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March 21, 2017

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)

Application for Approval of Accounting and Rate Treatment for Greenhouse Gas Reduction (Clean Energy) Regulation (GGRR) Incentive Funding for Prescribed Undertakings 3.2 and 3.4 as Approved by B.C Reg. 214/2016 Order in Council 609/2016

The Provincial Government has recently issued Order in Council (OIC) 609/2016 (OIC 609) deposited on August 19, 2016. OIC 609 made a series of amendments to the GGRR.

As part of the GGRR amendments, OIC 609 has established two new prescribed undertakings and expenditure allowances for each as follows: (1) incentives of up to \$6.1 million for remote power generation projects to adopt liquefied natural gas (LNG) as a fuel source (Prescribed Undertaking 3.2) , and (2) capital expenditures of up to \$15 million for LNG distribution and storage infrastructure projects in British Columbia (Prescribed Undertaking 3.4).

The attached application requests approval of the accounting and rate treatment of the new Prescribed Undertakings 3.2 and 3.4.

If further information is required, please contact Sarah Smith, Director, Natural Gas for Transportation and Regional LNG at (604) 592-7528.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachment



FORTISBC ENERGY INC.

**Application for Approval of Rate Treatment for
Prescribed Undertakings 3.2 and 3.4 of the
Greenhouse Gas Reductions (Clean Energy)
Regulation**

March 21, 2017

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1. INTRODUCTION

The Greenhouse Gas Reduction (Clean Energy) Regulation (GGRR) was introduced in 2012. Since that time, FortisBC Energy Inc. (FEI) has provided incentives under the GGRR which have resulted in an increase in the adoption of vehicles using natural gas as a transportation fuel (NGT), and the expansion of natural gas fueling infrastructure throughout the Province of British Columbia. The addition of NGT vehicles and NGT fueling infrastructure has resulted in increased throughput on FEI's distribution system as well as lowered GHG emissions by displacing higher emitting fuels such as diesel.

In order to continue promoting the ongoing adoption of natural gas in the transportation and remote power generation sectors, the GGRR was amended on August 19, 2016, via Order in Council 609/2016 (OIC 609). The amendments include an increase in incentive funding from \$62.0 million to \$107.9 million for eligible vehicles, as well as expenditure allowances in two new prescribed undertakings: (1) incentives of up to \$6.1 million for remote power generation projects to adopt LNG as a fuel source (Prescribed Undertaking 3.2)¹, and (2) capital expenditures of up to \$15 million for LNG distribution and storage infrastructure projects in British Columbia (Prescribed Undertaking 3.4). Taken together, these amendments to the GGRR confirm the government's strong interest in continuing to promote natural gas use as a cleaner-burning lower-emitting alternative fuel to diesel.

The purpose of this Application is to establish the appropriate regulatory treatment of the new Prescribed Undertakings 3.2 and 3.4.

¹ The prescribed undertakings are set out in section 2 of the GGRR. The new prescribed undertakings established by OIC 609 are in subsections (3.2) and (3.4) of section 2. These are being referred to as Prescribed Undertakings 3.2 and 3.4 in this Application.

2. APPROVALS SOUGHT

FEI seeks an order from the Commission as following:

1. Approval to capture the incentives provided under Prescribed Undertaking 3.2 in the existing NGT Incentive deferral account, and to rename the existing NGT Incentive deferral account to the GGRR Incentive deferral account;
2. Approval to capture revenues received from Prescribed Undertaking 3.4 customers that are in excess of the take-or-pay volume revenues in the existing CNG and LNG Recoveries deferral account;
3. The GGRR established the need for the LNG distribution and storage infrastructure projects under Prescribed Undertaking 3.4; therefore, these projects are exempt from the Certificate of Public Convenience and Necessity requirements under sections 45 and 46 of the *Utilities Commission Act*, for the term of the GGRR;
4. The Commission will set rates considering FEI's total expenditures on Prescribed Undertaking 3.4 in accordance with the relevant provisions of the GGRR and Direction No. 5 to the Commission (Direction No. 5), and as confirmed in various Commission orders pertaining to CNG and LNG stations.

The balance in the GGRR Incentive deferral account will continue to be amortized over a period of ten years in the delivery rates of non-bypass customers² and the balance in the CNG and LNG Recoveries deferral account will continue to be amortized over a period of one year in the delivery rates of non-bypass customers.

The treatment proposed above for Prescribed Undertaking 3.2 is the same as the treatment currently approved for and applied to Prescribed Undertaking 1, and the treatment proposed for Prescribed Undertaking 3.4 is the same as the treatment currently approved for and applied to Prescribed Undertakings 2 and 3.

A Draft Order setting out the detailed approvals sought has been included as Appendix D. As set out in the Draft Order, the approvals sought by FEI in this Application are pursuant to sections 59 to 61 and 90 of the *Utilities Commission Act*.

² FEI filed a letter dated Nov. 30, 2016 informing the Commission of its intention to apply the same rate treatment to the increase in NGT incentive funding of \$45.9 million authorized by OIC 609 as is applied to the original GGRR incentive funding allowance of \$62 million. By letter dated Feb. 7, 2017 Commission staff confirmed that no further action is required at this time in this regard.

3. AMENDED GGRR AS PER OIC 609

Attached are Appendices A, B, and C, which provide the details of OIC 609. Appendix A contains a copy of OIC 609, Appendix B contains a copy of the revised GGRR with the blackline OIC 609 amendments included, and Appendix C contains the current version of the GGRR with all OIC 609 amendments incorporated.

The government has added two new prescribed undertakings through OIC 609 which will further the goals and objectives of the GGRR. The new prescribed undertakings are for incentives related to remote heat and power generation and LNG distribution and storage infrastructure. Incentives for remote heat and power generation are established as a prescribed undertaking in section 2 (3.2) of the GGRR (referred to as Prescribed Undertaking 3.2). LNG distribution and storage infrastructure is established as a prescribed undertaking in section 2 (3.4) of the GGRR (referred to as Prescribed Undertaking 3.4). These two areas are discussed below.

These two areas present opportunities to build upon the success of the GGRR by supporting the ability to further reduce greenhouse gas emissions and by generating economic benefits for customers and the province alike.

3.1 ***PRESCRIBED UNDERTAKING 3.2: INCENTIVES FOR REMOTE POWER GENERATION***

There are a number of off-grid remote communities (i.e. not connected to the BC Hydro electrical transmission network) that are currently being served by diesel generated electricity, or which are not connected to the gas distribution network. Additionally, there are a number of remote industrial customers that also generate the electricity required for their operations using diesel fuel (or some other higher carbon emitting fuel) as a generating fuel. Prescribed Undertaking 3.2 is intended to provide incentive funding to convert electrical generation equipment to consume natural gas as a generation fuel rather than another higher carbon fuel.

