including the offering of interest-free loans in particular circumstances, if FEI believes that would be beneficial."

5.1 If zero-interest loans become part of FEI's prescribed NGV incentive funding program, how will the repayment of such loans be handled in terms of the proposed deferral account?

Response:

Please refer to the response to BCPSO IR 1.1.2.

5.2 If zero-interest loans become part of FEI's prescribed NGV incentive funding program, please explain how FEI will apply the spending cap. Will the spending cap apply to gross loans, or to un-repaid loans and foregone interest?

Response:

If FEI began to provide zero-interest loans as part of GGRR incentive funding program the spending cap would apply to the gross amount of loans provided. Please also refer to the response to BCPSO IR 1.1.2 for further discussion of how zero-interest loans would be treated, if they were offered.

6.0 Topic: Utilities

Reference: Exhibit B-1, p.12.

"Any public utility in the Province is eligible to carry out the prescribed undertakings set out in the Regulation, in terms of both types of expenditures in the prescribed undertakings and the expenditure limits. In addition to FEI, this may include FEVI, FortisBC Energy (Whistler) Inc. Pacific Northern Gas Ltd, Pacific Northern Gas (N.E.) Ltd., FortisBC Inc. (Electric) and BC Hydro and Power Authority. Carrying out the prescribed undertakings is optional so each public utility can elect to participate in any, all or none of the programs or expenditures allowed under the prescribed undertakings."

6.1 Please confirm that within the FortisBC Utilities it will be FEI, not other FortisBC utilities, that carries out the prescribed NGV incentives program. Otherwise, please explain.

Response:

With respect to the GGRR and the prescribed undertakings, the FortisBC Energy Utilities are considering the spending limits to apply to the FEU on a combined basis. In this case, whether FEI carries out the prescribed undertakings or another affiliate utility such as FEVI, the effect on the GGRR expenditure caps is the same. For example, the FEU will only spend $62 million in total on incentives and other prescribed undertaking 1 expenditures regardless of which utility in the FEU makes the expenditures.

It is expected that FEI will carry out most or all of the prescribed undertakings set out in the Regulation and that is why this Application has been filed by FEI. The need to file a similar application for FEVI or FEW is contingent on potential NGT customers in those utility service areas seeking to participate in GGRR prescribed undertaking programs and on the outcome of FEU's Common Rates, Amalgamation and Rate Design Application. If amalgamation and common rates are approved then participation in GGRR programs will be open to parties across the combined service territory. If circumstances warrant, and depending on the outcome of the Common Rates, Amalgamation and Rate Design Application, an application for rate treatment of vehicle incentives granted by FEVI will be filed after the decision is rendered on this Application.

6.2 What is FEI's understanding of how the Regulation applies in the event that another natural gas utility, such as Pacific Northern Gas Ltd. or Pacific Northern

Gas (N.E.) Ltd. implements a prescribed NGV incentives program? Does the spending cap apply to the total spending of both utilities combined?

Response:

FEI's understanding is described in the reference in the preamble to this IR series; however, FEI has decided to apply the expenditure limits to the FEU as a group as if a single utility (please refer to the response to BCSEA IR 1.6.1). A plain reading of the GGRR and *CEA* section 18 would suggest that the expenditure limits apply to each individual utility, such as Pacific Northern Gas Ltd. ("PNG") or Pacific Northern Gas (N.E.) Ltd. ("PNG-NE"), separately. If another utility, such as PNG or PNG-NE, conducted its own programs or made expenditures under the GGRR, these would not affect the spending limits available to the FEU.

6.3 Is FEI aware of any other utility intending to implement a prescribed NGV incentives program?

Response:

FEI has been contacted by PNG about the program but is not aware if it intends to implement a prescribed NGV incentives program.

7.0 Topic: Geographic factors

Reference: Exhibit B-1, p.12.

7.1 Please confirm that the GGRR does not limit prescribed NGV incentives to applicants located within the public utility's service territory.

Response:

The GGRR does not limit the prescribed NGV incentives to applicants within the public utility's service territory, although the GGRR does stipulate that the vehicles receiving incentives must be operated in British Columbia (GGRR section 2 (1) (a) (i)). However, FEI considers that it is the prerogative of the utility to limit the provision of NGV incentives to its service territory as doing so is in the best interest of its customers. The MEMNG indicates that the legislation is "permissive in this regard". In MEMNG's June 8, 2012 letter to the AES Inquiry and Appendix P, page 3 in this Application, it stated a similar view:

> ***"Grants or Zero-Interest Loans***
> *Clean Energy Fuels argues that the formula for providing loans or grants should not take into consideration whether the applicant is in the utility's service territory, and that this would "corrupt the intent of the Clean Energy Act and the Regulation". Similarly, Ferus LNG argues that Government is requiring, in prescribing grants or loans to be provided to persons in British Columbia for an eligible vehicle to be operated in British Columbia, that "incentives are clearly not limited to FortisBC service sectors." The Ministry submits that the Regulation is permissive in this regard. The public utility, through its open and competitive process for providing grants or zero-interest loans, may limit the provision of its ratepayer-funded loans or grants to those in its service territory to ensure its ratepayers also receive the benefits from these investments. Provision of such loans or grants would remain within the undertaking prescribed in the Regulation."*

7.2 Will FEI's prescribed NGV incentives program be limited to NGV fleets located within FEI's service territory? Will NGV fleets on Vancouver Island be eligible?

