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June 9, 2021

Clean Energy
4675 MacArthur Court, Suite 800
Newport Beach, CA 92660

Attention: Mr. Brett Barry

Dear Mr. Barry:

Re: FortisBC Energy Inc. (FEI)

Project No. 1599169

Application for Approval of Revised/Renewal Rates for Langford Compressed Natural Gas (CNG) Fueling Station under the Province's Greenhouse Gas Reduction (Clean Energy) Regulation (GGRR) in Langford, BC (Application)

Response to the Clean Energy Information Request (IR) No. 1

On December 23, 2020, FEI filed the Application referenced above. In accordance with BCUC Order G-111-21 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to Clean Energy IR No. 1.

If further information is required, please contact Sarah Smith at (604) 592-7874.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

1.0 Reference: Exhibit B-1, Application for Approval of Revised/Renewal Rates for the Langford Compressed Natural Gas (CNG) Fueling Station under the Province's Greenhouse Gas Reduction (Clean Energy) Regulation (GGRR) in Langford, BC; Exhibit B-2, BCUC IR 2.2; GGRR, Section 2(2)

Page 3/50 of the Application states:

> As the Langford Station met the requirements of the GGRR, it is a prescribed undertaking pursuant to section 18 of the Clean Energy Act.

1.1 GGRR 2(2)(C)(i) specifies rate requirements "for the first five years of the operation". How many years has the Langford Fueling Station been in operation?

<u>Response:</u>

The Langford Fueling Station commenced service in 2014, and has been in operation for approximately seven years.

Page 4/50 of the Application states:

> Given the competitive markets in which Coldstar and GFL operate, a CNG fueling rate based on 100 percent recovery of the Langford Fueling Station costs was not acceptable to ColdStar or GFL. GFL indicated it would not sign a fueling agreement for the Langford Fueling Station at a 100 percent cost recovery rate.
>
> The rate in the ColdStar and GFL Fueling Agreements reflects 80 percent cost recovery over the next five-year term. At this rate, ColdStar and GFL are both willing to commit to long term fueling volumes.

Page 6/50 of the Application states:

> The proposed 2021 total dispensing rates reflect a $4.768 per GJ decrease compared to the current rates primarily due to a lower undepreciated value of the station ($0.812 million as of December 31, 2020), a lower cost recovery from 91 percent to 80 percent, and an increased volume commitment of 21,000 GJs per year.

1.2 The current fueling rate is based on a 91 percent cost recovery and not a 100 percent recovery. Did Coldstar and GFL reject rates that reflected a cost recovery of 81, 82, 83 and 84 percent?

Response:

The proposed rate of approximately $0.61 per DLE is a rate that was agreed and negotiated between FEI, ColdStar and GFL to provide a competitive rate with their competing fuel option, namely, diesel. FEI has prudently negotiated the rate to maximize cost recovery. The proposed Coldstar and GFL fueling rates will recover 82 percent of the updated cost of service over the five-year term, as discussed in BCUC IR2 9.1.1.1.

1.3 What is to stop customers at other stations from simply demanding a minimum rate reflecting an 80 percent cost recovery?

Response:

Although the GGRR enables the ability to recover costs from both the users of the fueling station and the non-bypass customer, FEI seeks to maximize station revenue from users of a station and minimize non-bypass customer cost recovery. FEI has not experienced customers demanding a minimum rate reflecting any particular level of cost recovery. Generally, customers are not concerned with the level of cost recovery reflected in the rate, but rather the delivered price of CNG that the customer will pay.

1.4 Since the cost recovery of the station is currently less than 100 percent (91 percent) and the Application is requesting a rate which will further reduce it to 80 percent, is this evidence of a failed effort by FEI to successfully operate in the CNG refueling market?

Response:

As noted in this Application, FEI achieved 117 percent cost recovery in the first 5 years of operation at the Langford Fueling Station. Although the rates for the anchor customer (ColdStar) were set at 91 percent recovery at the time of constructing the station, FEI successfully attracted additional volumes at this station which resulted in FEI exceeding 100 percent cost recovery overall.

In this Application, FEI is seeking approval of a rate for GFL and Cold Star based on a competitive rate for GFL and Cold Star, which results in 82 percent cost recovery, as discussed in BCUC IR2 9.1.1.1, for the Langford Fueling Station. FEI expects that the Langford Fueling

Station will be used by additional customers which will result in FEI recovering its costs over time, similar to the initial term.

As FEI's past experience has demonstrated, looking only at cost recovery levels from the anchor tenant(s) at the time of establishing rates is not the only determinant of the actual total cost recovery over a specified period. CNG stations are amortized for 20 years and FEI takes a long-term view to grow the volumes of lower-carbon fuel at existing CNG stations and seek opportunities to market the low carbon refueling infrastructure for other medium and heavy duty transportation customers that operate in the vicinity of the fueling station. FEI's goal is to maximize recovery of the costs of its fueling stations through its station rates from station customers over time.

2.0 Reference: FEI Response to the British Columbia Utilities Commission (BCUC) Information Request (IR) No. 1

Page 1/43 of the response states:

> The proposed rates are considered market competitive because CNG fueling station customers compare the rates with their competing transport fuel options, such as diesel fuel (based on diesel litre equivalent prices) when determining if the rates meet their market competitive requirements.

2.1 Have diesel prices increased or decreased over the past year?

Response:

The table below displays the average price of diesel at self-service fueling stations in Victoria and Vancouver by month in 2020. As can been seen from the table, diesel retail prices have fluctuated throughout the year and will continue to do so over the foreseeable future. The change in the price of diesel does not impact FEI's approach to negotiate a market competitive rate. In most cases, FEI's customers expect a 40 to 50 percent reduction in fuel savings when compared to diesel to justify their investment in CNG trucks.

Month	Victoria (cents per litre)	Vancouver (cents per litre)
Jan-20	136.0	130.5
Feb-20	131.4	125.7
Mar-20	120.4	115.4
Apr-20	106.4	102.6
May-20	100.1	97.5
Jun-20	106.8	104.3
Jul-20	110.6	107.7
Aug-20	110.7	106.9
Sep-20	108.3	104.5
Oct-20	109.3	106.8
Nov-20	116.1	111.3
Dec-20	117.8	113.8

All prices are per Stats Canada:
https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000101

2.2 Please provide a comparison of the proposed rates with prices charged for CNG at stations both within British Columbia and throughout North America which are not owned by a utility.

Response:

Please refer to the response to BCUC IR2 7.2.