OIC 609 has allocated a total of \$6.1 million in incentives for remote industrial power generation projects. These incentives are similar to the incentives provided for eligible vehicles and machines under Prescribed Undertaking 1 of the GGRR, but are intended to incent electrical generating equipment rather than eligible vehicles.

Below is the section of the amended GGRR related to remote power generation:

“(3.2) Subject to subsection 3.3, a public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility provides, through an open and competitive application process, grants or zero-interest loans to persons in British Columbia for

1 (i) the purchase or lease of generators, boilers, burners or kilns that use, as a
2 fuel source, compressed natural gas or liquefied natural gas, or

3 (ii) the conversion of generators, boilers, burners or kilns to use, as a fuel source,
4 compressed natural gas or liquefied natural gas

5
6 if the generators, boilers, burners or kilns will be operated at a location that, at the
7 time of the expenditure, is not

8
9 (iii) within the authority's integrated area, or

10 (iv) connected to a natural gas transmission or distribution system;

11
12 (b) the total expenditures on the undertaking during the undertaking period, other than
13 expenditures on administration, marketing, training and education, do not exceed \$6.1
14 million.”
15

16 FEI proposes to capture the incentives provided under Prescribed Undertaking 3.2 in the
17 existing NGT Incentive deferral account, to be renamed the GGRR Incentive deferral account,
18 and continue to amortize the balance in this account over a period of ten years in the delivery
19 rates of non-bypass customers.

20 FEI believes this treatment is appropriate for the following reasons:

- 21 1. The expenditures under Prescribed Undertakings 1 and 3.2 are similar in that these are
22 incentives to convert or purchase equipment to consume natural gas, and the proposed
23 treatment for Prescribed Undertaking 3.2 is consistent with the past treatment applied to
24 Prescribed Undertaking 1.
- 25 2. Expenditures made under Prescribed Undertaking 3.2 provide long-term benefits for all
26 of FEI's customers; therefore, the deferral account treatment and amortization period
27 results in a matching of costs and benefits over time and as such promotes
28 intergenerational equity.
- 29 3. The deferral account treatment is consistent and familiar to the Commission and
30 interveners, and allows FEI to recover its costs and earn a fair and reasonable rate of
31 return.
- 32 4. The intent of the GGRR is to reduce GHG emissions for the benefit of all customers, and
33 all customers benefit from the GGRR program through the revenues generated from
34 LNG sales to the incentive recipients; it is therefore reasonable to recover costs and
35 apply revenues to all non-bypass customers. Further, this treatment has previously
36 been approved by Commission in Order G-161-12 and later confirmed in the Reasons
37 for Decision attached as Appendix A to Order G-56-13.

3.2 PRESCRIBED UNDERTAKING 3.4: LNG DISTRIBUTION AND STORAGE INFRASTRUCTURE

Investment in LNG fueling infrastructure is required in order to facilitate LNG demand growth in remote areas of British Columbia. The high cost of transporting LNG from FEI's LNG production facilities in both the Lower Mainland and Vancouver Island to distant locations erodes the economic case for projects that might otherwise choose LNG. FEI, therefore, requires small-scale LNG distribution and storage facilities in order to serve customers cost effectively and efficiently in areas that are geographically remote to FEI's LNG production facilities located in the Lower Mainland.

The distribution and storage facilities will be constructed in strategic locations as customer demand for such terminals materializes and will permit a cost effective and reliable supply of LNG to customers that would take LNG supply from these investments. For example, there are customers in remote locations where it would be more cost effective to construct a LNG distribution and storage terminal with LNG transported to such a terminal by rail than it would be to deliver LNG to that remote customer via road or marine transport methods.

OIC 609 has allocated a total of \$15 million in expenditures for LNG distribution and storage infrastructure. Below is the section of the amended GGRR related to LNG Distribution and Storage infrastructure:

“(3.4) A public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility, before March 31, 2022, enters into a binding commitment to

- (i) construct and operate, or*
- (ii) purchase and operate*

LNG distribution and storage infrastructure in British Columbia, including LNG rail tank cars and ISO containers, for the purpose of reducing greenhouse gas emissions;

(b) total expenditures on the undertaking during the undertaking period, including expenditures on administration, marketing, training and education, do not exceed \$15 million, and

(c) at least

- (i) 80% of the forecast total operating costs of the distribution and storage infrastructure for the first 5 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 5 years, or*
- (ii) 60% of the forecast total operating costs of the distribution and storage infrastructure for the first 7 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 7 years.”*

1 The process to undertake expenditures on LNG distribution and storage infrastructure will be
2 consistent with the methodology currently applied to CNG and LNG fueling station expenditures.
3 That is, FEI will enter into contracts with individual customers to construct and operate, or
4 purchase and operate, LNG distribution and storage infrastructure under terms and conditions
5 that conform to the parameters of Prescribed Undertaking 3.4.

6 The expenditures undertaken under Prescribed Undertaking 3.4 will be recovered from those
7 customers for whom expenditures are incurred. FEI will file an application for Commission
8 review and rate approval for each LNG distribution and storage infrastructure project undertaken
9 by FEI. All contracts will conform to the parameters of Prescribed Undertaking 3.4 set out
10 above.

11 FEI proposes to record any revenue from volumes which exceed the take-or-pay volumes
12 related to Prescribed Undertaking 3.4 in the existing CNG and LNG Recoveries deferral
13 account, and to continue to amortize the balance in the account over a period of one year in the
14 delivery rates.

15 FEI believes this treatment is appropriate for the following reasons:

- 16 1. Prescribed Undertakings 2, 3 and 3.4 are similar, and the proposed treatment for
17 Prescribed Undertaking 3.4 is consistent with the past treatment applied to Prescribed
18 Undertakings 2 and 3.
- 19 2. The equipment that will be used for the LNG distribution and storage infrastructure is
20 similar in nature to the equipment used for LNG fueling stations under Prescribed
21 Undertaking 3. Also the take-or-pay provisions with respect to LNG distribution and
22 storage infrastructure found in GGRR section 2 (3.4) (c) are the same as the
23 corresponding provisions for CNG stations (section 2 (2) (c)) and LNG stations (section
24 2 (3) (c)). Therefore, the treatment of these expenditures should also be the same as the
25 treatment applied to LNG fueling station equipment.
- 26 3. The deferral account treatment is consistent and familiar to the Commission and
27 interveners, and allows FEI to recover its costs and earn a fair and reasonable rate of
28 return.
- 29 4. The intent of the GGRR is to reduce GHG emissions for the benefit of all customers, and
30 all customers benefit from the GGRR program through the revenues generated from
31 LNG sales to the customers using the LNG distribution and storage infrastructure. The
32 rate setting methodology for GGRR stations, including the recovery of net costs from or
33 refunding of net revenues to all non-bypass customers has previously been approved by
34 the Commission in Orders G-161-12 and G-56-13, as well as various orders pertaining
35 to the rates at individual GGRR CNG or LNG stations. In addition, various provisions of
36 Direction No. 5, including section 3 – CNG services and LNG services and the definition
37 of “LNG service” make it clear that the net revenues or costs from Prescribed
38 Undertaking 3.4 investments are to be refunded or charged to all non-bypass customers.