Response:

NGT fleets on Vancouver Island will be eligible for the prescribed undertakings; however, the way forward for providing these on Vancouver Island is dependent on several factors, such as the outcome of the FEU Common Rates, Amalgamation and Rate Design Application. Please also refer to the response to BCSEA IR 1.6.1.

8.0 Topic: Recovery of costs from non-bypass natural gas ratepayers

Reference: Exhibit B-1, p.9; *Clean Energy Act*, s.18(2), 18(3)

"18(2) In setting rates under the Utilities Commission Act for a public utility carrying out a prescribed undertaking, the commission must set rates that allow the public utility to collect sufficient revenue in each fiscal year to enable it to recover its costs incurred with respect to the prescribed undertaking.

(3) The commission must not exercise a power under the Utilities Commission Act in a way that would directly or indirectly prevent a public utility referred to in subsection (2) from carrying out a prescribed undertaking."

"As set out above, the effect of the GGRR is that the Commission must set rates that allow FEI to collect sufficient revenue in each fiscal year to enable it to recover its costs incurred with respect to the prescribed undertaking." [p.9]

"FEI believes that it is appropriate to recover the costs of Prescribed Undertaking 1 from all non-bypass natural gas customers because non-bypass customers will benefit directly from the additional throughput on the distribution system." [p.19]

8.1 Does s.18(3) of the *Clean Energy Act* require the Commission to set rates that allow FEI to recover its costs of the NGV incentives prescribed program *from non-bypass natural gas customers*?

Response:

While CEA section 18(3) does not require expressly that the costs of the prescribed undertaking vehicle incentives be recovered from non-bypass natural gas customers, FEI believes that it does so implicitly. Section 18(3) of the CEA targets "indirect" regulatory impediments, as well as direct obstacles. As stated in the Application and supported by Appendix A to the Application, the enactment of GGRR signals the government's intention to promote the use of natural gas as a transportation fuel by reducing cost barriers to uptake. The evidence provided in section 5.2.3 suggests that requiring the recipients of incentives to repay the incentives may materially reduce interest in the program, thereby limiting FEI's ability to attract fleets to natural gas as a transportation fuel. Requiring FEI to recover the costs for Prescribed Undertaking 1 from the customer that receives the incentive will therefore frustrate the intent of the GGRR and present at least an "indirect" regulatory impediment to the successful implementation of the GGRR.

In any event, it is appropriate to recover the costs for Prescribed Undertaking 1 – Grants and Loans for Eligible Vehicles – from all non-bypass customers because these customers will benefit directly from the additional throughput on the distribution system. The reasons in support of this treatment are set out in section 5.2.3 of the Application (Exhibit B-1, page 19).

8.2 What is FEI's definition of "all non-bypass natural gas customers"? Does the term include customers that purchase natural gas for use in NGVs purchased through the prescribed NGV incentives program?

Response:

This response also addresses BCSEA IR 1.8.2.2.

The term non-bypass natural gas customers refers to the vast majority of FEI customers (approximately 99.9% of total average FEI customers) and includes all sales and transportation customers with the exception of those that are considered bypass or special contract customers (please see definition below). The term non-bypass natural gas customers includes customers that purchase natural gas from FEI for use in NGVs, which includes those customers who may have purchased their NGVs through the prescribed NGV incentives program.

Bypass customers, or special contracts, are a small group of FEI customers (approximately 0.1% of total average FEI customers). These customers are defined as service agreements under which large volume customers, located in close proximity to upstream transmission pipelines, have negotiated with FEI for delivery rates that are reflective of the customer's cost of constructing its own pipeline.

8.2.1 Please confirm, or otherwise explain, that FEI's proposal is that parties that receive NGV incentives under the prescribed program will pay a share of the recovery of FEI's costs of the program through their rates for natural gas for NGV use.

Response:

Confirmed.

