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March 29, 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 a Certificate of Public Convenience and Necessity ("CPCN") for
Constructing and Operating a Compressed Natural Gas Refueling Station at BFI
Canada Inc.
Response to the BC Sustainable Energy Association ("BCSEA") Information
Request ("IR") No. 1**

On February 29, 2012, FEI filed the Application as referenced above. In accordance with Commission Order No. G-23-12 setting out the Regulatory Timetable for review of the Application, FEI respectfully submits the attached response to BCSEA IR No. 1.

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

Yours very truly,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachment

cc (e-mail only): Alanna Gillis, Acting Commission Secretary
Registered Parties

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1.0 Topic: Comparison of BFI project and WMI project

Reference: Exhibit B-1; Exhibit A-2, BCUC IR 40.2

By Order G-128-11 the Commission approved the "Service Agreement for Compressed Natural Gas (CNG) Service for Waste Management of Canada Corporation" (WM Agreement). By Order G-14-12 the Commission approved the General Terms and Conditions (GT&C) 12 B as a standard form tariff setting out the rate design approved for CNG and Liquefied Natural Gas (LNG) Service pursuant to sections 59 through 61 of the *Utilities Commission Act*.

BCUC IR 40.2 asks FEI to complete a table comparing the BFI and WM Agreements regarding specific points.

1.1 Without duplicating the response to BCUC IR 40.2, please complete a similar table comparing the BFI project and application and the WMI project and application in terms of:

1.1.1 the fueling station, size, capacity, capital cost, take-or-pay volume,

1.1.2 scope of service to be provided, maintenance responsibility, capital renewal responsibility,

1.1.3 the vehicle fleet to be served by the fueling station, type of vehicle, number of vehicles, return to base fueling, fleet expansion prospects,

1.1.4 greenhouse gas emissions reductions (method of analysis and results in terms of gCO₂e/km, gCO₂e/km and tCO₂e/y), energy efficiency, conventional air pollution, other non-energy benefits, reduction in fuel costs (with and without accounting for changes in commodity prices, if possible),

1.1.5 any incentive payments to the fleet owner for the purchase of NGVs,

1.1.6 the orders sought from the Commission,

1.1.7 the content of the service agreements, relation to GT&C 12A, take-or-pay fueling charge quantum,

1.1.8 ownership of any environmental credits or GHG offsets,



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1.1.9 implications if any for increased distribution capacity,

1.1.10 delivery margin benefit to FEI's other natural gas ratepayers, stranded asset risk, other risks to other natural gas ratepayers,

1.1.11 any other significant points of similarity or difference between BFI and WMI relevant to the Commission's consideration of the BFI application.

Response:

This response answers BCSEA IRs 1.1.1 through 1.1.11.

BCSEA IR	Item	WM Agreement	BFI Agreement
1.1.1	Fueling Station Size	20 trucks	52 trucks
1.1.1	Station Capacity	50 trucks	86 trucks
1.1.1	Capital Cost	\$0.775 million	\$1.86 million
1.1.1	Take or pay volume	19,000 GJ	60,000 GJ
1.1.2	Scope	Own and maintain; Provision to renegotiate for capital upgrade or for significant increase in demand	Own and maintain; No capital upgrade provision, however parties will renegotiate if capital upgrade required (conform to GT&Cs)
1.1.3	Fleet	20 Front load commercial refuse trucks – return to base operation	52 Side load residential refuse trucks – return to base operation
1.1.3	Expansion possibility	100 trucks at that site	86 trucks maximum due to site limitations
1.1.4	GHG Reductions	213 tCO ₂ e/yr (GHGenius Model), based on 31,200 kms per year	419 tCO ₂ e/year (GHGenius Model), based on 23,400 kms per year
1.1.4	Reduction in fueling costs	30 to 40% (WM Application as of December 2010). Opposite present diesel price of \$1.30/L, savings of 58%.	50% (BFI Application as of February 2012). Opposite present diesel price of \$1.30/L, savings of 63%.
1.1.5	Incentives Paid	100% of incremental cost of NGVs (\$803,000 for fleet of 20)	No incentives
1.1.6	Approvals Sought	Approval of expenditures for a CNG fueling station Approval of rates and rate design in a service agreement;	Approval of a CPCN; Approval of rate design and rates in the service agreement.