4. CONCLUSION

For the reasons described above, FEI believes that it is appropriate to apply the same rate treatment to Prescribed Undertaking 3.2 as is currently applied to and approved for Prescribed Undertaking 1, and to apply the same rate treatment to Prescribed Undertaking 3.4 as is currently applied to and approved for Prescribed Undertakings 2 and 3 of the GGRR. Adopting the same treatment for Prescribed Undertakings 3.2 and 3.4 as currently applied to Prescribed Undertakings 1, 2, and 3 is further justified on the basis that the proposed similar treatment provides consistency and administrative efficiency.

FEI, therefore, respectfully requests approval of the proposed regulatory accounting and rate recovery treatment for Prescribed Undertakings 3.2 and 3.4 as outlined in the Approvals Sought section. A Draft Form of Order is provided in Appendix D.

Appendix A

ORDER IN COUNCIL 609/2016

PROVINCE OF BRITISH COLUMBIA
ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 609

, Approved and Ordered August 19, 2016


Lieutenant Governor


Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that the Greenhouse Gas Reduction (Clean Energy) Regulation, B.C. Reg. 102/2012, is amended as set out in the attached Schedule.

DEPOSITED

August 19, 2016

B.C. REG. 214/2016


Minister of Energy and Mines and Minister
Responsible for Core Review


Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: Clean Energy Act, S.B.C. 2010, c. 22, s. 35

Other: OIC 295/2012

April 29, 2016

R/262/2016/27

SCHEDULE

1 Section 1 of the Greenhouse Gas Reduction (Clean Energy) Regulation, B.C. Reg. 102/2012, is amended

(a) by repealing the definition of “eligible vehicle” and substituting the following:

“eligible vehicle or machine” means

- (a) a specified vehicle,
- (b) a marine vehicle,
- (c) an asphalt paver,
- (d) a fracture pump unit,
- (e) a mine haul truck, and
- (f) a locomotive

that uses, as a fuel source, compressed natural gas or liquefied natural gas; ,

(b) by adding the following definition:

“operating costs” in relation to a fuelling station or to distribution or storage infrastructure, means

- (a) operating and maintenance expenses,
- (b) electricity expenses,
- (c) interest expenses,
- (d) taxes, including property taxes,
- (e) return on equity,
- (f) extraordinary retirement costs, and
- (g) amounts with respect to the depreciation of the
 - (i) capital costs,
 - (ii) construction carrying costs,
 - (iii) feasibility and development costs,
 - (iv) sustaining capital costs, and
 - (v) decommissioning and salvaging costs

determined with reference to the remaining service life of the fuelling station or distribution or storage infrastructure, as estimated by the commission in setting rates; , **and**

(c) in the definition of “undertaking period” by striking out “March 31, 2018.” and substituting “March 31, 2022.”

2 Section 2 (0.1) is amended in the definition of “early adopter vehicle or machine”

(a) by striking out ““early adopter vehicle”” and substituting ““early adopter vehicle or machine””,

(b) by adding “or machine” after “eligible vehicle”,

(c) in paragraph (a) by striking out “5, 6 and 7” and substituting “5 through 11”, and

- (d) in the table in paragraph (b) by repealing the item beginning with "Shipping, passenger transportation" and adding the following items as indicated:

Column 1 Market Segment	Column 2 Contracted Demand (GJ)	Column 3 Number of Persons who Receive Grants or Zero-Interest Loans
Asphalt paving services	100 000	6
Fracture pump unit services	200 000	4
Shipping, passenger transportation or commercial services by marine vehicle that will use fuel purchased from a public utility	1.5 million	8
Street sweeping services	100 000	5

3 Section 2 (1) is amended

- (a) by striking out "A public utility's undertaking" and substituting "Subject to subsection 3.3, a public utility's undertaking",
- (b) by striking out "eligible vehicle" wherever it appears and substituting "eligible vehicle or machine",
- (c) by repealing the table in paragraph (b) and substituting the following:

	Year of Undertaking										
	1	2	3	4	5	6	7	8	9	10	11
Percentage of the difference between the cost of the eligible vehicle or machine and the cost of a comparable vehicle that uses gasoline or diesel	100	80	70	60	50	40	30	25	20	10	0

- (d) in paragraph (c) by striking out "\$62 million" and substituting "\$107.9 million", and
- (e) by repealing paragraph (c) (ii) (A).

4 Section 2 (1.1) is amended by striking out "eligible vehicle" and substituting "eligible vehicle or machine".

5 Section 2 (1.2) is amended

- (a) by striking out "eligible vehicle" and substituting "eligible vehicle or machine",
- (b) in paragraphs (a) and (b) by striking out "5, 6 and 7" in both places and substituting "5 through 11" and by striking out "early adopter vehicle" in both places and substituting "early adopter vehicle or machine",

- (c) in paragraph (a) by striking out "50%" and substituting "50",*
- (d) in paragraph (b) by striking out "20%" and substituting "20", and*
- (e) by adding the following subsection:*

(1.3) Despite subsections (1) (a) (i) and (1.1), grants or loans referred to in subsection (1) in relation to an early adopter vehicle or machine respecting the market segment described in the table in paragraph (b) of the definition of "earlier adopter vehicle or machine" as "Shipping, passenger transportation or commercial services by marine vehicle that will use fuel purchased from a public utility" may be made to persons who are not in British Columbia.

6 Sections 2 (2) and (3) are amended

- (a) in paragraph (a) by striking out "April 1, 2018" in both places and substituting "March 31, 2022",*
- (b) in paragraph (c) (i) by striking out "energy provided at each station is provided to" in both places and substituting "station's forecast total operating costs for the first 5 years of the operation are recovered from", and*
- (c) in paragraph (c) (ii) by striking out "energy provided at each station is provided to" in both places and substituting "station's forecast total operating costs for the first 7 years of the operation are recovered from".*

7 Section 2 (3.1) is amended

- (a) by striking out "A public utility's undertaking" and substituting "Subject to subsection 3.3, a public utility's undertaking",*
- (b) in paragraph (b) (i) (A) by striking out "30" and substituting "50", and*
- (c) by adding the following subsections:*

(3.2) Subject to subsection 3.3, a public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

- (a) the public utility provides, through an open and competitive application process, grants or zero-interest loans to persons in British Columbia for
 - (i) the purchase or lease of generators, boilers, burners or kilns that use, as a fuel source, compressed natural gas or liquefied natural gas, or
 - (ii) the conversion of generators, boilers, burners or kilns to use, as a fuel source, compressed natural gas or liquefied natural gas

if the generators, boilers, burners or kilns will be operated at a location that, at the time of the expenditure, is not

- (iii) within the authority's integrated area, or
- (iv) connected to a natural gas transmission or distribution system;
- (b) the total expenditures on the undertaking during the undertaking period, other than expenditures on administration, marketing, training and education, do not exceed \$6.1 million.