As noted in Appendix I, one of the eligibility requirements as set by FEI for NGV incentives under the prescribed program is that the applicant must primarily fuel the NGVs using natural gas (CNG or LNG) delivered through FEI's natural gas distribution system. As such, customers that receive NGV incentives from FEI under the prescribed program will be included in FEI's non-bypass customer base and will pay a share of the recovery of the costs of the program through their delivery rates for natural gas for NGV use.

8.2.2 For clarity, please define bypass customers.

Response:

Please refer to the response to BCSEA IR 1.8.2.

8.3 Is FEI proposing that FEI's costs of the prescribed NGV incentives program would not be recovered from non-bypass natural gas customers of FEVI?

Response:

As the prescribed NGV incentives program is currently offered by FEI, the costs for the program will be recovered from non-bypass natural gas customers of FEI. To clarify, FEI has not proposed to recover costs from its NGV incentives program from FEVI non-bypass natural gas customers. An application for rate treatment of vehicle incentives granted by FEVI will be filed, as necessary, to accommodate vehicle incentives granted to parties on Vancouver Island. Please also refer to the responses to BCSEA IRs 1.6.1 and 1.7.2 regarding the treatment of costs if FEVI customers participate in the vehicle incentive program.

9.0 Topic: Spending cap

Reference: Exhibit B-1; Exhibit A-3

9.1 If the Commission does not allow FEI to recover the $5.6 in 2010-2011 NGV incentives (Phase 3 of this proceeding), would FEI propose to use the entire $62 million spending cap for eligible NGV incentives going forward?

<u>Response:</u>

Yes, if the $5.6 million of 2010-2011 are not allowed for recovery, FEI intends to use the entire $62 million for eligible vehicle incentives (or other spending categories as allowed in GGRR section 2(1)) going forward. As indicated in section 7.1 (Exhibit B-1, p.28), FEI commits to reducing the amount of incentives dispensed by the amount of 2010-2011 NGV Incentives approved for recovery. If none of the $5.6 million was allowed for recovery there would be no corresponding reduction in the $62 million.

10.0 Topic: Amortization Period

Reference: Exhibit B-1, s.5.2.4

"FEI considers a ten year amortization period to be an appropriate time frame for amortization as this approximates the expected life of the CNG/LNG vehicles as well as the period over which the benefits of the program are experienced." [p.20, footnote omitted]

10.1 Does this rationale include marine natural gas engines?

Response:

Yes, the ten year amortization period for incentives granted to marine applications is appropriate. The NG engine life for vehicles qualifying for the GGRR incentives will range from approximately 5 years for extreme high use tractor trailers to approximately 20 years for marine engines. On balance, FEI believes that the 10 year amortization of the NGT Incentives Account provides matching of benefits and costs.

The delivery margin benefit from the additional throughput will continue to the extent that marine engines partially funded under the GGRR remain in service beyond the cost recovery period of ten years.

11.0 Topic: Marine and Other Applications

Reference: Exhibit B-1, Appendix J, Forecast Results of the FEI Initiatives under the GGRR, Table 1: Number of Vehicles Anticipated to Receive Funding – 2012-2017

11.1 In the line "Marine Vessels & Other Applications," what is "Other Applications"?

Response:

The phrase "Other Applications" is meant to capture all other alternate modes of transportation that may be eligible for incentive funding. For example, rail transportation is a potential application that could use natural gas a fuel source in the near future.

12.0 Topic: Rationing of incentive funds

Reference: Exhibit B-1, Appendix J, Table 2: Estimated Natural Gas Vehicle Premiums & Incentive Caps by Vehicle Type – 2012-2016

"...It is anticipated that there will be a larger number of applicants requesting funding as natural gas engines become more common. In order to comply with the Regulation and to maximize the number of vehicles and fleets adopting natural gas as a vehicle fuel, funding of the differentials will be limited to 80% in 2012 and will decrease by 10% annually so that funds are available to an increasingly greater number of vehicles each year." [p.2]

12.1 Does FEI anticipate that applications for prescribed program NGV incentives will exceed the available funds?

Response:

Based on the initial response received in this round of funding, it is not unreasonable to assume that the applications for prescribed programs may exceed the available funds allowed to spend under the Prescribed Undertaking 1. However, FEI would ensure that the total funds awarded do not exceed the allowed expenditure of $62 million during this undertaking period.

12.2 If applications for prescribed program NGV incentives do exceed the available funds would FEI reduce the size of the incentive per vehicle? Would FEI prioritize applications with the largest lifetime vehicle GHG emissions reductions?

Response:

The breakdown of the incentive funding as illustrated in Table 6-1(page 26) of the Application and the incentive structure is just a plan of how the funds will be allocated across those categories. It is FEI's intent to reduce the size of incentive per vehicle each year to maximize the adoption of natural gas vehicles but the actual funding amounts and incentive mechanism will depend on the number of applications received in that particular year. For instance in this round of funding FEI received an overwhelming response and to accommodate all the applicants, FEI decided to award recipients at 75% of the price differential rather than the initial 80% as planned.

