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March 16, 2022

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130
Three Bentall Centre
2900 – 595 Burrard Street
Vancouver, BC
V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

**Re: FortisBC Energy Inc. (FEI)**

**FEI Application for Approval of Rates and Agreement for a CNG Fueling Station under the Greenhouse Gas Reduction (Clean Energy) Regulation for GFL Environmental Inc. and for Amendments to Rate Schedule 6P (Application)**

**Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 2**

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On October 27, 2021, FEI filed the Application referenced above. In accordance with the regulatory timetable established in BCUC Order G-43-22 for the review of the Application, FEI respectfully submits the attached response to CEC IR No. 2.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC ENERGY INC.**

***Original signed:***

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

**6. Reference: Exhibit B-3, CEC 1.2.2**

> 2.2 Does FEI undertake any effort to maximize the cost recovery, or does FEI utilize 60% as its target when negotiating? Please explain.
>
> **<u>Response:</u>**
>
> FEI prudently negotiates rates to maximize cost recovery. The proposed rate in the GFL Agreement is a rate that was agreed and negotiated between FEI and GFL to provide a competitive rate with their competing fuel option, namely, diesel. Although section 18 of the *Clean Energy Act* ensures FEI's ability to recover its costs, FEI seeks to maximize station revenue from users of a station and minimize the costs recovered from other non-bypass customers.

6.1 Diesel prices have significantly increased in the last several months. Please provide a brief discussion of whether the negotiated rate was negotiated with a variable responsive to oil prices and the derived diesel prices and, if not, why not.

**<u>Response:</u>**

FEI negotiates rates with NGV customers based on multiple factors, including the market conditions at the time of contract signing and the overall cost recovery of the station based on the requirements of the GGRR. FEI does not structure its contracts with variable pricing based on a competing fuel price, as increases and decreases in diesel prices would impact the cost of service recoveries of the station, could impact the cost recovery requirements of the GGRR, and could have negative impacts to all FEI customers. Furthermore, the price of diesel is typically more volatile than CNG, and the relative stability of CNG pricing vs pricing for petroleum fuels is one of the benefits that customers adopting CNG take into account.

6.2 Is there a possibility FEI could establish pricing potentially higher and remain competitive with diesel and if FEI could would it make sense for the customer in a sense of remaining competitive for their requirements?

**<u>Response:</u>**

FEI's objective when negotiating with CNG customers is to achieve the highest cost of service recoveries for new stations as possible. One aspect of achieving the highest cost is consideration of the price of competitive alternate fuels, such as diesel. At the time of negotiating agreements with customers for new stations, if the market price of diesel is high and forecast to remain high, it will likely result in FEI being able to achieve a higher cost of service recovery for a fueling station, while also remaining competitive with the price of alternative fuels for NGV customers.

6.3 FEI is currently in the BERC Methodology Rate Proceeding Stage 2. Please briefly explain how FEI's RNG proposal would impact the attributes, opportunities and costs of current proposal over the next 10 years.

**Response:**

The BERC Methodology Rate Stage 2 Proceeding has no impact on the cost recovery of the GFL Abbotsford Fueling Station. The cost recovery of the station is based on the natural gas volume commitment from GFL (as the Anchor Customer), which can be either Renewable Gas (RG) or conventional natural gas. Supply of the gas commodity to the station, whether RG or conventional natural gas, has no impact on the fueling station rates and cost recovery of the station. In the BERC Methodology Rate Stage 2 Proceeding, FEI's RG proposal related to natural gas vehicles (NGV) is for customers choosing RG to pay the weighted average cost of FEI's RG supply portfolio given many may have the ability to generate credits under BC's Low Carbon Fuel Standard.[1] If FEI's proposal is approved, the increased price of RG may impact a customer's decision to purchase RG at the GFL Abbotsford Fueling Station. An increase in the price of RG for NGV customers could impact the amount of emissions reduction benefits the customer can realize over the next ten years. However, both RG and conventional natural gas have emissions reductions savings over diesel, with RG having an even lower carbon intensity than conventional natural gas.

[1] Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act and Renewable and Low Carbon Fuel Requirements Regulation, known collectively as British Columbia's Low Carbon Fuel Standard.