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BCSEA IR	Item	WM Agreement	BFI Agreement
1.1.7	Compliance with GT&Cs 12B	WM Agreement was developed prior to the approved GT&Cs 12B. Thus, differences exist from 12B.4- forecast capital, O&M rate not expressed separately, negative salvage not included, capitalized overhead applied, and no allowance for Overhead and Marketing costs for station services.	Compliant in all respects
1.1.8	Ownership of environmental credits if any	WM	BFI
1.1.9	Implications for distribution capacity	No system improvements or main extensions needed	No system improvements or main extensions needed
1.1.10	Delivery margin benefit	\$35,000/year	\$84,000/year
1.1.10	Stranded asset risk	None due to requirement to buyout remaining capital if agreement terminated within 20 years	None due to requirement to buyout remaining capital if agreement terminated prior to end of initial term or after initial term within 20 years
1.1.10	Risks to other rate payers	None	None
1.1.11	Other Significant Variances Term Renewal Term	10 years 10 years	7 years 3 years

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2.0 Topic: Regulatory Process

Reference: Exhibit B-1,

By Order G-118-11, the Commission established an Alternative Energy Services (AES) Inquiry that is currently underway.

2.1 How does FEI propose that the Commission handle the BFI application in the context of the ongoing AES Inquiry?

Response:

FEI proposes that the BFI Application be dealt with outside the AES Inquiry, by applying section 12B of the General Terms and Conditions established under Commission Order No. G-14-12. As FEI explained in the response to BCUC IR 1.4.1, in Order No. G-118-11 of the AES Inquiry, the Commission Panel made the following determination:

"The Panel agrees that it is not appropriate for this Inquiry to be used as a vehicle to re-open past Decisions of the Commission. With respect to ongoing processes that may have some degree of overlap with the issues being considered by this proceeding, the Panel believes that such processes will be decided on the basis of the evidence put before them. While it may be beneficial to have the outcome of this proceeding known before similar issues are dealt with in other ongoing proceedings, it would be inefficient and potentially unfair for such proceedings to be delayed. The Panel sees the outcome of this proceeding as being applied in a forward looking manner and not impinging on past or current ongoing proceedings."

This Application is made pursuant to the Commission's previous NGT (CNG-LNG) Decision and the recently approved GT&C 12B. As the Commission Panel has made clear in the above excerpt from the Appendix A to Order No. G-118-11, the AES Inquiry is not intended to re-open or reconsider past Decisions such as the NGT Decision (approved by Order No. G-128-11) or the recent order approving GT&C 12B (Order No. G-14-12). Furthermore, the AES Inquiry is not to delay a proceeding such as this one that is concurrent with the AES Inquiry, and this Application should proceed accordingly.

With regard to the CPCN approval sought under section 45-46 of the UCA, the Application, along with clarification by some IR responses, demonstrates that the project serves the need of BFI, brings benefits to the Province and the natural gas ratepayers and is in the public interest. Thus, it should be approved.

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3.0 Topic: CNG Market Development

Reference: Exhibit B-1; Exhibit A-2, BCUC IR 3.0

BCUC IR 3.0 asks a number of questions on CNG Market Development based on evidence filed in the AES Inquiry. It is assumed that FEI will address in its responses whether or not, in its view, the particular topics should be deferred to the Inquiry.

- 3.1 Regarding the BFI project in particular, is FEI aware of any potential competitors to FEI offering to provide CNG fueling service to BFI for BFI's contract with Surrey? If so, please provide details, explain why BFI chose FEI and discuss whether the Commission should evaluate BFI's fueling service options in determining whether the project is in the public interest and the rates are just and reasonable?

Response:

With regard to the question whether there are other potential competitors for BFI's fueling service, the answer is yes. BFI solicited competitive bids for the station, and FEI has been advised that other companies submitted proposals. In Exhibit D-1, a letter from BFI's submitted into the proceeding record, BFI specified their reasons for awarding the station project to FEI. An excerpt from Exhibit D-1 of BFI's reasons follows:

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We thought that it may help to point out a few facts about how we went about choosing a CNG supplier.