GHG emissions reduction is of the many factors that FEI would consider while evaluating applications but would not necessarily prioritize applications with largest lifetime vehicle GHG emissions reductions. Please refer to the response BCSEA IR 1.2.2 for more details on the FEI's consideration of the amount of GHG emissions reduction per dollar incentive.

13.0 Topic: Allocation of NGV incentives by vehicle type

Reference: Exhibit B-1, Appendix J, Table 3: Total Dollars of Incentive Funding By Vehicle Type – 2011-2016

"Although incentives will be provided to both CNG and LNG projects, it is expected that LNG fuelled vehicles will account for the majority of the incentives granted. This is due to two factors: the cost premium for an LNG vehicle is higher than for a CNG vehicle, as demonstrated by Table 3 above; and LNG vehicles tend to travel greater distances on an annual basis consuming more natural gas. Overall this results in more efficient use of funding for LNG vehicles on a dollar per GJ of throughput basis, further maximizing the cost benefits of natural gas vehicles." [p.3]

13.1 For the NGV vehicle types shown in Appendix J Table 3, is the (absolute value of the) reduction in GHG emissions proportional to the increase in natural gas throughput?

Response:

In practice, an increase in natural gas consumption in vehicles is proportional to reductions in GHG emissions since a greater amount of diesel fuel is being displaced.

In FEI's analysis for this Application, the reduction of GHG emissions is not directly proportional to the increase in natural gas throughput. Natural gas throughput is measured in GJ, while GHG emission reductions are measured in gCO2e/km. FEI has used gCO2e/km for GHG emission reductions calculations since it is the primary measure produced by the GHGenius model. When calculating emission reduction benefits for each NGT project FEI assesses both the fuel consumption in diesel litres and the kilometers traveled by diesel vehicles as provided by the customer.

13.2 Does the emphasis on LNG compared to CNG vehicles correspond to increased GHG emissions reductions?

Response:

Yes. LNG has a greater GHG emission reduction from diesel than CNG, and a correspondingly higher amount of GHG savings are expected. As shown in the response to BCSEA IR 1.1.1, the GHG emission reductions for each fuel type is multiplied by the forecast number of vehicles and their expected kilometers travelled for each year of the undertaking period. Since the estimated kilometers travelled for LNG vehicles are much greater than CNG vehicles, a proportionate increase in GHG savings would occur.

All natural gas engines use the fuel in its gaseous state. The CNG or LNG question is really about how the fuel is stored while on the vehicle. The advantage of providing the fuel in liquid form as opposed to compressed form is energy density. Vehicles that consume large amounts of fuel are generally provided with LNG as it has roughly twice the energy density of compressed natural gas. As LNG is used by vehicles that consume large quantities of fuel the GHG reductions tend to be greater for LNG fueled vehicles.

14.0 Topic: Prescribed NGV incentives program

Reference: Exhibit B-1

14.1 For clarity, please confirm that FEI does not intend to provide NGV incentives outside of the prescribed program for NGV incentives. Alternatively, please explain.

<u>Response:</u>

Confirmed. FEI does not intend to provide NGV incentives outside of the GGRR, with the exception of the existing Rate Schedule 6/26 grants. Rate Schedule 6 grants have been provided by FEI for a number of years and primarily offset conversion costs for light duty vehicles.

Phase 2 "Prescribed Undertaking 2: CNG Stations & Prescribed Undertaking 3: LNG Stations"

15.0 Topic: Application Phases

Reference: Exhibit B-1, p.4, and Appendix Z, Draft Order; Exhibit A-1, Order G-125-12

15.1 Does the Commission's September 14, 2012 decision to review the application in three phases change FEI's proposed Draft Order regarding prescribed CNG and LNG fueling stations? If so, please provide a revised Draft Order(s) for Phase 2.

Response:

Yes, the Commission's Decision may require that there be three separate Orders or in the alternative Phases 1 and 2 may be combined into one Order at the discretion of the Commission. The draft form of Order included in Appendix Z of Exhibit B-1, has been revised to reflect a separate Order for Phase 2 as follows:

WHEREAS:

A. On May 14, 2012, the Lieutenant Governor In Council approved the Greenhouse Gas Reduction (Clean Energy) Regulation, B.C. Reg. 102/2012 (the GGRR);

B. On August 21, 2012, FortisBC Energy Inc. (FEI) applied (the Application) to the British Columbia Utilities Commission (the Commission), pursuant to sections 59 to 61, and 90 of the *Utilities Commission Act* (the Act), for approval of deferral accounts and the accounting and rate treatment methodology for the three prescribed undertakings established by the GGRR;

C. Letter dated September 18, 2012, Order G-127-12 established that the Application should be reviewed in three phases in a streamlined review process;

D. The Commission has reviewed the Application and concludes that the accounting and rate recovery treatment as applied for in Phase 2, which includes Prescribed Undertaking 2 (CNG stations) and 3 (LNG stations) should be approved.