- (3.3) The undertakings referred to in subsections (1) and (3.2) are prescribed undertakings for the purposes of section 18 of the Act only if the total combined expenditures on the two undertakings during the undertaking period on administration, marketing, training and education, do not exceed \$8.1 million.
- (3.4) A public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:
- (a) the public utility, before March 31, 2022, enters into a binding commitment to
 - (i) construct and operate, or
 - (ii) purchase and operateLNG distribution and storage infrastructure in British Columbia, including LNG rail tank cars and ISO containers, for the purpose of reducing greenhouse gas emissions;
 - (b) total expenditures on the undertaking during the undertaking period, including expenditures on administration, marketing, training and education, do not exceed \$15 million, and
 - (c) at least
 - (i) 80% of the forecast total operating costs of the distribution and storage infrastructure for the first 5 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 5 years, or
 - (ii) 60% of the forecast total operating costs of the distribution and storage infrastructure for the first 7 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 7 years.

8 *Section 2 (4) is amended by striking out "and (3.1)," and substituting ", (3.1), (3.2) and (3.4),".*

Appendix B

**GGRR WITH ORDER IN COUNCIL 609/2016 AMENDMENTS
INCLUDED**

REGULATION BEFORE AMENDMENTS BY OIC
609 approved and ordered on August 19, 2016.
Strikes and underlines reflect the said
amendments.

Clean Energy Act
**GREENHOUSE GAS REDUCTION
(CLEAN ENERGY) REGULATION**

Contents

1 Definitions

2 Prescribed undertakings

3 Repealed

Definitions

1 In this regulation:

"**Act**" means the *Clean Energy Act*;

~~"eligible vehicle"~~ means

~~(a) a specified vehicle,~~

~~(b) a marine vehicle,~~

~~(c) a mine haul truck, and~~

~~(d) a locomotive~~

~~that uses, as a fuel source, compressed natural gas or liquefied natural gas;~~

"eligible vehicle or machine" means

- (a) a specified vehicle,
- (b) a marine vehicle,
- (c) an asphalt paver,
- (d) a fracture pump unit,
- (e) a mine haul truck, and
- (f) a locomotive

that uses, as a fuel source, compressed natural gas or liquefied natural gas;

"heavy-duty vehicle" means a truck, other than a mine haul truck, or tractor-trailer with a manufacturer's gross vehicle weight rating of 11 793 kg or more;

"medium-duty vehicle" means a vehicle, including a waste-haulage truck, with a manufacturer's gross vehicle weight rating of more than 5 360 kg but less than 11 793 kg;

"operating costs" in relation to a fuelling station or to distribution or storage infrastructure, means

- (a) operating and maintenance expenses,
- (b) electricity expenses,
- (c) interest expenses,
- (d) taxes, including property taxes,
- (e) return on equity,
- (f) extraordinary retirement costs, and
- (g) amounts with respect to the depreciation of the
- (i) capital costs,
- (ii) construction carrying costs,
- (iii) feasibility and development costs,
- (iv) sustaining capital costs, and
- (v) decommissioning and salvaging costs

determined with reference to the remaining service life of the fuelling station or distribution or storage infrastructure, as estimated by the commission in setting rates;

"safety guidelines" means safety guidelines adopted by the British Columbia Safety Authority;

"specified vehicle" means a heavy-duty vehicle, medium-duty vehicle, school bus or transit bus;

"tanker truck load-out" means equipment for transferring liquefied natural gas from a storage tank to a liquefied natural gas tank trailer;

"undertaking period" means the period that ends on ~~March 31, 2018~~ March 31, 2022.

Prescribed undertakings

2 (0.1) In this section:

"contracted demand" means the total compressed natural gas and liquefied natural gas demand under take-or-pay agreements with the public utility during the undertaking period;

~~"early adopter vehicle"~~ **"early adopter vehicle or machine"** means an eligible vehicle or machine, other than a vehicle referred to in subsection (3.1) (a), used primarily in a market segment set out in column 1 of the following table, if

(a) the contracted demand for the market segment does not exceed, in any of years ~~5, 6 and 7~~ 5 through 11 of the undertaking period, the annual amount set out in the corresponding row of column 2 of the table, or

(b) the total number of persons who receive grants or zero-interest loans does not exceed, in the undertaking period, the number set out in the corresponding row of column 3 of the table:

Column 1 Market Segment	Column 2 Contracted Demand (GJ)	Column 3 Number of Persons who Receive Grants or Zero- Interest Loans
Wholesale distribution of food or beverages by truck	100 000	5

Short-haul trucking between a port and any of a railway, warehouse or trucking depot	100 000	5
Medium-duty vehicle and heavy-duty vehicle leasing	100 000	5
Passenger transportation by charter bus, other than a transit bus or school bus	100 000	5
Package courier service by truck	200 000	5
Off-highway mine hauling by truck	1 million	3
Transportation of goods or passengers by rail	1 million	3
Shipping, passenger transportation or commercial services by marine vessel fuelled in British Columbia	1.5 million	5
Dump truck services	100 000	5
Transportation of cement in cement-mixing trucks	100 000	5
Bucket and digger trucking services	100 000	5
Pipe cleaning or hydro-vacuum excavation trucking services	100 000	5
On-highway hauling in trucks with a manufacturer's gross vehicle weight rating of more than 36 000 kg	1 million	10
Off-highway earth excavation, grading and moving for construction or mining	1 million	5
Asphalt paving services	100 000	6
Fracture pump unit services	200 000	4
Shipping, passenger transportation or commercial services by marine vehicle that will use fuel purchased from a public utility	1.5 million	8
Street sweeping services	100 100	5

"major transportation corridor" means Highway 1, 3, 3A, 4, 5, 7, 16, 19, 33, 37, 91, 95, 97 or 99.