1. Competitive Choice – BFI had options in deciding how to obtain fueling services. BFI evaluated competitive bids, before making the decision to award the fueling station business to Fortis. All parties were afforded an equal opportunity to compete for the business.
2. It was important to us in having the Fortis option available to us, given the limited number of bidders who are qualified to do this scope of a project.
3. Reasons why we chose Fortis:
 - a. Fortis offering was the most complete bid in covering all aspects required to fuel with CNG
 - b. Fortis demonstrated it had the relevant as well as the previous experience in this market building a similar facility
 - c. Fortis demonstrated their service and support capabilities
 - d. Fortis demonstrated their safety and emergency response capabilities
 - e. Fortis demonstrated their ability to complete the project on time for our customer, the City of Surrey
 - f. Competitively priced

As a result of all of the above factors Fortis gained our confidence in making the decision to invest in this CNG project with them.

With regard to the question whether the Commission should consider BFI's fueling options in determining the CPCN application, FEI's view is expressed in the AES Inquiry (Exhibit B-2, at page 163), which states:

In circumstances where the potential NGV customer has selected FEI as its project partner for providing CNG/LNG Service, evidence of the existence of another third party alternative provider of a similar CNG/LNG service would only be given weight in the public interest assessment of the FEU's CNG/LNG fueling station project if the third party provider files evidence to establish that:

- (a) The customer (notwithstanding its contract with the FEU) wants to partner with the third party, and not FEU; or
- (b) The interest of the CNG/LNG Service customer in accessing service from the FEU as its preferred partner at a rate based on the FEU's cost of service:
 - (i) is outweighed by the corporate interests of a non-regulated provider in providing that service despite the preference of the CNG/LNG Service customer to work with the FEU; and/or
 - (ii) is outweighed by a long-term benefit to customers generally that flows from overriding the specific customer's preference to work with the FEU.

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- 3.2 Please discuss how CNG fueling services were dealt with in the City of Surrey's competition for waste hauling services using CNG vehicles in which BFI was the successful bidder.

Response:

Please see the responses to BCUC IRs 1.3.4, 1.11.1, 1.11.2 and 1.11.2.1. See also Exhibit A2-7, a report from the City of Surrey relating to its award of contract for curbside waste collection services.

- 3.2.1 To what extent was FEI involved with BFI's proposal (in terms of the provision of CNG fueling service)?

Response:

Please see the responses to BCUC IRs 1.3.4, 1.11.1, 1.11.2 and 1.11.2.1.

- 3.2.2 To what extent was FEI involved (in terms of the provision of CNG fueling service) in proposals by other companies for the contract with Surrey?

Response:

Please see the responses to BCUC IRs 1.3.4, 1.11.1, 1.11.2 and 1.11.2.1.

- 3.2.3 Is FEI aware of other providers of CNG service being involved with proponents other than BFI?

Response:

FEI is not aware of any discussions that may or may not have occurred between other proponents and other service providers.

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3.2.4 Did FEI offer to provide CNG fueling services to any and all bidders generally? If not, why not?

Response:

In the context of the City of Surrey waste collection service bid, FEI offered general budget information to other bidders as well.

Generally, when FEI is requested by customers to provide CNG fueling service, the service will be under the conditions and terms of the approved GT&Cs 12B.

3.3 In FEI's view, what conclusions should the Commission draw from the role of FEI and, if applicable, other CNG fueling providers in the City of Surrey's contract awarding process in relation to determining whether the BFI CNG fueling project is in the public interest and the rates are just and reasonable?