NOW THEREFORE pursuant to sections 59-61 and 90 of the Act, the Commission orders as follows:

1. A non-rate base deferral account attracting AFUDC (the Fueling Station Variance Account) to capture the total revenue surplus or deficiency pertaining to fueling station facility costs that have not been forecast in rates, as well as the administration and application costs, for the prescribed undertakings established under sections 2(2) and 2(3) of the GGRR. This account is to be transferred to rate base effective January 1,

2014, with an amortization period of three years into the delivery rates of all non- bypass natural gas customers.

2. The deferral accounts and prescribed undertaking expenditures described in item 1 of this Order are subject to the rate recovery and accounting treatment of costs as described in Sections 5.3 of the Application.
3. FEI will maintain records on the CNG and LNG stations that will allow for each station to be tracked separately.

15.2 If not provided elsewhere, please state the Order FEI seeks within Phase 2 of this proceeding.

Response:

Please refer to the response to BCSEA IR 1.15.1.

16.0 Topic: Geographic boundaries and Utilities

Reference: Exhibit B-1

16.1 Does FEI intend to construct or purchase any NGV fueling stations or offer NGV fueling service outside of the prescribed NGV fueling station program, other than the existing four (WM, KSD, Surrey, Vedder)?

Response:

Yes. The prescribed undertakings are voluntary and additive to existing services. At the present time FEI intends to offer fueling station services under the terms of GT&C Section 12B in addition to offering station services under the GGRR undertakings.

16.2 Will FEI be the only one of the FortisBC Utilities that provides prescribed NGV fueling stations? If not, please explain.

Response:

There are a number of considerations that are relevant in the response to this question. The first is that if amalgamation and common rates are approved in the FEU's Common Rates, Amalgamation and Rate Design proceeding, the CNG and LNG fueling stations will be made available by FEI Amalco on the same basis throughout the combined service territory. A second consideration is a general principle that FEI believes the fueling station should be provided by the utility that is benefitting from the system throughput to serve the particular NGT load.

Regarding LNG service, FEI will be providing all of the prescribed undertaking fueling stations. This is a function of the treatment sought in FEI's Rate Schedule 16 Application where all LNG is provided to customers by FEI, initially at FEI's Tilbury LNG Facility and later at either of the Tilbury or Mt. Hayes LNG Facilities (with FEI compensating FEVI for LNG volumes delivered from the Mt. Hayes Facility). Since FEI is providing the LNG service it is FEI's customers that receive the incremental benefits of the Rate Schedule 16 throughput and therefore it would be appropriate for FEI to build the LNG fueling stations (assuming the customer does not wish to build their own station or contract with a third-party for LNG fueling service), even if they are located outside of the FEI service territory.

CNG stations, on the other hand, will be physically connected to the distribution systems of one of the utilities comprising the FEU. Therefore the customers of the utility that the CNG station is connected to obtain the benefit of the additional system throughput and it is therefore appropriate for that utility to build and own the station (again assuming the customer itself or a third-party does not provide the CNG fueling service). In the absence of a favourable decision on amalgamation and common rates, if CNG fueling customers come forward in FEVI's service territory and are accepted for a prescribed undertaking CNG station there are a number of steps to be taken and approvals to be sought, but FEVI will address those on an as-required basis to accommodate customer needs in a timely fashion.

16.3 GGRR s.2(2)(a) specifies that prescribed CNG fueling stations are "within the service territory of the public utility." Will the FEU provide prescribed CNG fueling stations in areas outside of FEI's service territory, such as on Vancouver Island? If not, how will prescribed CNG fueling stations be provided on Vancouver Island; or are none contemplated?

Response:

Please refer to the response to BCSEA IR 1.16.2.

16.4 In Appendix J, FEI states: "These stations may be constructed privately, through another public utility offering incentives under this Regulation, or by FEI, either through the Regulation or under FEI's GT&C 12B." [p.7, underline added]

16.4.1 Should the underlined phrase read 'another public utility offering NGV fueling service under this Regulation'? Does FEI mean to say that the effect of the GGRR is that a public utility can provide a prescribed fueling service only if it also provides prescribed NGV incentives?

Response:

It is not FEI's intention to imply that a public utility must provide NGV incentives in order to construct a fueling station. The GGRR includes three prescribed undertakings, and a public utility can decide to provide any combination of the prescribed undertakings.