(1) ~~A public utility's undertaking~~ [Subject to subsection 3.3, a public utility's undertaking](#) that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility provides, through an open and competitive application process,

(i) grants or zero-interest loans to persons in British Columbia for the purchase of an ~~eligible vehicle~~ [eligible vehicle or machine](#) to be operated in British Columbia, or

- (ii) grants to persons in British Columbia
 (A) to implement safety practices, or
 (B) to improve maintenance facilities

to meet safety guidelines for operating and maintaining an ~~eligible vehicle~~ [eligible vehicle or machine](#);

(b) subject to subsection (1.2), an expenditure on a grant or zero-interest loan for an ~~eligible vehicle~~ [eligible vehicle or machine](#) does not, in a year of the undertaking, exceed the percentage difference as indicated in the following table:

	Year of Undertaking						
	1	2	3	4	5	6	7
Percentage of the difference between the cost of the eligible vehicle and the cost of a comparable vehicle that uses gasoline or diesel	100	80	70	60	50	40	30

	Year of Undertaking										
	1	2	3	4	5	6	7	8	9	10	11
Percentage of the difference between the cost of the eligible vehicle or machine and the cost of	100	80	70	60	50	40	30	25	20	10	0

(c) total expenditures on the undertaking during the undertaking period, including expenditures on administration, marketing, training and education, do not exceed ~~\$62 million~~ \$107.9 million less the total expenditures, if any, on an undertaking described in subsection (3.1), and

(i) Repealed.

(ii) expenditures on the undertaking during the undertaking period

~~(A) on administration, marketing, training and education do not exceed \$3.1 million, and~~

(B) on grants referred to in paragraph (a) (ii) do not exceed \$6 million.

(1.1) Despite the reference in subsection (1) (a) to an open and competitive application process, a public utility may, in carrying out the undertaking described in subsection (1), give priority to a person in British Columbia who fuels an ~~eligible vehicle~~ eligible vehicle or machine using natural gas delivered through the public utility's pipeline system.

(1.2) The percentage difference indicated in the table in subsection (1) (b) may be increased

(a) by up to ~~50%~~ 50 for each of years ~~5, 6 and 7~~ 5 through 11 of the undertaking period if the ~~eligible vehicle~~ eligible vehicle or machine is an ~~early adopter vehicle~~ early adopter vehicle or machine, and

(b) by up to ~~20%~~ 20 for each of years ~~5, 6 and 7~~ 5 through 11 of the undertaking period if the vehicle is a specified vehicle, is not an ~~early adopter vehicle~~ early adopter vehicle or machine or a vehicle referred to in subsection (3.1) (a) and is owned or operated by a person who agrees, as a condition of receiving a grant or zero-interest loan, to

(i) complete or arrange for the completion of, within 3 years of the agreement, the construction of a compressed natural gas or liquefied natural gas fuelling station that

(A) is within 25 km of a major transportation corridor, and

(B) provides fuelling services to one or more other persons, or

(ii) operate or arrange for the operation of a fuelling station described in clauses (A) and (B).

(1.3) Despite subsections (1) (a) (i) and (1.1), grants or loans referred to in subsection (1) in relation to an early adopter vehicle or machine respecting the market segment described in the table in paragraph (b) of the definition of "earlier adopter vehicle or machine" as "Shipping, passenger transportation or commercial services by marine vehicle that will use fuel purchased from a public utility" may be made to persons who are not in British Columbia.

(2) A public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility, before ~~April 1, 2018~~ March 31, 2022, enters into a binding commitment to

(i) construct and operate, or

(ii) purchase and operate

one or more compressed natural gas fuelling stations, including storage, compression and dispensing equipment and facilities, within the service territory of the public utility for the purposes of providing compressed natural gas fuel and fuelling services to owners of vehicles that operate on compressed natural gas;

(b) total expenditures on the undertaking during the undertaking period, including expenditures on administration and marketing, do not exceed \$12 million, and

(i) the average expenditure on stations, in any year of the undertaking, does not exceed \$2 million per station, and

(ii) expenditures, during the undertaking period, on administration and marketing do not exceed \$240 000;

(c) at least

(i) 80% of the ~~energy provided at each station is provided to~~ [station's forecast total operating costs for the first 5 years of the operation are recovered from](#) one or more persons under a take-or-pay agreement with a minimum term of 5 years, or

(ii) 60% of the ~~energy provided at each station is provided to~~ [station's forecast total operating costs for the first 7 years of the operation are recovered from](#) one or more persons under a take-or-pay agreement with a minimum term of 7 years.

(3) A public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility, before ~~April 1, 2018~~ [March 31, 2022](#), enters into a binding commitment to

(i) construct and operate, or

(ii) purchase and operate

one or more tanker truck load-outs, liquefied natural gas tank trailers or liquefied natural gas fuelling stations for the purposes of providing within British Columbia liquefied natural gas fuel and fuelling services to owners of vehicles that operate on liquefied natural gas;

(b) total expenditures on the undertaking during the undertaking period, including expenditures on administration and marketing, do not exceed \$30.5 million, and

(i) in any year of the undertaking period an expenditure on a station does not exceed \$2.75 million, and

(ii) expenditures during the undertaking period on a tanker truck load-out do not exceed \$5.5 million, and on administration and marketing do not exceed \$250 000;

(c) at least

(i) 80% of the ~~energy provided at each station is provided to~~ station's forecast total operating costs for the first 5 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 5 years, or

(ii) 60% of the ~~energy provided at each station is provided to~~ station's forecast total operating costs for the first 7 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 7 years.

(3.1) A ~~public utility's undertaking~~ Subject to subsection 3.3, a public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility provides, through an open and competitive application process, grants or zero-interest loans to owners or operators in British Columbia of specified vehicles for the conversion of those vehicles to operate on compressed natural gas or liquefied natural gas;

(b) total expenditures on the undertaking during the undertaking period, including expenditures on administration, marketing, training and education,

(i) do not exceed the lesser of the following amounts:

(A) the amount required for the conversion of ~~30~~ 50 vehicles;

(B) \$5 million, and

(ii) expenditures on the undertaking during the undertaking period on administration, marketing, training and education do not exceed \$1.5 million.

(3.2) Subject to subsection 3.3, a public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility provides, through an open and competitive application process, grants or zero-interest loans to persons in British Columbia for

(i) the purchase or lease of generators, boilers, burners or kilns that use, as a fuel source, compressed natural gas or liquefied natural gas, or

(ii) the conversion of generators, boilers, burners or kilns to use, as a fuel source, compressed natural gas or liquefied natural gas

if the generators, boilers, burners or kilns will be operated at a location that, at the time of the expenditure, is not

(iii) within the authority's integrated area, or

(iv) connected to a natural gas transmission or distribution system;

(b) the total expenditures on the undertaking during the undertaking period, other than expenditures on administration, marketing, training and education, do not exceed \$6.1 million.

(3.3) The undertakings referred to in subsections (1) and (3.2) are prescribed undertakings for the purposes of section 18 of the Act only if the total combined expenditures on the two undertakings during the undertaking period on administration, marketing, training and education, do not exceed \$8.1 million.

