



LETTER L-29-12

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

Log No. 39710, 36662

ALANNA GILLIS
ACTING COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

VIA EMAIL

gas.regulatory.affairs@fortisbc.com

May 1, 2012

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

Dear Ms. Roy:

Re: FortisBC Energy Inc.
Request for Clarification on Compressed Natural Gas and Liquefied Natural Gas
Service Applications in Commission Order G-1-12

This letter is in response to FortisBC Energy Inc.'s (FEI) letter dated April 5, 2012, regarding the applicability of Order G-1-12 and the regulatory process for Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG) fuelling station projects that were already underway or in progress at the time the British Columbia Utilities Commission (Commission) issued Order G-1-12 on January 4, 2012. Specifically, FEI referred to two projects: a permanent LNG fuelling station for Vedder Transport (Vedder); and a CNG fuelling station for Central Okanagan School District No. 23 (Kelowna SD).

Order G-1-12 was issued as part of the on-going Alternative Energy Services (AES) and Other New Initiatives Inquiry (AES Inquiry) and was a result of the Commission Panel's concern that there was an undesirable amount of uncertainty as to the level of any Certificate of Public Convenience and Necessity (CPCN) threshold that applies for AES and other New Initiatives projects commencing January 1, 2012. There was also uncertainty as to whether there was a CPCN threshold for AES and other New Initiatives projects that were not extensions of the FortisBC Energy Utilities (FEU) public utility plant or system, and about which projects qualify as extensions. The Commission Panel therefore concluded that the review of the CPCN process was appropriate and determined that a CPCN threshold of zero dollars be established for AES and other New Initiatives projects on an interim basis effective January 4, 2012, the date of Order G-1-12.

The AES Commission Panel notes the chronology of events subsequent to issuing Order G-1-12:

1. Order G-9-12 dated January 31, 2012, set a zero dollar CPCN threshold on an interim basis for AES projects and other New Initiatives other than Biomethane projects and established that the final CPCN threshold would be determined following the completion of the Inquiry.
2. Order G-9-12 determined that four AES projects would not require a CPCN as their respective constructions were started well in advance of the Order, and outside of the 30 day period that is described in section 45(5) of the *Utilities Commission Act*. However, no exclusions were provided for Natural Gas Vehicles (NGV) projects.
3. On February 6, 2012, following discussion with Commission staff, FEI filed revised General Terms & Conditions (GT&C) 12B. The revision was in accordance with the directives in Order G-128-11, which approved, among other items, the Service Agreement with Waste Management of Canada Corporation for Compressed Natural Gas vehicles. On February 7, 2012, the Commission approved the revised GT&C 12B by Order G-14-12.

The Commission Panel therefore clarifies as follows:

1. The Commission Panel notes that the construction of the Kelowna SD CNG fuelling station was completed in 2011 and FEI has been providing CNG fuelling services since September 1, 2011. The lack of express exclusion from a CPCN requirement for the Kelowna SD in Order G-9-12 was due to FEI's delay in seeking approval for the revised GT&C 12B and the corresponding delay in filing a service agreement with the Kelowna SD. The Commission Panel believes that the Kelowna SD project has the potential of undergoing a more routine regulatory review and that no public interest will be served by compelling the Kelowna SD project to undergo a CPCN review.
2. The Temporary Vedder project was the first LNG refuelling project filed with the Commission. It was given interim approval and the regulatory review was suspended pending the outcome of the FEU 2012-2013 Revenue Requirements. Unlike a CNG project, the Vedder permanent LNG fuelling project involves issues that have not undergone regulatory review, for example: the supply of LNG, the tanker transportation charge, the operation and maintenance costs related to an LNG fuelling station, as well as the evaluation of greenhouse gas emissions reductions. The Commission Panel did not include the permanent Vedder LNG fuelling project in the exclusion list in Order G-9-12 because the Commission Panel intends that a CPCN be filed for approval.

In providing this letter to clarify the CPCN threshold and regulatory process for FEI, the Commission Panel wishes to emphasize that these CNG and LNG applications, such as the Kelowna SD and the Vedder applications, and other applications that are filed with the Commission before the Commission renders its decision on the AES Inquiry, are *ad hoc* AES applications. The overarching issues with respect to whether AES and other New Initiatives should be regulated or not, and if so, how they are to be regulated, are issues that will be dealt with in the on-going AES Inquiry.

Yours truly,

Alanna Gillis

EC/cms

cc: Registered Interveners of:
CNG & LNG Service Application
FEI AES Inquiry