The following revised sentence more accurately describes the fueling station construction options:

"These stations may be constructed privately, by another public utility making expenditures as authorized under this Regulation, or by FEI, either through the Regulation or under FEI's GT&C 12B."

16.4.2 Is FEI aware of any other BC natural gas utility that intends to provide prescribed NGV fueling stations?

Response:

FEI has received enquiries from PNG indicating that they may be interested in developing NGT programs under the GGRR. FEI has no information on how these programs would be designed or implemented.

16.5 Please confirm that the GGRR s.2(3) does not limit prescribed LNG fueling stations to locations within the public utility's service territory. Please discuss whether and how this difference between how the GGRR deals with CNG and LNG fueling stations affects FEI's plans.

Response:

FEI confirms that the GGRR section 2(3) does not limit prescribed LNG fueling stations to locations within the public utility's service territory. LNG will be trucked from the LNG storage / load out facilities at Tilbury (and later Mt. Hayes). Therefore, it can be distributed to LNG stations or storage facilities outside the FEI service territory. The only limiting factor becomes the requirement of the GGRR that fueling services be provided within British Columbia. CNG stations are physically connected to the utility's natural gas distribution system so therefore CNG stations must be built within the FEI service area. These differences between CNG and LNG are the same with or without the GGRR so the main change brought about the GGRR is an opportunity to increase the adoption of CNG and LNG for transportation much more rapidly.

Both CNG and LNG are used as transportation fuels. CNG can be stored at ambient temperature but requires tanks with thicker walls to hold the pressure and provides less energy per volume than LNG. It is used for medium-duty vehicles, such as buses and garbage trucks. LNG, which is using a cryogenic technology to chill gas and reduce it to one-six-hundredth of its original volume at low temperature, is offered mostly as a fuel for heavy-duty vehicles.

FEI is currently pursuing both the CNG and LNG fueling station markets which target eligible vehicles under the GGRR as well as marine vessels. Currently the City of Surrey, Kelowna School District and Waste Management are CNG customers while Vedder Transport is an LNG customer. In addition, BC Ferries is considering the conversion of a vessel in its fleet to LNG. FEI has also had strong interest in its first call process to issue incentives under the GGRR with proponents proposing CNG fleets, LNG fleets and an LNG marine application. Stations will be needed to service these projects if they proceed.

16.6 Are FEI's contemplated prescribed marine NGV fueling stations for CNG or LNG or both? If any are for CNG, is the fact that FEI's service territory does not include Vancouver Island a problem?

Response:

As marine applications generally require large volumes of fuel and LNG has higher energy density than CNG, FEI expects that marine applications under the program will use LNG rather than CNG. The ability to offer LNG is not restricted to the distribution system as is typically the case for CNG.

The FEU believe that LNG applications on Vancouver Island can be served by FEI. LNG would be supplied under FEI Rate Schedule 16 and shipped to the island or supplied from Mt. Hayes under the applied for Rate Schedule 16 and fueling station service (if required) could be supplied whether under the FEI GGRR terms or under FEI's GT&Cs Section 12B. As is the case for any fueling station regardless of where it is located, FEI would need to get approval of the fueling station rates. The FEU believe that it would be more efficient to have all LNG fueling station agreements executed under FEI, rather than have FEVI develop comparable offerings. In addition this approach keeps all elements within one corporate entity which allows benefits to be matched with costs. For example, incentives provided for vehicles using LNG are largely offset from delivery margins under Rate Schedule 16 so it makes sense to have all elements provided by one corporate entity.

For CNG service, service territory is more of an issue for economic reasons. For CNG service on the island, FEVI would provide delivery of commodity under existing FEVI tariffs which in general are higher than FEI tariffs for comparable services. Load growth benefits in the form of lower delivery rates accrue to FEVI ratepayers, so vehicle incentive agreements and fueling station agreements together with their associated costs and benefits should logically all be housed within FEVI.

FEU also notes that the CNG service territory issue for CNG may be resolved under the Common Rates and Amalgamation Application decision expected in early 2013. Should it not be resolved in the Common Rates and Amalgamation Application decision, the FEU propose that the issue be deferred until such time as FEVI brings forward an application for a CNG fueling station on Vancouver Island.