Response:

FEI worked with the City of Surrey in advance of the RFP to provide them with information regarding the general merits of CNG for the proposed service as well as the costs associated with CNG vehicles versus the costs associated with diesel vehicles. These discussions included the costs associated with gas delivery and the costs associated with providing fueling services. The City of Surrey also utilized the services of Jenmar Concepts to develop its own estimates of the cost of building a CNG fueling station on City of Surrey land. However, FEI had no direct role in the City of Surrey's contract awarding process. The City of Surrey solicited proposals and a number of potential service providers responded. The City of Surrey evaluated the proposals and selected its service provider without consultations or contact with FEI. As a result of BFI winning the contract with Surrey, BFI engaged the services of FEI through a competitive process. It is the result of the latter process that is of concern to the Commission in this Application, i.e. the contract entered into between BFI and FEI. Accordingly, while the Surrey RFP provides important context and the impetus for the project, in FEI's view this process itself is not directly relevant to the consideration of the Application. But, to the extent the City's process is considered, it supports the public interest assessment based on the following conclusions.



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1. FEI plays a role in the development of the NTG market, either indirectly as an information resource or directly as a fueling service provider.
2. The City's decision to use CNG powered trucks or selection of a successful bidder is an independent, competitive and fair process. And, the City of Surrey's decision and selection reflect its belief that CNG powered trucks will meet the objectives it set out in the RFP for the collection service and BFI's proposed solution and project is the one that best suits or advances its objectives and needs.
3. When assessing whether the final CNG fueling service to be provided by FEI to BFI is in the public interest, the City of Surrey's process will support a finding of public interest as it demonstrates that the BFI project meets the interest of, and provides benefits, to the City of Surrey.

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4.0 Topic: Fuel costs rebound effect

Reference: Exhibit B-1, s.3.3.1

"The primary reason for BFI to purchase CNG trucks was to conform to City of Surrey's RFP requirement; however, FEI understands that the City of Surrey required CNG trucks for its collection service as a way to reduce its collection service cost through potential savings on fuel cost. As acknowledged by Commission Panel in Order No. G-128-11, operating CNG fueled trucks offers a cost-effective option to more traditional fuel alternatives. Based on BFI's take-or-pay volume of 60,000 GJ per year, which means approximately 1.5 million litres of diesel fuel displaced per year, FEI believes BFI will save approximately 50% in annual fuel costs by converting to CNG. This amount is based on the differential between BFI's current cost of diesel and its fueling service charge and their anticipated gas delivery, demand and commodity charges. BFI's fuel cost savings can result in an overall lower collection service charge to the City of Surrey and would ultimately benefit the residents of Surrey."

- 4.1 What is the possibility of a rebound effect of lower fuel costs stimulating more vehicle use and therefore yielding less net GHG reduction than a simple efficiency analysis would suggest?

Response:

There is no potential for the lower costs to encourage more vehicles in this service. The City of Surrey has a defined service area and there is a fixed amount of trucks required to provide the service whether they be diesel trucks or natural gas trucks. The truck will collect the waste in this service territory and as FEI understand it the vehicles will not be used in additional service but this may change overtime. Even if they were to be used to collect more refuse from another account, that would only displace more diesel powered trucks.

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5.0 Topic: GHG emission reduction offsets

Reference: Exhibit B-1, s. 3.3.2 (p.9)

"Any potential GHG emission reduction offsets generated by the operation of these CNG trucks will flow to BFI. It is FEI's understanding that BFI is obligated to pass these benefits to the City of Surrey as part of their RFP requirement."

- 5.1 If the fuel switching from diesel to CNG is a cost-saving measure, will there be GHG emissions reduction offsets produced? Are the GHG emissions reductions from the switch from diesel to CNG considered "additive" in this case?

Response:

The reduction in GHG emissions provides the potential for BFI or possibly the City of Surrey to pursue offset credits. FEI has no claim on these benefits as the investment in the enabling technology is being made by BFI backstopped by the City of Surrey contract. The issue of additionality (i.e. whether they are "additive") is therefore theirs to resolve with their provider of validation and verification services. At a minimum, FEI believes, the City of Surrey should be able to reduce their payments into the Pacific Carbon Trust as they will have reduced GHGs from their operations.



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6.0 Topic: Target market for CNG fueling services

Reference: Exhibit B-1,

6.1 Please confirm that FEI is not targeting a passenger vehicle market for CNG fueling services.

Response:

The BFI CPCN Application is for the heavy duty vehicle segment of the market which is FEI's primary target market. FEI is not targeting the passenger vehicle segment of the market for CNG fueling services at this time.