(3.4) A public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility, before March 31, 2022, enters into a binding commitment to

(i) construct and operate, or

(ii) purchase and operate

LNG distribution and storage infrastructure in British Columbia, including LNG rail tank cars and ISO containers, for the purpose of reducing greenhouse gas emissions;

(b) total expenditures on the undertaking during the undertaking period, including expenditures on administration, marketing, training and education, do not exceed \$15 million, and

(c) at least

(i) 80% of the forecast total operating costs of the distribution and storage infrastructure for the first 5 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 5 years, or

(ii) 60% of the forecast total operating costs of the distribution and storage infrastructure for the first 7 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 7 years.

(4) In subsections (1), (2), (3) and ~~(3.4)~~ (3.1), (3.2) and

(3.4), "expenditures" includes, except with respect to expenditures on administration and marketing, binding commitments to incur expenditures in the future.

Repealed

3 Repealed.

Appendix C

**GGRR WITH ORDER IN COUNCIL 609/2016 AMENDMENTS
CLEAN**

B.C. Reg. 102/2012
O.C. 295/2012

Deposited May 15, 2012

Clean Energy Act
GREENHOUSE GAS REDUCTION
(CLEAN ENERGY) REGULATION

Note: Check the Cumulative Regulation Bulletin 2015 and 2016
for any non-consolidated amendments to this regulation that may be in effect.

[includes amendments up to B.C. Reg. 214/2016, August 19, 2016]

[Link to Point in Time](#)

Contents

- [1 Definitions](#)
- [2 Prescribed undertakings](#)
- [3 Repealed](#)

Definitions

- 1** In this regulation:

"Act" means the [Clean Energy Act](#);

"eligible vehicle or machine" means

- (a) a specified vehicle,
- (b) a marine vehicle,
- (c) an asphalt paver,
- (d) a fracture pump unit,
- (e) a mine haul truck, and
- (f) a locomotive

that uses, as a fuel source, compressed natural gas or liquefied natural gas;

"heavy-duty vehicle" means a truck, other than a mine haul truck, or tractor-trailer with a manufacturer's gross vehicle weight rating of 11 793 kg or more;

"medium-duty vehicle" means a vehicle, including a waste-haulage truck, with a manufacturer's gross vehicle weight rating of more than 5 360 kg but less than 11 793 kg;

"operating costs", in relation to a fuelling station or to distribution or storage infrastructure, means

- (a) operating and maintenance expenses,
- (b) electricity expenses,
- (c) interest expenses,
- (d) taxes, including property taxes,
- (e) return on equity,
- (f) extraordinary retirement costs, and
- (g) amounts with respect to the depreciation of the
 - (i) capital costs,
 - (ii) construction carrying costs,
 - (iii) feasibility and development costs,
 - (iv) sustaining capital costs, and
 - (v) decommissioning and salvaging costs

determined with reference to the remaining service life of the fuelling station or distribution or storage infrastructure, as estimated by the commission in setting rates;

"safety guidelines" means safety guidelines adopted by the British Columbia Safety Authority;

"specified vehicle" means a heavy-duty vehicle, medium-duty vehicle, school bus or transit bus;

"tanker truck load-out" means equipment for transferring liquefied natural gas from a storage tank to a liquefied natural gas tank trailer;

"undertaking period" means the period that ends on March 31, 2022.

[am. B.C. Regs. 235/2013, s. 1; 98/2015, s. 1; 214/2016, s. 1.]

Prescribed undertakings

2 (0.1) In this section:

"contracted demand" means the total compressed natural gas and liquefied natural gas demand under take-or-pay agreements with the public utility during the undertaking period;

"early adopter vehicle or machine" means an eligible vehicle or machine, other than a vehicle referred to in subsection (3.1) (a), used primarily in a market segment set out in column 1 of the following table, if

(a) the contracted demand for the market segment does not exceed, in any of years 5 through 11 of the undertaking period, the annual amount set out in the corresponding row of column 2 of the table, or

(b) the total number of persons who receive grants or zero-interest loans does not exceed, in the undertaking period, the number set out in the corresponding row of column 3 of the table:

Column 1 Market Segment	Column 2 Contracted Demand (GJ)	Column 3 Number of Persons who Receive Grants or Zero- Interest Loans
Wholesale distribution of food or beverages by truck	100 000	5
Short-haul trucking between a port and any of a railway, warehouse or trucking depot	100 000	5
Medium-duty vehicle and heavy-duty vehicle leasing	100 000	5
Passenger transportation by charter bus, other than a transit bus or school bus	100 000	5
Package courier service by truck	200 000	5
Off-highway mine hauling by truck	1 million	3
Transportation of goods or passengers by rail	1 million	3
Dump truck services	100 000	5
Transportation of cement in cement-mixing trucks	100 000	5
Bucket and digger trucking services	100 000	5
Pipe cleaning or hydro-vacuum excavation trucking services	100 000	5
On-highway hauling in trucks with a manufacturer's gross vehicle weight rating of more than 36 000 kg	1 million	10
Off-highway earth excavation, grading and moving for construction or mining	1 million	5
Asphalt paving services	100 000	6

Fracture pump unit services	200 000	4
Shipping, passenger transportation or commercial services by marine vehicle that will use fuel purchased from a public utility	1.5 million	8
Street sweeping services	100 000	5

"major transportation corridor" means Highway 1, 3, 3A, 4, 5, 7, 16, 19, 33, 37, 91, 95, 97 or 99.

(1) Subject to subsection 3.3, a public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility provides, through an open and competitive application process,

(i) grants or zero-interest loans to persons in British Columbia for the purchase of an eligible vehicle or machine to be operated in British Columbia, or

(ii) grants to persons in British Columbia

(A) to implement safety practices, or

(B) to improve maintenance facilities

to meet safety guidelines for operating and maintaining an eligible vehicle or machine;

(b) subject to subsection (1.2), an expenditure on a grant or zero-interest loan for an eligible vehicle or machine does not, in a year of the undertaking, exceed the percentage difference as indicated in the following table:

	Year of Undertaking										
	1	2	3	4	5	6	7	8	9	10	11
Percentage of the difference between the cost of the eligible vehicle or machine and the cost of a comparable vehicle that uses gasoline or diesel	100	80	70	60	50	40	30	25	20	10	0

(c) total expenditures on the undertaking during the undertaking period, including expenditures on administration, marketing, training and education, do not exceed \$107.9 million less the total expenditures, if any, on an undertaking described in subsection (3.1), and

(i) Repealed. [B.C. Reg. 98/2015, s. 2 (e).]