17.0 Topic: Full cost recovery

Reference: Exhibit B-1, p.22; p.26

"...FEI intends to establish rates for these services on the basis of the principle reflected in GT&Cs Section 12B; that the costs of providing CNG or LNG Fueling Service should be recovered from the CNG or LNG Fueling Service customer. However the GGRR sets out a minimum threshold that 80% of the energy at a CNG or LNG station must be under a take or pay arrangement with a minimum 5 year term. Therefore natural gas ratepayers may in some cases be at risk for the revenues associated with up to 20% of the energy if the CNG or LNG station customer rates under the take-or-pay contract(s) do not meet the full cost of service." [p.22, underline added]

... "For example, it will be possible to provide separate reporting and forecasting for all fueling stations under the prescribed undertaking versus those stations that have been applied for in the normal course (i.e. under GT&Cs Section 12B)." [p.22, underline added]

"FEI may elect to submit its rate applications for CNG stations under Prescribed Undertaking 2 or through the established GT&Cs Section 12B." Rate applications would require Commission approval under either scenario." [p.26]

17.1 Please clarify:

17.1.1 Is FEI proposing that the rates for prescribed CNG or LNG fueling services will be in accordance with GT&C section 12B?

Response:

No. FEI's position is that the GGRR prescribed CNG and LNG fueling services are incremental to the existing approved fueling services available under GT&Cs Section 12B. There are now two alternative approaches that FEI can employ to provide customers with fueling station service.

17.1.2 Is FEI asserting that rates for prescribed CNG or LNG fueling services in accordance with GT&C section 12B will thereby recover all costs from the fueling service customer?

Response:

Under GT&Cs Section 12B one of the provisions is that 100% of the cost of service arising during the term of the agreement be recovered from the customer over the life of the take-or-pay agreement.

Under the GGRR prescribed CNG or LNG fueling service, FEI will still endeavour to recover the cost of service from the fueling station customer through take or pay agreements with a minimum term of 5 years, but the minimum guaranteed cost recovery through take-or-pay commitments can be reduced from 100% to 80%, if necessary. Hence there is ratepayer risk under the GGRR approach that is not required to be backstopped by the fueling station customer.

17.1.3 In other words, is FEI is choosing to recover 100% of costs from the prescribed fueling service customers even though the GGRR would allow FEI to recover a minimum of 80% of the costs?

Response:

The first paragraph quoted in the question preamble from page 22 of the Application expresses FEI's intention. That is, FEI's preferred choice whether using the GGRR undertaking or using GT&C 12 B is to set rates for fueling service in a manner to permit recovery of the full costs of providing the dispensing service over the term of the agreement from the NGV dispensing service customer in keeping with the principle of GT&Cs Section 12B.

GT&Cs Section 12B currently does not contemplate a scenario where rates would recover less than the full costs. However, the GGRR does allow for less than 100% of the volumes needed to recover those costs to be covered by take-or-pay arrangements, and FEI believes that approaches different than GT&Cs Section 12B will be needed to support and initiate the market transformation anticipated by the GGRR. Please also refer to the response to BCSEA IR 1.17.1.2.

17.1.4 Or is FEI saying that the rates for <u>prescribed</u> CNG or LNG fueling services will in some cases (or always?) recover a minimum of 80% of cost from the fueling service customer? If so, is FEI saying that such rates would also comply with GT&C section 12B? If so, how?

Response:

Rates for prescribed fueling services will always recover a minimum of 80% of the cost of service under the GGRR, but GT&Cs Section 12B requires that the full cost of service be recovered. Please refer to the response to BCSEA IR 1.17.1.2.

17.2 In Appendix J, FEI states, “FEI intends to pursue contracts for CNG and LNG stations that involve full cost recovery and expects that station contracts with less than full cost recovery (as permitted in Prescribed Undertakings 2 and 3) will be more of an exception than the norm.” [p.1]

17.2.1 How will FEI determine whether to enter a CNG or LNG station contract with less than full cost recovery? What would be the criteria for doing so?

Response:

FEI has two approved paths to provide customers with fueling station services. FEI will endeavour to conclude stations under the provisions of GT&Cs Section 12B, but where customers are not willing to proceed forward using the GT&Cs Section 12 B approach, FEI has the option to provide service under the GGRR prescribed undertaking approach. GT&Cs Section 12B and the prescribed undertaking minimum parameters bracket the range of approaches that are open to FEI but it is the Company’s goal to limit the risks to existing customers while maximizing the benefits of the additional throughput on natural gas system.

Part of the rationale for reducing the take-or-pay volume commitment to 80% was to encourage the development of stations in cases where third-party load may emerge over time but cannot be contracted with certainty when the station is built. One potential strategy is to make the GGRR prescribed undertaking approach contingent on the station being opened up to third parties. FEI is testing this approach out in fueling station discussions with potential customers at the present time. At this point it is too early to establish limits or criteria on how best to optimize the use of the GGRR approach for fueling stations; FEI proposes to report back on this as part of the reporting requirement to the Minister for the program.

18.0 Topic: Deferral Account

Reference: Exhibit B-1, s5.3.4

"In this Application, FEI is seeking approval for one new deferral account with respect to CNG and LNG stations as discussed below."

