



LETTER L-30-11

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VIA EMAIL

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**FEI/FEVI NATURAL GAS VEHICLE
INCENTIVE REVIEW PROCEEDING**

EXHIBIT A-1

Ms. Diane Roy
Director, Regulatory Affairs
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Ms. Roy:

Re: FortisBC Energy Inc. (FEI) and
FortisBC Energy (Vancouver Island) Inc. (FEVI) (collectively the Companies)
Energy Efficiency and Conservation Program – 2010 Annual Report
(British Columbia Utilities Commission Decision dated April 16, 2009 and Order G-36-09 Compliance Filing)

The British Columbia Utilities Commission (Commission) acknowledges receipt of the subject Compliance Filing (the Report) dated March 31, 2011.

In the Report's cover letter, the Companies requested that, with one exception, the Commission review the majority of the Report and raise any associated inquiries in the upcoming Revenue Requirements Application (RRA) regulatory process. (The Companies advise that the RRA is expected to be filed with the Commission by May 2011). The Companies have requested that the Commission address the issue of the Companies' provision of incentive funding for Natural Gas Vehicle (NGV) initiatives (raised by the Commission in Order G-6-11, dated January 14, 2011) as soon as possible.

The Commission has considered the Companies' requests and will review the majority of the Report via the regulatory process associated with the anticipated RRA filing.

Notwithstanding that the replacement of diesel/gasoline fuelled commercial vehicles with NGVs appears to align with the objectives of the *Clean Energy Act*, other environmentally focused legislation and policies, and potential rate payer interests, the Commission is not able to confirm that the Companies are in compliance with past Orders and Decisions regarding the Companies' provision of Energy Efficiency and Conservation (EEC) incentive funding for NGV purchases.

The Commission is concerned that the Companies believe that it is appropriate to significantly change the scope of an approved EEC program's content and activities to include an initiative that was specifically excluded in prior Decisions and Orders (G-36-09, G-140-09 and G-141-09) through a compliance filing such as the Report. The Commission is of the view that a thorough, public review of the Companies' explanation and rationale supporting their view that "...NGVs are a part of the approved incentive funding for the innovative technologies

program area, and the use of incentive funding for NGVs meets the requirements established by the Commission to ensure EEC funding is cost-effective” is warranted.

The Commission will initiate a regulatory process to examine and determine the following:

- 1) Was it appropriate for the Companies to change the scope of the Innovative Technologies program to include NGV purchase incentives via the EEC Stakeholder Group and the EEC Program – 2009 Report (filed March 31, 2010)?
- 2) If the scope of the Innovative Technologies program was appropriately changed, does the associated NGV purchase incentive funding become: a) a Commission-approved expenditure; or b) an approved EEC expenditure; or c) an expenditure eligible for cost recovery from rate payers in whole or part?
- 3) If NGV purchase incentive funding is found to be inappropriately included in the Innovative Technologies program, should incentive payments already made by the Companies be eligible for cost recovery from rate payers in whole or part?

The Commission appreciates and recognizes the Companies’ desire to have the issue regarding NGV purchase incentives addressed expeditiously, and accordingly will promptly initiate a regulatory process to address this matter.

Yours truly,

Erica M. Hamilton

AR/dg