(ii) expenditures on the undertaking during the undertaking period

(A) Repealed. [B.C. Reg. 214/2016, s. 3 (e).]

(B) on grants referred to in paragraph (a) (ii) do not exceed \$6 million.

(1.1) Despite the reference in subsection (1) (a) to an open and competitive application process, a public utility may, in carrying out the undertaking described in subsection (1), give priority to a person in British Columbia who fuels an eligible vehicle or machine using natural gas delivered through the public utility's pipeline system.

(1.2) The percentage difference indicated in the table in subsection (1) (b) may be increased

(a) by up to 50 for each of years 5 through 11 of the undertaking period if the eligible vehicle or machine is an early adopter vehicle or machine, and

(b) by up to 20 for each of years 5 through 11 of the undertaking period if the vehicle is a specified vehicle, is not an early adopter vehicle or machine or a vehicle referred to in subsection (3.1) (a) and is owned or operated by a person who agrees, as a condition of receiving a grant or zero-interest loan, to

(i) complete or arrange for the completion of, within 3 years of the agreement, the construction of a compressed natural gas or liquefied natural gas fuelling station that

(A) is within 25 km of a major transportation corridor, and

(B) provides fuelling services to one or more other persons, or

(ii) operate or arrange for the operation of a fuelling station described in clauses (A) and (B).

(1.3) Despite subsections (1) (a) (i) and (1.1), grants or loans referred to in subsection (1) in relation to an early adopter vehicle or machine respecting the market segment described in the table in paragraph (b) of the definition of "earlier adopter vehicle or machine" as "Shipping, passenger transportation or commercial services by marine vehicle that will use fuel purchased from a public utility" may be made to persons who are not in British Columbia.

(2) A public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility, before March 31, 2022, enters into a binding commitment to

- (i) construct and operate, or
- (ii) purchase and operate

one or more compressed natural gas fuelling stations, including storage, compression and dispensing equipment and facilities, within the service territory of the public utility for the purposes of providing compressed natural gas fuel and fuelling services to owners of vehicles that operate on compressed natural gas;

(b) total expenditures on the undertaking during the undertaking period, including expenditures on administration and marketing, do not exceed \$12 million, and

- (i) the average expenditure on stations, in any year of the undertaking, does not exceed \$2 million per station, and
- (ii) expenditures, during the undertaking period, on administration and marketing do not exceed \$240 000;

(c) at least

- (i) 80% of the station's forecast total operating costs for the first 5 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 5 years, or
- (ii) 60% of the station's forecast total operating costs for the first 7 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 7 years.

(3) A public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility, before March 31, 2022, enters into a binding commitment to

- (i) construct and operate, or
- (ii) purchase and operate

one or more tanker truck load-outs, liquefied natural gas tank trailers or liquefied natural gas fuelling stations for the purposes of providing within British Columbia liquefied natural gas fuel and fuelling services to owners of vehicles that operate on liquefied natural gas;

(b) total expenditures on the undertaking during the undertaking period, including expenditures on administration and marketing, do not exceed \$30.5 million, and

(i) in any year of the undertaking period an expenditure on a station does not exceed \$2.75 million, and

(ii) expenditures during the undertaking period on a tanker truck load-out do not exceed \$5.5 million, and on administration and marketing do not exceed \$250 000;

(c) at least

(i) 80% of the station's forecast total operating costs for the first 5 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 5 years, or

(ii) 60% of the station's forecast total operating costs for the first 7 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 7 years.

(3.1) Subject to subsection 3.3, a public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility provides, through an open and competitive application process, grants or zero-interest loans to owners or operators in British Columbia of specified vehicles for the conversion of those vehicles to operate on compressed natural gas or liquefied natural gas;

(b) total expenditures on the undertaking during the undertaking period, including expenditures on administration, marketing, training and education,

(i) do not exceed the lesser of the following amounts:

(A) the amount required for the conversion of 50 vehicles;

(B) \$5 million, and

(ii) expenditures on the undertaking during the undertaking period on administration, marketing, training and education do not exceed \$1.5 million.

(3.2) Subject to subsection 3.3, a public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility provides, through an open and competitive application process, grants or zero-interest loans to persons in British Columbia for

(i) the purchase or lease of generators, boilers, burners or kilns that use, as a fuel source, compressed natural gas or liquefied natural gas, or

(ii) the conversion of generators, boilers, burners or kilns to use, as a fuel source, compressed natural gas or liquefied natural gas

if the generators, boilers, burners or kilns will be operated at a location that, at the time of the expenditure, is not

(iii) within the authority's integrated area, or

(iv) connected to a natural gas transmission or distribution system;

(b) the total expenditures on the undertaking during the undertaking period, other than expenditures on administration, marketing, training and education, do not exceed \$6.1 million.

(3.3) The undertakings referred to in subsections (1) and (3.2) are prescribed undertakings for the purposes of section 18 of the Act only if the total combined expenditures on the two undertakings, during the undertaking period on administration, marketing, training and education, do not exceed \$8.1 million.

(3.4) A public utility's undertaking that is in the class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility, before March 31, 2022, enters into a binding commitment to

(i) construct and operate, or

(ii) purchase and operate

LNG distribution and storage infrastructure in British Columbia, including LNG rail tank cars and ISO containers, for the purpose of reducing greenhouse gas emissions;

(b) total expenditures on the undertaking during the undertaking period, including expenditures on administration, marketing, training and education, do not exceed \$15 million, and

(c) at least

(i) 80% of the forecast total operating costs of the distribution and storage infrastructure for the first 5 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 5 years, or

(ii) 60% of the forecast total operating costs of the distribution and storage infrastructure for the first 7 years of the operation are recovered from one or more persons under a take-or-pay agreement with a minimum term of 7 years.

- (4) In subsections (1), (2), (3), (3.1), (3.2) and (3.4), **"expenditures"** includes, except with respect to expenditures on administration and marketing, binding commitments to incur expenditures in the future.

[am. B.C. Regs. 235/2013, s. 2; 98/2015, s. 2; 214/2016, ss. 2 to 8.]

Repealed

3 Repealed. [B.C. Reg. 235/2013, s. 3.]

[Provisions relevant to the enactment of this regulation: [Clean Energy Act](#), S.B.C. 2010, c. 22, section 35]



ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.