18.1 To clarify, is the proposed new "Fueling Stations Variance Account" (FSVA) the only deferral account that would be applicable to prescribed NGV fueling stations? Or are there one or more existing deferral accounts that would apply to prescribed NGV fueling stations?

Response:

The FSVA will be the only new deferral account applicable to prescribed fueling stations under the GGRR. As described on page 23 in section 5.3.4 of the Application, FEI will also use the existing approved CNG and LNG Recoveries deferral account to capture fueling station recoveries in excess of minimum contract demand to the prescribed NGV fueling stations.

18.2 Please explain in more detail the purposes and scope of the proposed FSVA.

18.2.1 The paragraph starting at the bottom of p.22 and continuing at the top of p.23 states that one purpose of the FSVA is to track prescribed fueling station revenue surplus and deficiency in 2012-2013 for amortization beginning in 2014, because the 2012-2013 RRA contemplated only the four identified fueling stations (WM, KSD, Surrey, Vedder) and not any prescribed NGV fueling stations. Is that a correct interpretation? Does this purpose end at the end of 2013, except for retaining a declining balance as the funds in the account are amortized into the rate base over three years?

Response:

No, additions to the FVSA will still occur beyond December 31, 2013. However, at this time, FEI expects that additions to the FSVA pertaining to fueling stations are likely to be minimal beyond 2013 as the costs and recoveries associated with the existing and forecast prescribed fueling stations will be included in the forecast revenue requirements beginning in 2014. Further, as noted on page 23 of the Application, FEI has proposed to record the actual administrative allowances for fueling stations (as provided for in the prescribed undertakings) for the duration that the Regulation is in place, resulting in a maximum addition to the account of $490 thousand by December 31, 2017 relating to administrative expenses.

18.2.2 The first full paragraph on p.23 states that the FSVA will "also capture the administration allowances for fueling stations as provided for in the prescribed undertakings." [p.23] Does this mean that such administration expenses are not intended to be recovered by the take or pay provisions applicable to prescribed NGV fueling service customers? How are administration expenses dealt with for the four non-prescribed NGV fueling stations (WM, KSD, Surrey, Vedder) contemplated in the 2012-2013 RRA?

Response:

FEI will recover a portion of the administration expenses (i.e. overhead and marketing) through the take-or-pay provisions applicable to prescribed NGV fueling service customers. The cost of service for these fueling stations will include a component to recover overhead and marketing costs in addition to the capital and O&M costs associated with the station. This is consistent with the treatment in the four non-prescribed NGV fueling stations.

It is any administration expenses specifically allowed under the Regulation and incurred on an actual basis that will be captured in the FVSA.

18.2.3 Given that NGV fueling services under GT&C section 12B are provided on the basis that all costs will be borne by the fueling service customers, is the purpose of the deferral account limited to truing up administrative costs against revenues surplus to take or pay commitments?

Response:

No, the purpose of the deferral account is not limited to truing up administrative costs against a surplus in revenue or the take-or-pay commitments. Although expected to be minimal, the account will capture the net revenue surplus or deficiency associated with the un-forecast fueling stations as described in response to BCUC IR 1.23.1.

19.0 Topic: NGV stations outside of the prescribed program

Reference: Exhibit B-1, Appendix J, Forecast Results of the FEI Initiatives under the GGRR

"FEI plans to seek the required approvals in the future as part of a separate application process for each fueling station, whether prescribed undertaking or otherwise." [p.7, underline added]

19.1 Under what circumstances would FEI seek to provide NGV fueling station services outside of the prescribed NGV fueling station program? Does FEI have any intentions to do so?

Response:

FEI customers are able to select the GT&Cs Section 12B fueling station service as this is an approved service offering available to all FEI customers. FEI does not foresee restricting availability of this service offering. In the event that this service is not acceptable to the customer, FEI has the option but not the obligation of offering fueling station services under the GGRR undertaking.

FEI will also seek approvals under GT&Cs Section 12B for stations that would not fit within the spending limits imposed by the GGRR. For example, large CNG or LNG stations that are more expensive than the per-station spending caps in the GGRR would be obvious candidates for filing under GT&Cs Section 12B. Similarly, if aggregate spending for CNG or LNG stations is approaching the overall spending limits before March 31, 2017, it will be necessary to seek approval under GT&Cs Section 12B for additional stations at that point.

20.0 Topic: CNG Service to Medium-duty and Heavy-duty Vehicles

Reference: Exhibit B-1

20.1 Please confirm that FEI's intention is to provide prescribed CNG fueling stations designed to serve medium-duty or heavy-duty vehicles, as distinct from passenger vehicles. If not, please explain.

Response:

Confirmed. At present FEI's NGT business development strategy is focused on the development of medium and heavy duty transportation applications and fueling stations for medium and heavy duty vehicles.