Application for Approval of Rate Treatment for Prescribed Undertakings 3.2 and 3.4 of the Greenhouse Gas
Reductions (Clean Energy) Regulation

BEFORE:

Panel Chair/Commissioner

Commissioner

Commissioner

on **Date**

ORDER

WHEREAS:

- A. On July 19, 2011, the British Columbia Utilities Commission (Commission) issued Order G-128-11, approving, among other things, an ongoing rate base deferral account to capture incremental Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG) recoveries received from actual volumes purchased in excess of minimum contract take or pay commitments (the CNG and LNG Recoveries deferral account) to be refunded to all non-bypass customers by amortizing the balance through delivery rates over a one year period, commencing the following year, to be effective as of January 1, 2012;
- B. On May 14, 2012, the Lieutenant Governor in Council (LGIC) approved the Greenhouse Gas Reduction (Clean Energy) Regulation, B.C. Reg. 102/2012 (the GGRR; Regulation);
- C. On October 29, 2012, the Commission issued Order G-161-12, making, among other things, the following determinations:
 - 1. the approvals granted for Phase 1 (Prescribed Undertaking 1 – Vehicle Incentives and Zero Interest Loans) and Phase 2 (Prescribed Undertaking 2 – CNG Stations; and Prescribed Undertaking 3 – LNG Stations) were effective from the date of the GGRR which is May 14, 2012 (subsequently amended to April 1, 2011 per Order G-56-13);
 - 2. the accounting and rate recovery treatment for the Natural Gas for Transportation (NGT) Incentives Account: a rate base deferral account (effective Jan 1, 2014) to capture actual incentives granted by year from 2014 onward related to Prescribed Undertaking 1, and amortized over a 10 year period into the delivery rates of all non-bypass natural gas customers;
 - 3. the accounting and rate recovery treatment for the Fueling Station Variance Account: a rate base deferral account (effective Jan 1, 2014) 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 Prescribed Undertakings 2 and 3, and amortized over a three-year period into delivery rates of all non-bypass natural gas customers; and

4. to provide certainty for grant recipients and FEI under the GGRR the cost recovery from non-bypass natural gas customers of the NGT Incentives Account and the Fueling Station Variance Account is fixed.
- D. On April 11, 2013, the Commission issued Order G-56-13, making, among other things, the following determinations:
1. The Regulation established the need for the fueling stations under Prescribed Undertakings 2 and 3; therefore these projects are exempt from the Certificate of Public Convenience and Necessity requirements for the term of the Regulation;
 2. The Commission will set rates considering FEI's total expenditures on the Prescribed Undertakings as described in the GGRR;
 3. The Commission Panel confirmed that the Commission's role does not include reviewing whether FEI ought to have negotiated different terms and conditions for those negotiated fueling station agreements with NGT customers;
 4. The Commission Panel concluded that since the Minster is reviewing FEI's total expenditures for the Prescribed Undertakings, only with a revised Regulation concerning the Prescribed Undertaking could the Commission approve recovery of an excess expenditure or other changes to the GGRR;
 5. The term of the GGRR is effective on April 1, 2011; and
 6. A separate class of service to recognize the Prescribed Undertakings under the GGRR was required (subsequently amended by Direction No. 5 issued by B.C. Reg. 245/2013 dated November 28, 2013).
- E. On November 28, 2013, the LGIC approved Direction No. 5 to the Commission (B.C. Reg. 245/2013) directing, among other things, as follows:
1. Treat CNG service and LNG service, and all costs and revenues related to those services, as part of the utility's natural gas class of service; and
 2. Allocate all costs and revenues related to CNG service and LNG service to all applicable customers.
- F. Also on November 28, 2013, the LGIC approved amendments to the GGRR (B.C. Reg. 235/2013), directing, among other things, as follows:
1. Amending the definition of "eligible vehicles" to include mine haul trucks and locomotives;
 2. Construction or purchase of a CNG or LNG fueling station qualifies as a Prescribed Undertaking if the public utility enters into a binding commitment before April 1, 2017 (subsequently amended by B.C. Reg. 98/2015 to March 31, 2018 and B.C. Reg. 214/2016 to March 31, 2022);

3. Definition of "expenditure" includes binding commitments to incur expenditures in the future; and
 4. Removal of the provision that repeals the GGRR on April 1, 2017.
- G. On June 3, 2015, the LGIC approved amendments to the GGRR (B.C. Reg. 98/2015), directing, among other things, that the undertaking period be extended to March 31, 2018;
- H. On August 19, 2016, the LGIC approved amendments to the GGRR (B.C. Reg. 214/2016), directing, among other things, as follows:
1. Amendments to "eligible vehicle or machine" which expand the types of vehicles that are eligible under Prescribed Undertaking 1;
 2. Defining "operating costs";
 3. Extending the undertaking period to March 31, 2022;
 4. Increasing funding available under Prescribed Undertaking 1 from \$62 million to \$107.9 million;
 5. Established two new Prescribed Undertakings and expenditure allowances for each: Prescribed Undertaking 3.2 incentives of up to \$6.1 million for remove power generation projects to adopt LNG as a fuel source; and Prescribed Undertaking 3.4 of up to \$15 million for LNG distribution and storage infrastructure projects in British Columbia.
- I. On March 21, 2017, FEI applied to the Commission for approval of rate treatment for Prescribed Undertakings 3.2 and 3.4, requesting a Commission Order as follows:
1. Approval to capture the incentives provided under Prescribed Undertaking 3.2 in the existing NGT Incentive deferral account, and to rename the existing NGT Incentive deferral account to the GGRR Incentive deferral account;
 2. Approval to capture revenues received from Prescribed Undertaking 3.4 customers which are in excess of the take-or-pay volume revenues in the existing CNG and LNG Recoveries deferral account;
 3. The GGRR established the need for the LNG distribution and storage infrastructure projects under Prescribed Undertaking 3.4; therefore, these projects are exempt from the Certificate of Public Convenience and Necessity requirements under sections 45 and 46 of the *Utilities Commission Act*, for the term of the GGRR;
 4. The Commission will set rates considering FEI's total expenditures on Prescribed Undertaking 3.4 in accordance with the relevant provisions of the GGRR and Direction No. 5 to the Commission, and as confirmed in various Commission orders pertaining to CNG and LNG stations.
- J. The Commission has reviewed and considered the Application and determines that the Application should be approved.

NOW THEREFORE pursuant to sections 59 to 61 and 90 of the *Utilities Commission Act*, the British Columbia Utilities Commission orders as follows:

1. FEI is approved to rename the existing NGT Incentive deferral account to the GGRR Incentive deferral account.
2. FEI is approved to capture the incentives provided under Prescribed Undertaking 3.2 in the GGRR Incentive deferral account.
3. FEI is approved to capture revenues received from Prescribed Undertaking 3.4 customers which are in excess of the take-or-pay volume revenues in the existing CNG and LNG Recoveries deferral account.
4. The LNG distribution and storage infrastructure projects under Prescribed Undertaking 3.4 are exempt from the Certificate of Public Convenience and Necessity requirements for the term of the GGRR.
5. The Commission will set rates considering FEI's total expenditures on Prescribed Undertaking 3.4 as described in the GGRR and Direction No. 5.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner