Clean Energy Fuels Corp.
Form 10-Q
November 05, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015
Commission File Number: 001-33480
CLEAN ENERGY FUELS CORP.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 33-0968580 |
| (State or other jurisdiction of incorporation) | (IRS Employer Identification No.) |

4675 MacArthur Court, Suite 800, Newport Beach, CA 92660
(Address of principal executive offices, including zip code)
(949) 437-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232,405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer x | Accelerated filer o |
| Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes o No x

As of October 30, 2015, there were 90,572,501 shares of the registrant's common stock, par value $0.0001 per share, issued and outstanding.

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PART I.—FINANCIAL INFORMATION
Item 1.—Financial Statements (Unaudited)
Clean Energy Fuels Corp. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share data, Unaudited)

| | December 31, 2014 | September 30, 2015 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $92,381 | $51,843 |
| Restricted cash | 6,012 | 3,871 |
| Short-term investments | 122,546 | 114,139 |
| Accounts receivable, net of allowance for doubtful accounts of $752 and $1,987 as of December 31, 2014 and September 30, 2015, respectively | 81,970 | 76,171 |
| Other receivables | 56,223 | 20,121 |
| Inventories | 34,696 | 30,725 |
| Prepaid expenses and other current assets | 19,811 | 15,791 |
| Total current assets | 413,639 | 312,661 |
| Land, property and equipment, net | 514,269 | 518,322 |
| Notes receivable and other long-term assets, net | 71,904 | 69,392 |
| Investments in other entities | 6,510 | 5,807 |
| Goodwill | 98,726 | 93,231 |
| Intangible assets, net | 55,361 | 45,228 |
| Total assets | $1,160,409 | $1,044,641 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Current portion of debt and capital lease obligations | $4,846 | $150,836 |
| Accounts payable | 43,922 | 25,679 |
| Accrued liabilities | 56,760 | 55,480 |
| Deferred revenue | 14,683 | 7,856 |
| Total current liabilities | 120,211 | 239,851 |
| Long-term portion of debt and capital lease obligations | 500,824 | 358,380 |
| Long-term debt, related party | 65,000 | 65,000 |
| Other long-term liabilities | 9,339 | 8,035 |
| Total liabilities | 695,374 | 671,266 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, $0.0001 par value. Authorized 1,000,000 shares; issued and outstanding no shares | — | — |
| Common stock, $0.0001 par value. Authorized 224,000,000 shares; issued and outstanding 90,203,344 shares and 90,575,951 shares at December 31, 2014 and September 30, 2015, respectively | 9 | 9 |
| Additional paid-in capital | 898,106 | 905,922 |
| Accumulated deficit | (457,441) | (541,652) |
| Accumulated other comprehensive loss | (3,248) | (17,678) |
| Total Clean Energy Fuels Corp. stockholders' equity | 437,426 | 346,601 |
| Noncontrolling interest in subsidiary | 27,609 | 26,774 |
| Total stockholders' equity | 465,035 | 373,375 |
| Total liabilities and stockholders' equity | $1,160,409 | $1,044,641 |

See accompanying notes to condensed consolidated financial statements.

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Clean Energy Fuels Corp. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except share and per share data, Unaudited)

| | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2015 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2015 |
|---|---|---|---|---|
| Revenue: | | | | |
| Product revenues | $90,448 | $77,355 | $262,710 | $222,396 |
| Service revenues | 12,972 | 14,902 | 34,118 | 42,577 |
| Total revenues | 103,420 | 92,257 | 296,828 | 264,973 |
| Operating expenses: | | | | |
| Cost of sales (exclusive of depreciation and amortization shown separately below): | | | | |
| Product cost of sales | 79,021 | 59,313 | 216,063 | 174,079 |
| Service cost of sales | 4,953 | 7,410 | 12,797 | 21,163 |
| Derivative gains: | | | | |
| Series I warrant valuation | (3,255) | (502) | (5,424) | (1,085) |
| Selling, general and administrative | 28,240 | 27,800 | 96,130 | 87,027 |
| Depreciation and amortization | 12,325 | 14,000 | 35,448 | 40,288 |
| Total operating expenses | 121,284 | 108,021 | 355,014 | 321,472 |
| Operating loss | (17,864) | (15,764) | (58,186) | (56,499) |
| Interest expense, net | (10,676) | (10,152) | (30,316) | (30,020) |
| Other income (expense), net | (880) | 2,648 | (1,045) | 3,512 |
| Loss from equity method investments | — | (154) | — | (703) |
| Loss before income taxes | (29,420) | (23,422) | (89,547) | (83,710) |
| Income tax (expense) benefit | (811) | 241 | (1,920) | (1,353) |
| Net loss | (30,231) | (23,181) | (91,467) | (85,063) |
| Loss from noncontrolling interest | 138 | 62 | 475 | 835 |
| Net loss attributable to Clean Energy Fuels Corp. | $(30,093) | $(23,119) | $(90,992) | $(84,228) |
| Loss per share attributable to Clean Energy Fuels Corp.: | | | | |
| Basic | $(0.32) | $(0.25) | $(0.96) | $(0.92) |
| Diluted | $(0.32) | $(0.25) | $(0.96) | $(0.92) |
| Weighted-average common shares outstanding: | | | | |
| Basic | 94,058,496 | 91,561,613 | 94,529,206 | 91,454,117 |
| Diluted | 94,058,496 | 91,561,613 | 94,529,206 | 91,454,117 |

See accompanying notes to condensed consolidated financial statements.

Clean Energy Fuels Corp. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss
(In thousands, Unaudited)

| | Clean Energy Fuels Corp. Three Months Ended September 30, | | Noncontrolling Interest Three Months Ended September 30, | | Total Three Months Ended September 30, | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Net loss | $(30,093) | (23,119) | $(138) | $(62) | $(30,231) | $(23,181) |
| Other comprehensive income (loss), net of tax: | | | | | | |
| Foreign currency translation adjustments, net of $0 tax in 2014 and 2015 | 5,113 | (1,230) | — | — | 5,113 | (1,230) |
| Foreign currency adjustments on intra-entity long-term investments, net of $0 tax in 2014 and 2015 | (4,822) | (5,597) | — | — | (4,822) | (5,597) |
| Unrealized losses on available-for-sale securities, net of $0 tax in 2014 and 2015 | 307 | 27 | — | — | 307 | 27 |
| Total other comprehensive income (loss) | 598 | (6,800) | — | — | 598 | (6,800) |
| Comprehensive loss | $(29,495) | $(29,919) | $(138) | $(62) | $(29,633) | $(29,981) |

| | Clean Energy Fuels Corp. Nine Months Ended September 30, | | Noncontrolling Interest Nine Months Ended September 30, | | Total Nine Months Ended September 30, | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Net loss | $(90,992) | $(84,228) | $(475) | $(835) | $(91,467) | $(85,063) |
| Other comprehensive income (loss), net of tax: | | | | | | |
| Foreign currency translation adjustments, net of $0 tax in 2014 and 2015 | 4,867 | (6,098) | — | — | 4,867 | (6,098) |
| Foreign currency adjustments on intra-entity long-term investments, net of $0 tax in 2014 and 2015 | (4,665) | (8,373) | — | — | (4,665) | (8,373) |
| Unrealized (losses) gains on available-for-sale securities, net of $0 tax in 2014 and 2015 | (92) | 41 | — | — | (92) | 41 |
| Total other comprehensive income (loss) | 110 | (14,430) | — | — | 110 | (14,430) |
| Comprehensive loss | $(90,882) | $(98,658) | $(475) | $(835) | $(91,357) | $(99,493) |

See accompanying notes to condensed consolidated financial statements.

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Clean Energy Fuels Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands, Unaudited)

| | Nine Months Ended September 30, 2014 | 2015 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $(91,467) | $(85,063) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 35,448 | 40,288 |
| Provision for doubtful accounts, notes and inventory | 231 | 2,636 |
| Derivative gain | (5,424) | (1,085) |
| Stock-based compensation expense | 9,207 | 8,009 |
| Amortization of debt issuance cost | 2,302 | 2,296 |
| Accretion of notes payable | 386 | 48 |
| Equity method investment loss | — | 703 |
| Gain on sale of subsidiary | — | (937) |
| Gain on contingent consideration for acquisitions | (208) | — |
| Changes in operating assets and liabilities, net of assets and liabilities acquired and disposed: | | |
| Accounts and other receivables | (17,603) | 41,151 |
| Inventory | (1,687) | 3,915 |
| Prepaid expenses and other assets | (5,237) | 6,763 |
| Accounts payable | 9,190 | (11,325) |
| Accrued expenses and other | 8,458 | (8,410) |
| Net cash used in operating activities | (56,404) | (1,011) |
| Cash flows from investing activities: | | |
| Purchases of short-term investments | (92,506) | (101,300) |
| Maturities of short-term investments | 96,520 | 108,561 |
| Purchases and deposits on property and equipment | (75,114) | (40,230) |
| Loans made to customers | (4,965) | (3,885) |
| Payments on and proceeds from sales of loans receivable | 4,873 | 997 |
| Cash received with sale of subsidiary | — | 1,118 |
| Restricted cash | (8,642) | 2,141 |
| Net cash used in investing activities | (79,834) | (32,598) |
| Cash flows from financing activities: | | |
| Issuances of common stock, net of taxes paid | 1,403 | (193) |
| Proceeds from debt instruments | 12,625 | 372 |
| Proceeds from revolving line of credit | 34,596 | 27 |
| Proceeds from exercise of additional membership interest in subsidiary | 6,992 | — |
| Repayment of borrowing under revolving line of credit | (29,771) | (62) |
| Repayment of capital lease obligations and debt instruments | (14,274) | (4,425) |
| Payment for debt issuance costs | (914) | — |
| Net cash provided (used) by financing activities | 10,657 | (4,281) |
| Effect of exchange rates on cash and cash equivalents | 237 | (2,648) |
| Net decrease in cash | (125,344) | (40,538) |
| Cash and cash equivalents, beginning of period | 240,033 | 92,381 |
| Cash and cash equivalents, end of period | $114,689 | $51,843 |
| Supplemental disclosure of cash flow information: | | |

| | | |
|---|---|---|
| Income taxes paid | $ 908 | $ 649 |
| Interest paid, net of approximately $2,943 and $712 capitalized, respectively | 30,795 | 24,425 |

See accompanying notes to condensed consolidated financial statements.

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Clean Energy Fuels Corp. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(In thousands, except share and per share data, Unaudited)

Note 1—General

Nature of Business: Clean Energy Fuels Corp., together with its majority and wholly owned subsidiaries (hereinafter collectively referred to as the "Company," unless the context or the use of the term indicates otherwise) is engaged in the business of selling natural gas fueling solutions to its customers, primarily in the United States and Canada.

The Company designs, builds, operates and maintains fueling stations and supplies its customers with compressed natural gas ("CNG") fuel for light, medium and heavy-duty vehicles and liquefied natural gas ("LNG") fuel for medium and heavy-duty vehicles. The Company also manufactures, sells and services non-lubricated natural gas fueling compressors and other equipment used in CNG stations and LNG stations, provides operation and maintenance ("O&M") services to customers on a per-gallon fee basis for stations the Company does not own, offers assessment, design and modification solutions to provide operators with code-compliant service and maintenance facilities for natural gas vehicle fleets, transports and sells CNG to large industrial and institutional energy users who do not have direct access to natural gas pipelines, processes and sells renewable natural gas ("RNG"), which can be used as vehicle fuel (either as CNG or LNG) or sold for renewable power generation, sells tradable credits generated by selling natural gas and RNG as a vehicle fuel, including credits generated under the California Low Carbon Fuel Standard ("LCFS Credits") and Renewable Identification Numbers ("RIN Credits" or "RINs") generated under the federal Renewable Fuel Standard Phase 2, helps customers acquire and finance natural gas vehicles and obtains local, state and federal tax credits, grants and incentives.

Basis of Presentation: The accompanying interim unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company's financial position, results of operations, comprehensive loss and cash flows as of and for the three and nine months ended September 30, 2014 and 2015. All intercompany accounts and transactions have been eliminated in consolidation. The three and nine month periods ended September 30, 2014 and 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015 or for any other interim period or for any future year.

Certain information and disclosures normally included in the notes to the financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), but the resultant disclosures contained herein are in accordance with accounting principles generally accepted in the United States of America ("US GAAP") as they apply to interim reporting. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2014 that are included in the Company's Annual Report on Form 10-K filed with the SEC on February 26, 2015.

Use of Estimates: The preparation of condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and revenues and expenses recorded during the reporting period. Actual results could differ from those estimates. Significant estimates made in preparing the condensed consolidated financial statements include (but are not limited to) those related to revenue recognition, warranty reserves, goodwill and long-lived intangible asset valuations and impairment assessments, income tax valuations, and stock-based compensation expense.

Note 2—Acquisition and Divestitures

NG Advantage

On October 14, 2014, the Company entered into a Common Unit Purchase Agreement ("UPA") with NG Advantage, LLC ("NG Advantage"). NG Advantage is engaged in the business of transporting CNG in high-capacity trailers to large industrial and institutional energy users, such as hospitals, food processors, manufacturers and paper mills, which do not have direct access to natural gas pipelines. The Company viewed the acquisition as a strategic investment in the expansion of the Company's initiative to deliver natural gas to industrial and institutional energy users. Under the terms of the UPA, the Company paid NG Advantage $37,650 for a 53.3% controlling interest in NG Advantage. $19,000 of the purchase price was paid in cash on October 14, 2014 and the remaining $18,650 of the purchase price was paid in the form of an unsecured promissory note issued by the Company (the "NG Advantage Note"). The principal amount of the NG Advantage Note was payable by the Company in two payments as follows: (i) $3,000 was paid January 13, 2015 and (ii) the remaining $15,650 was paid April 1, 2015. The NG Advantage Note did not bear interest. The fair value of the NG Advantage Note delivered to NG

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Advantage is excluded from the Company's condensed consolidated statements of cash flows as it is a non-cash investing activity. The consideration paid is accounted for as an intercompany transaction, as NG Advantage's financial results are included in the Company's condensed consolidated financial statements. The Company recognized the assets acquired and the liabilities assumed, measured at their fair values, as of the date of acquisition. The following table summarizes the allocation of the aggregate purchase price to the fair value of the assets acquired and liabilities assumed:

| | |
|---|---|
| Current assets | $40,558 |
| Property, plant and equipment | 20,862 |
| Other long-term assets | 5,115 |
| Identifiable intangible assets | 5,600 |
| Goodwill | 21,070 |
| Total assets acquired | 93,205 |
| Current liabilities assumed | (9,165) |
| Long-term debt including capital leases assumed, excluding current installments | (17,604) |
| Other liabilities | (711) |
| Noncontrolling interest | (28,075) |
| Total purchase price | $37,650 |

In connection with its purchase of a controlling interest in NG Advantage, the Company assumed debt of $20,439 on a consolidated basis related to purchases of capital assets and working capital needs. Immediately after the Company's purchase of the controlling interest, $10,361 of such debt was paid with proceeds of the Company's investment in NG Advantage, and the related debt instruments were canceled.

Management allocated approximately $5,600 of the purchase price to the identifiable intangible assets related to customer relationships and trade names that were acquired with the acquisition. The fair value of the identifiable intangible assets will be amortized on a straight-line basis over the estimated useful lives of such assets ranging from four to seven years. The excess of the purchase price over the fair value of net assets acquired was allocated to goodwill, which primarily represents additional market share available to the Company as a result of the acquisition, and is fully deductible for income tax purposes.

Management determined the fair value of the noncontrolling interest to be $28,075 using a market approach and using inputs that included use of a comparable transaction to calculate the value of the noncontrolling interest adjusted for a control premium.

The results of NG Advantage's operations have been included in the Company's consolidated financial statements since October 14, 2014. The historical results of NG Advantage's operations were not material to the Company's financial position or historical results of operations.

DCE and DCEMB

On September 4, 2014, Mavrix, LLC ("Mavrix"), a wholly owned subsidiary of the Company, sold to Cambrian Energy McCommas Bluff III LLC ("Cambrian") 19% of its then-70% interest in Dallas Clean Energy, LLC ("DCE"). On December 29, 2014, Mavrix entered into a Membership Interest Purchase Agreement (the "Agreement") with Cambrian, pursuant to which Mavrix sold to Cambrian its entire remaining 51% interest in DCE. DCE owns all of the equity interests in Dallas Clean Energy McCommas Bluff, LLC ("DCEMB"), which owns a renewable natural gas extraction and processing project at the McCommas Bluff landfill in Dallas, Texas. As consideration for the sale of DCE, the Company, through Mavrix, received $6,992 in cash in September 2014, $40,588 in cash in December 2014, and $1,118 in cash in September 2015 due to the results of certain performance tests performed at the McCommas Bluffs project in accordance with the terms of the Agreement. The Company will continue to have the right to market and sell biomethane produced at the McCommas Bluff project under its Redeem™ renewable natural gas vehicle fuel brand. The transaction resulted in a total gain of $12,935, comprised of $11,998 and $937 that was recorded in the line item gain from the sale of subsidiary in the Company's statements of operations for the year ended December 31, 2014 and three and nine months ended September 30, 2015, respectively. Included in the determination of the total gain was goodwill of $7,386 that was allocated to the disposed business based on the relative fair values of the business disposed and the portion of the reporting unit that was retained.

The Company determined that the disposal did not meet the definition of a discontinued operation as the disposal did not represent a significant disposal nor was the disposal a strategic shift in the Company's strategy.

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Note 3—Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less on the date of acquisition to be cash equivalents. The Company places its cash and cash equivalents with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (“FDIC”), Canadian Deposit Insurance Corporation (“CDIC,”) and other foreign insurance limits. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. The amounts in excess of FDIC, CDIC and other foreign insurance limits were approximately $88,740 and $48,403 as of December 31, 2014 and September 30, 2015, respectively.

Note 4—Restricted Cash

The Company classifies restricted cash as short-term and a current asset if the cash is expected to be used in operations within a year or to acquire a current asset. Otherwise, the restricted cash is classified as long-term. Restricted cash consisted of the following as of December 31, 2014 and September 30, 2015:

| | December 31, 2014 | September 30, 2015 |
|---|---|---|
| Short-term restricted cash: | | |
| Standby letters of credit | $1,753 | $1,753 |
| Canton Bonds (see note 12) | 4,259 | 2,118 |
| Total short-term restricted cash | $6,012 | $3,871 |

Note 5—Investments

Available-for-sale investments are carried at fair value, inclusive of unrealized gains and losses. Unrealized gains and losses are included in other comprehensive income (loss) net of applicable income taxes. Gains or losses on sales of available-for-sale investments are recognized on the specific identification basis. All of the Company’s short-term investments are classified as available-for-sale securities.

The Company reviews available-for-sale investments for other-than-temporary declines in fair value below their cost basis each quarter, and whenever events or changes in circumstances indicate that the cost basis of an asset may not be recoverable. This evaluation is based on a number of factors, including the length of time and the extent to which the fair value has been below its cost basis and adverse conditions related specifically to the security, including any changes to the credit rating of the security. As of September 30, 2015, the Company believes its carrying values for its available-for-sale investments are properly recorded.

Short-term investments as of December 31, 2014 are summarized as follows:

| | Amortized Cost | Gross Unrealized Losses | | Estimated Fair Value |
|---|---|---|---|---|
| Municipal bonds & notes | $38,668 | $(16 | ) | $38,652 |
| Zero coupon bonds | 3,308 | (2 | ) | 3,306 |
| Corporate bonds | 45,274 | (41 | ) | 45,233 |
| Certificate of deposits | 35,355 | — | | 35,355 |
| | $122,605 | $(59 | ) | $122,546 |

Short-term investments as of September 30, 2015 are summarized as follows:

| | Amortized Cost | Gross Unrealized Losses | | Estimated Fair Value |
|---|---|---|---|---|
| Municipal bonds & notes | $21,636 | $(3 | ) | $21,633 |
| Zero coupon bonds | 3,289 | (2 | ) | 3,287 |
| Corporate bonds | 43,730 | (13 | ) | 43,717 |
| Certificate of deposits | 45,502 | — | | 45,502 |
| | $114,157 | $(18 | ) | $114,139 |

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Note 6—Other Receivables

Other receivables at December 31, 2014 and September 30, 2015 consisted of the following:

| | December 31, 2014 | September 30, 2015 |
|---|---|---|
| Loans to customers to finance vehicle purchases | $8,257 | $10,085 |
| Accrued customer billings | 10,143 | 7,536 |
| Fuel tax and carbon credits | 34,250 | 138 |
| Other | 3,573 | 2,362 |
| | $56,223 | $20,121 |

Note 7—Inventories

Inventory consists of raw materials and spare parts, work in process and finished goods and is stated at the lower of cost (first-in, first-out) or market. The Company writes down the carrying value of its inventory to net realizable value for estimated obsolescence or unmarketable inventory in an amount equal to the difference between the cost of inventory and its estimated realizable value based upon assumptions about future demand and market conditions, among other factors.

Inventories consisted of the following as of December 31, 2014 and September 30, 2015:

| | December 31, 2014 | September 30, 2015 |
|---|---|---|
| Raw materials and spare parts | $31,389 | $28,169 |
| Work in process | 3,292 | 1,966 |
| Finished goods | 15 | 590 |
| | $34,696 | $30,725 |

Note 8—Land, Property and Equipment

Land, property and equipment at December 31, 2014 and September 30, 2015 are summarized as follows:

| | December 31, 2014 | September 30, 2015 |
|---|---|---|
| Land | $2,858 | $2,858 |
| LNG liquefaction plants | 94,636 | 94,634 |
| RNG plants | 45,359 | 45,620 |
| Station equipment | 265,086 | 306,899 |
| Trailers | 40,067 | 50,355 |
| Other equipment | 74,796 | 82,599 |
| Construction in progress | 163,737 | 139,974 |
| | 686,539 | 722,939 |
| Less: accumulated depreciation | (172,270) | (204,617) |
| | $514,269 | $518,322 |

Included in land, property and equipment are capitalized software costs of $21,004 and $22,259 as of December 31, 2014 and September 30, 2015, respectively. The accumulated amortization on the capitalized software costs is $10,740 and $12,979 as of December 31, 2014 and September 30, 2015, respectively. The Company recorded $691 and $692 of amortization expense related to the capitalized software costs during the three months ended September 30, 2014 and September 30, 2015, respectively. For the nine month periods ended September 30, 2014 and 2015, the Company recorded $2,302 and $2,239, respectively of amortization expense related to the capitalized software costs.

As of September 30, 2014 and September 30, 2015, $10,292 and $6,249, respectively, are included in accounts payable and accrued liabilities balances, which amounts are related to purchases of property and equipment. These amounts are excluded from the condensed consolidated statements of cash flows as they are non-cash investing activities.

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Note 9—Investments in Other Entities

On September 16, 2014, the Company formed a joint venture with Mansfield Ventures LLC ("Mansfield") called Mansfield Clean Energy Partners LLC ("MCEP"), which is designed to provide natural gas fueling solutions to bulk fuel haulers in the U.S. The Company and Mansfield each have a 50% ownership interest in MCEP. The Company accounts for its interest using the equity method of accounting, as the Company has the ability to exercise significant influence over MCEP's operations. The Company recorded a loss from this investment of $154 and $703 for the three and nine months ended September 30, 2015, respectively, and has an investment balance of $4,807 and $5,510 at September 30, 2015 and December 31, 2014, respectively.

Note 10—Accrued Liabilities

Accrued liabilities at December 31, 2014 and September 30, 2015 consisted of the following:

| | December 31, 2014 | September 30, 2015 |
|---|---|---|
| Salaries and wages | $9,041 | $9,591 |
| Accrued gas and equipment purchases | 12,340 | 19,420 |
| Accrued property and other taxes | 5,178 | 5,359 |
| Accrued professional fees | 1,084 | 1,285 |
| Accrued employee benefits | 3,208 | 3,266 |
| Accrued warranty liability | 2,302 | 1,828 |
| Accrued interest | 3,748 | 6,818 |
| Other | 19,859 | 7,913 |
| | $56,760 | $55,480 |

Note 11—Warranty Liability

The Company records warranty liabilities at the time of sale for the estimated costs that may be incurred under its standard warranty. Changes in the warranty liability are presented in the following table:

| | September 30, 2014 | September 30, 2015 |
|---|---|---|
| Warranty liability at beginning of year | $2,545 | $2,302 |
| Costs accrued for new warranty contracts and changes in estimates for pre-existing warranties | 1,779 | 2,039 |
| Service obligations honored | (2,088) | (2,513) |
| Warranty liability at end of period | $2,236 | $1,828 |

Note 12—Debt

Debt and capital lease obligations at December 31, 2014 and September 30, 2015 consisted of the following and are further discussed below:

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| | December 31, 2014 | September 30, 2015 |
|---|---|---|
| 7.5% Notes(1) | $150,000 | $150,000 |
| SLG Notes | 145,000 | 145,000 |
| 5.25% Notes | 250,000 | 250,000 |
| Canton Bonds | 12,150 | 10,910 |
| Capital lease obligations | 2,692 | 6,823 |
| Other debt | 10,828 | 11,483 |
| Total debt and capital lease obligations | 570,670 | 574,216 |
| Less amounts due within one year | (4,846 ) | (150,836 ) |
| Total long-term debt and capital lease obligations | $565,824 | $423,380 |

(1) Included in the 7.5% Notes is $65,000 in principal amount held by Boone Pickens, which are classified as "Long-term debt, related party" on the condensed consolidated balance sheet. See below for additional information.

7.5% Notes

On July 11, 2011, the Company entered into a loan agreement (the "CHK Agreement") with Chesapeake NG Ventures Corporation ("Chesapeake"), an indirect wholly owned subsidiary of Chesapeake Energy Corporation, whereby Chesapeake agreed to purchase from the Company up to $150,000 of debt securities (the "CHK Financing") pursuant to the issuance of three convertible promissory notes over a three-year period, each having a principal amount of $50,000 (each a "CHK Note" and collectively the "CHK Notes" and, together with the CHK Agreement and other transaction documents, the "CHK Loan Documents"). The first CHK Note was issued on July 11, 2011 and the second CHK Note was issued on July 10, 2012.

On June 14, 2013 (the "Transfer Date"), Boone Pickens and Green Energy Investment Holdings, LLC, an affiliate of Leonard Green & Partners, L.P. (collectively, the "Buyers"), and Chesapeake entered into a note purchase agreement ("Note Purchase Agreement") pursuant to which Chesapeake sold the outstanding CHK Notes (the "Sale") to the Buyers. Chesapeake assigned to the Buyers all of its right, title and interest under the CHK Loan Documents (the "Assignment"), and each Buyer severally assumed all of the obligations of Chesapeake under the CHK Loan Documents arising after the Sale and the Assignment including, without limitation, the obligation to advance an additional $50,000 to the Company in June 2013 (the "Assumption"). The Company also entered into the Note Purchase Agreement for the purpose of consenting to the Sale, the Assignment and the Assumption.

Contemporaneously with the execution of the Note Purchase Agreement, the Company entered into a loan agreement with each Buyer (collectively, the "Amended Agreements"). The Amended Agreements have the same terms as the CHK Agreement, other than changes to reflect the new ownership of the CHK Notes. Immediately following execution of the Amended Agreements, the Buyers delivered $50,000 to the Company in satisfaction of the funding requirement they had assumed from Chesapeake (the "June Advance"). In addition, the Company canceled the existing CHK Notes and re-issued replacement notes, and the Company also issued notes to the Buyers in exchange for the June Advance (the re-issued replacement notes and the notes issued in exchange for the June Advance are referred to herein as the "7.5% Notes").

The 7.5% Notes have the same terms as the original CHK Notes, other than the changes to reflect their different holders. They bear interest at the rate of 7.5% per annum and are convertible at the option of the holder into shares of the Company's common stock at a conversion price of $15.80 per share (the "7.5% Notes Conversion Price"). Upon written notice to the Company, the holders of the 7.5% Notes have the right to exchange all or any portion of the principal and accrued and unpaid interest under each such note for shares of the Company's common stock at the 7.5% Notes Conversion Price. Additionally, subject to certain restrictions, the Company can force conversion of each 7.5% Note into shares of its common stock if, following the second anniversary of the issuance of a 7.5% Note, such shares trade at a 40% premium to the 7.5% Notes Conversion Price for at least 20 trading days in any consecutive 30 trading day period. The entire principal balance of each 7.5% Note is due and payable seven years following its original issuance date and the Company may repay each 7.5% Note in shares of its common stock or cash. All of the shares issuable upon conversion of the 7.5% Notes have been registered for resale by their holders pursuant to a registration statement that has been filed with and declared effective by the Securities and Exchange Commission. The Amended Agreements restrict the use of the proceeds of the 7.5% Notes to financing the development, construction and operation of LNG stations and payment of certain related expenses. The Amended Agreements also provide for customary events of default which, if any of them occurs, would permit or require the principal of, and accrued interest on, the 7.5% Notes to become, or to be declared, due and payable. No events of default under the 7.5% Notes had occurred as of September 30, 2015.

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On August 27, 2013, Green Energy Investment Holdings, LLC transferred $5,000 in principal amount of its 7.5% Notes to certain third parties.

As a result of the foregoing transactions, (i) Boone Pickens holds 7.5% Notes in the aggregate principal amount of $65,000, which 7.5% Notes are convertible into approximately 4,113,924 shares of the Company's common stock, (ii) Green Energy Investment Holdings, LLC holds 7.5% Notes in the aggregate principal amount of $80,000, which 7.5% Notes are convertible into approximately 5,063,291 shares of the Company's common stock, and (iii) other third parties hold 7.5% Notes in the aggregate principal amount of $5,000, which 7.5% Notes are convertible into approximately 316,456 shares of the Company's common stock.

SLG Notes

On August 24, 2011, the Company entered into convertible note purchase agreements (each, an "SLG Agreement" and collectively the "SLG Agreements") with each of Springleaf Investments Pte. Ltd., a wholly-owned subsidiary of Temasek Holdings Pte. Ltd., Lionfish Investments Pte. Ltd., an investment vehicle managed by Seatown Holdings International Pte. Ltd., and Greenwich Asset Holding Ltd., a wholly-owned subsidiary of RRJ Capital Master Fund I, L.P. (each, a "Purchaser" and collectively, the "Purchasers"), whereby the Purchasers agreed to purchase from the Company $150,000 of 7.5% convertible promissory notes due in August 2016 (each a "SLG Note" and collectively the "SLG Notes"). The transaction closed and the SLG Notes were issued on August 30, 2011. On March 1, 2012, Springleaf Investments Pte. LTD transferred $24,000 in principal amount of the SLG Notes to Baytree Investments (Mauritius) Pte. Ltd.

The SLG Notes bear interest at the rate of 7.5% per annum and are convertible at the option of each Purchaser into shares of the Company's common stock at a conversion price of $15.00 per share (the "SLG Conversion Price"). Upon written notice to the Company, the holders of the SLG Notes have the right to exchange all or any portion of the principal and accrued and unpaid interest under each such note for shares of the Company's common stock at the SLG Conversion Price. Additionally, subject to certain restrictions, the Company can force conversion of each SLG Note into shares of its common stock if, following the second anniversary of the issuance of the SLG Notes, such shares trade at a 40% premium to the SLG Conversion Price for at least 20 trading days in any consecutive 30 trading day period. The entire principal balance of each SLG Note is due and payable five years following its issuance and the Company may repay the principal balance of each SLG Note in shares of its common stock or cash. All of the shares issuable upon conversion of the SLG Notes have been registered for resale by their holders pursuant to a registration statement that has been filed with and declared effective by the Securities and Exchange Commission. The SLG Agreements also provide for customary events of default which, if any of them occurs, would permit or require the principal of, and accrued interest on, the SLG Notes to become, or to be declared, due and payable. No events of default under the SLG Notes had occurred as of September 30, 2015.

In April 2012, $1,003 of principal and accrued interest under an SLG Note was converted by the holder thereof into 66,888 shares of the Company's common stock. In January and February 2013, $4,030 of principal and accrued interest under an SLG Note was converted by the holder thereof into 268,664 shares of the Company's common stock.

5.25% Notes

In September 2013, the Company completed a private offering of 5.25% Convertible Senior Notes due 2018 (the "5.25% Notes") and entered into an indenture governing the 5.25% Notes (the "Indenture").

The net proceeds from the sale of the 5.25% Notes after the payment of certain debt issuance costs of $7,805 were $242,195. The Company has used, and intends to continue to use, the net proceeds from the sale of the 5.25% Notes to fund capital expenditures and for general corporate purposes.

The 5.25% Notes bear interest at a rate of 5.25% per annum, payable semi-annually in arrears on October 1 and April 1 of each year, beginning on April 1, 2014. The 5.25% Notes will mature on October 1, 2018, unless purchased, redeemed or converted prior to such date in accordance with their terms and the terms of the Indenture.

Holders may convert their 5.25% Notes, at their option, at any time prior to the close of business on the business day immediately preceding the maturity date of the 5.25% Notes. Upon conversion, the Company will deliver a number of shares of its common stock, per $1 principal amount of 5.25% Notes, equal to the conversion rate then in effect (together with a cash payment in lieu of any fractional shares). The initial conversion rate for the 5.25% Notes is 64.1026 shares of the Company's common stock per $1 principal amount of Notes (which is equivalent to an initial conversion price of approximately $15.60 per share of the Company's common stock). The conversion rate is subject to adjustment upon the occurrence of certain specified events as described in the Indenture. Upon the occurrence of certain corporate events prior to the maturity date of the 5.25% Notes, the Company will, in certain circumstances, in addition to delivering the number of shares of the Company's common stock deliverable upon conversion of the 5.25% Notes based on the conversion rate then in effect (together with a cash payment

in lieu of any fractional shares), pay holders that convert their 5.25% Notes a cash make-whole payment in an amount as described in the Indenture. The Company may, at its option, irrevocably elect to settle its obligation to pay any such make-whole payment in shares of its common stock instead of in cash. The amount of any make-whole payment, whether it is settled in cash or in shares of the Company's common stock upon the Company's election, will be determined based on the date on which the corporate event occurs or becomes effective and the stock price paid (or deemed to be paid) per share of the Company's common stock in the corporate event, as described in the Indenture.
The Company may not redeem the 5.25% Notes prior to October 5, 2016. On or after October 5, 2016, the Company may, at its option, redeem for cash all or any portion of the 5.25% Notes if the closing sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which notice of redemption is provided, exceeds 160% of the conversion price on each applicable trading day. In the event of the Company's redemption of the 5.25% Notes, the redemption price will equal 100% of the principal amount of the 5.25% Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for in the 5.25% Notes.

If the Company undergoes a fundamental change (as defined in the Indenture) prior to the maturity date of the 5.25% Notes, subject to certain conditions as described in the Indenture, holders may require the Company to purchase, for cash, all or any portion of their 5.25% Notes at a repurchase price equal to 100% of the principal amount of the 5.25% Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change purchase date.

The Indenture contains customary events of default with customary cure periods, including, without limitation, failure to make required payments or deliveries of shares of the Company's common stock when due under the Indenture, failure to comply with certain covenants under the Indenture, failure to pay when due or acceleration of certain other indebtedness of the Company or certain of its subsidiaries, and certain events of bankruptcy and insolvency of the Company or certain of its subsidiaries. The occurrence of an event of default under the Indenture will allow either the trustee or the holders of at least 25% in principal amount of the then-outstanding 5.25% Notes to accelerate, or upon an event of default arising from certain events of bankruptcy or insolvency of the Company, will automatically cause the acceleration of, all amounts due under the 5.25% Notes. No events of default under the 5.25% Notes had occurred as of September 30, 2015.

The 5.25% Notes are senior unsecured obligations of the Company and rank senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the 5.25% Notes; equal in right of payment to the Company's unsecured indebtedness that is not so subordinated; effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness (including trade payables) of the Company's subsidiaries.

Canton Bonds

On March 19, 2014, Canton Renewables, LLC ("Canton"), a wholly owned subsidiary of the Company, completed the issuance of Solid Waste Facility Limited Obligation Revenue Bonds (Canton Renewables, LLC — Sauk Trail Hills Project) Series 2014 in the aggregate principal amount of $12,400 (the "Canton Bonds").

The Canton Bonds were issued by the Michigan Strategic Fund (the "Issuer") and the proceeds of such issuance were loaned by the Issuer to Canton pursuant to a loan agreement that became effective on March 19, 2014 (the "Loan Agreement"). The Canton Bonds are expected to be repaid from revenue generated by Canton from the sale of RNG and are secured by the revenue and assets of Canton. The Canton Bond repayments will be amortized through July 1, 2022, the average coupon interest rate on the Canton Bonds is 6.6%, and all but $1,000 of the principal amount of the Canton Bonds is non-recourse to Canton's parent companies, including the Company.

Canton used the Canton Bond proceeds primarily to (i) refinance the cost of constructing and equipping its RNG extraction and production project in Canton, Michigan and (ii) pay a portion of the costs associated with the issuance of the Canton Bonds. The refinancing described in the prior sentence was accomplished through distributions to the Borrower's direct and indirect parent companies who provided the financing for the RNG production facility, and such companies have used such distributions to finance construction of additional RNG extraction and processing projects and for working capital purposes. The Loan Agreement contains customary events of default, with customary cure periods, including, without limitation, failure to make required payments when due under the Loan Agreement, failure to comply with certain covenants under the Loan Agreement, certain events of bankruptcy and insolvency of Canton, and the existence of an event of default under the indenture governing the Canton Bonds that was entered into between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee. The occurrence of an event of default under the Loan Agreement will allow the Issuer or the trustee to accelerate all amounts due under the Loan Agreement. No events of default under the Loan Agreement had occurred as of September 30, 2015.

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Other Debt

The Company has other debt due at various dates through 2020 bearing interest at rates up to 18.87% and with a weighted average interest rate of 6.80% and 6.48% as of December 31, 2014 and September 30, 2015, respectively.

GE Credit Agreement

On November 7, 2012, the Company, through two wholly owned subsidiaries (the “Borrowers”), entered into a credit agreement (“Credit Agreement”) with General Electric Capital Corporation (“GE”). Pursuant to the Credit Agreement, GE agreed to loan to the Borrowers up to an aggregate of $200,000 to finance the development, construction and operation of two LNG plants (individually a “Project” and together the “Projects”). On December 29, 2014, the Borrowers and GE entered into an amendment to the Credit Agreement providing, among other things, that (i) the Credit Agreement will terminate if the initial loans under the Credit Agreement (collectively, “Loans” and, with respect to each Project “Tranche A Loans” and “Tranche B Loans”) for the Projects are not made prior to December 31, 2016 (rather than December 31, 2014, as the Credit Agreement originally provided), (ii) each Project must be completed by the earlier of (a) the date that is thirty months after the funding of the initial Loans with respect to such Project and (b) December 31, 2018 (rather than December 31, 2016, as the Credit Agreement originally provided) (with respect to each Project, the “Date Certain”), and (iii) prior to the funding of the Loans, the Borrowers will be required to enter into agreements with GE Oil & Gas, Inc. relating to the purchase of equipment for the Projects.

The Borrowers’ ability to obtain the Loans under the Credit Agreement is subject to the satisfaction of certain conditions, including each of the (i) acquisition of title to, or leasehold interests in, the sites upon which the Projects will be constructed, (ii) receipt of all governmental approvals necessary in connection with the design, development, ownership, construction, installation, operation and maintenance of the Projects, and (iii) commitment of all utility services necessary for the construction and operation of the Projects.

The Credit Agreement further provides that (i) the then existing Loans with respect to each Project must be converted into term loans with eight year amortization schedules (“Term Loans”) on or before the Date Certain with respect to such Project (the date of such conversion with respect to each Project, the “Conversion Date”), provided that if such Loans are not converted into Term Loans by the applicable Date Certain, such Loans must be repaid by the applicable Date Certain, (ii) each Term Loan will be due and payable on the eighth anniversary of the Conversion Date with respect to such Term Loan, and (iii) at any time prior to the applicable Conversion Date, the Loans may be prepaid in whole, and at any time after the applicable Conversion Date, the Loans may be prepaid in whole or in part. The Company expects the Loans to bear interest at an annual rate equal to the then-current LIBOR rate plus 7.00%, provided that for purposes of the Credit Agreement, the then-current LIBOR rate will always be at least 1.00%. The Credit Agreement includes various customary covenants, including debt service coverage ratios and a commitment fee on the unutilized loan amounts of 0.5% per annum, and also provides for customary events of default which, if such events occur, would permit or require the Loans to become or to be declared due and payable. As of September 30, 2015, the Company has not drawn any money under the Credit Agreement and was in compliance with its financial covenants. The commitment fee, which is charged to interest expense in the condensed consolidated statements of operations, was $256 for each of the three months ended September 30, 2014 and 2015, respectively. For the nine month periods ended September 30, 2014 and 2015, the Company recorded $758 of interest expense for each period related to the commitment fee.

If and when Loans are issued under the Credit Agreement, the Loans are to be are secured by (i) a first priority security interest in all of the Borrowers’ assets, including the Projects, and (ii) a pledge of the Borrowers’ outstanding ownership interests. In addition, the Company has executed a guaranty in favor of GE (“Guaranty,”) pursuant to which the Company has guaranteed all of the Borrowers’ obligations under the Credit Agreement, including repayment of all Loans.

The Company and GE also entered into an equity contribution agreement (the “EC Agreement”) pursuant to which the Company agreed to pay at least 25% of the budgeted cost of the Projects and all additional costs that exceed such expected budgeted costs, in each case, in the form of equity contributions to the Borrowers (“Equity Contributions”). The EC Agreement also requires the Company to provide, concurrent with GE’s extension of the initial Loans under the Credit Agreement, letter(s) of credit in an amount equal to the Company’s then-current unfunded Equity Contributions.

Concurrently with the execution of the Credit Agreement, the Company issued to GE a warrant to purchase up to five million shares of its common stock at a price of $0.01 per share (see note 13).

Note 13—Net Loss Per Share

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Basic net loss per share is based upon the weighted-average number of shares outstanding and issuable for little or no cash consideration during each period. Diluted net loss per share reflects the impact of the assumed exercise of dilutive stock options, warrants, and vesting of restricted stock units. On September 11, 2014, the Company determined it no longer met certain conditions required to include in its weighted average share calculations 4,000,000 of the 5,000,000 shares of common stock issuable upon exercise of a warrant issued to GE concurrently with the execution of the Credit Agreement (the "GE Warrant"). As a result, since September 11, 2014, the Company has (i) excluded 4,000,000 shares of common stock issuable upon exercise of the GE Warrant from the weighted average number of shares outstanding in the basic and diluted net loss per share calculations, and (ii) included the remaining 1,000,000 shares of common stock issuable upon exercise of the GE Warrant in the basic and diluted net loss per share calculations, as 500,000 shares issuable upon exercise of the GE Warrant were exercisable as of the execution of the Credit Agreement and an additional 500,000 shares issuable upon exercise of the GE Warrant became exercisable on December 31, 2014. The information required to compute basic and diluted net loss per share is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 |
| Basic and diluted: | | | | |
| Weighted average number of common shares outstanding | 94,058,496 | 91,561,613 | 94,529,206 | 91,454,117 |

Certain securities were excluded from the diluted net loss per share calculations for the three and nine months ended September 30, 2014 and 2015, respectively, as the inclusion of the securities would be anti-dilutive to the calculations. The amounts of these securities that were outstanding as of September 30, 2014 and 2015 for these instruments are as follows:

| | September 30, | |
|---|---|---|
| | 2014 | 2015 |
| Options | 11,565,752 | 10,707,060 |
| Warrants | 6,130,682 | 6,130,682 |
| Convertible Notes | 35,185,979 | 35,185,979 |
| Restricted Stock Units | 2,062,336 | 2,942,126 |

Note 14—Stock-Based Compensation

The following table summarizes the compensation expense and related income tax benefit related to the Company's stock-based compensation arrangements recognized in the condensed consolidated statements of operations during the periods:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 |
| Stock-based compensation expense | $2,809 | $2,656 | $9,207 | $8,009 |
| Stock-based compensation expense, net of $0 tax in 2014 and 2015 | $2,809 | $2,656 | $9,207 | $8,009 |

As of September 30, 2015, there was $10,638 of total unrecognized compensation cost related to non-vested shares underlying outstanding stock options and restricted stock units, which is expected to be expensed over a weighted-average period of approximately 1.67 years.

Note 15—Environmental Matters, Litigation, Claims, Commitments and Contingencies

The Company is subject to federal, state, local, and foreign environmental laws and regulations. The Company does not anticipate any expenditures to comply with such laws and regulations that would have a material impact on the Company's consolidated financial position, results of operations, or liquidity. The Company believes that its operations comply, in all material respects, with applicable federal, state, local and foreign environmental laws and regulations.

The Company may become party to various legal actions that arise in the ordinary course of its business. During the course of its operations, the Company is also subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. Disputes may arise during the course of such audits as to facts and matters of law. It is impossible to determine the ultimate liabilities that the Company may incur resulting from any such lawsuits, claims and

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proceedings, audits, commitments, contingencies and related matters or the timing of these liabilities, if any. If these matters were to ultimately be resolved unfavorably, an outcome not currently anticipated, it is possible that such outcome could have a material adverse effect upon the Company's consolidated financial position, results of operations, or liquidity. However, the Company believes that the ultimate resolution of such matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Note 16—Income Taxes

The Company's income tax (expense) benefit for the three and nine months ended September 30, 2015 was $241 and $(1,353), respectively. The income tax (expense) benefit for the three and nine months ended September 30, 2014 was $(811) and $(1,920) respectively. Tax expense for all periods was comprised of taxes due on the Company's U.S. and foreign operations. The decrease in the Company's income tax provision for the nine months ended September 30, 2015 as compared to the tax provision for the nine months ended September 30, 2014 was primarily attributed to a decrease in the earnings of foreign subsidiaries. The effective tax rate for the three and nine months ended September 30, 2014 and 2015 are different from the federal statutory tax rate primarily as a result of losses for which no tax benefit has been recognized.

The Company did not record a change in its liability for unrecognized tax benefits or penalties in the three and nine months ended September 30, 2014 or September 30, 2015, and the net interest incurred was immaterial for such periods.

Note 17—Fair Value Measurements

The Company follows the authoritative guidance for fair value measurements with respect to assets and liabilities that are measured at fair value on a recurring basis and nonrecurring basis. Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The hierarchy consists of the following three levels: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As of September 30, 2015, the Company's financial instruments consisted of available-for-sale securities, debt instruments, and liability-classified warrants (which we sometimes refer to as our Series I warrants). The Company's available-for-sale securities are classified within Level 2 because they are valued using the most recent quoted prices for identical assets in markets that are not active and quoted prices for similar assets in active markets. The liability-classified warrants are classified within Level 3 because the Company uses the Black-Scholes model to estimate the fair value based on inputs that are not observable in any market. The fair values of the Company's debt instruments approximated their carrying values at December 31, 2014 and September 30, 2015.

The following tables provide information by level for assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2014 and September 30, 2015, respectively:

| Description | Balance at December 31, 2014 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Assets: | | | | |
| Available-for-sale securities(1): | | | | |
| Certificate of deposits | $35,355 | $— | $35,355 | $— |
| Municipal bonds and notes | 38,652 | — | 38,652 | — |
| Zero coupon bonds | 3,306 | — | 3,306 | — |

| | | | | |
|---|---|---|---|---|
| Corporate bonds | 45,233 | — | 45,233 | — |
| Liabilities: | | | | |
| Series I warrants(2) | 1,416 | — | — | 1,416 |

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| Description | Balance at September 30, 2015 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Assets: | | | | |
| Available-for-sale securities(1): | | | | |
| Certificate of deposits | 45,502 | $— | 45,502 | $— |
| Municipal bonds and notes | 21,633 | — | 21,633 | — |
| Zero coupon bonds | 3,287 | — | 3,287 | — |
| Corporate bonds | 43,717 | — | 43,717 | — |
| Liabilities: | | | | |
| Series I warrants(2) | 371 | — | — | 371 |

(1) Included in short-term investments in the condensed consolidated balance sheets. See note 5 for further information.
(2) Included in accrued liabilities in the condensed consolidated balance sheets.

Non-Financial Assets
No impairments of long-lived assets measured at fair value on a non-recurring basis have been incurred during the three and nine months ended September 30, 2014 and 2015. The Company's use of these non-financial assets does not differ from their highest and best use as determined from the perspective of a market participant.

Note 18—Recently Adopted Accounting Changes and Recently Issued Accounting Standards
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-9, Revenue from Contracts with Customers, amending revenue recognition guidance and requiring more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for annual and interim reporting periods beginning after December 15, 2016, with early adoption prohibited. The FASB decided on July 9, 2015 to defer the effective date of the new revenue standard by one year. As a result, this standard will be effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2017. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.
In April 2015, the FASB issued ASU No. 2015-3, Interest - Imputation of Interest, requiring that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related liability, rather than as a deferred charge. The updated guidance is effective retroactively for financial statements covering fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier adoption is permitted but the Company does not anticipate electing early adoption. As of September 30, 2015, the Company has $4,428 of debt issuance costs.
In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory, changing the measurement principle for inventory from the lower of cost or market to the lower of cost or net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The provisions of this ASU are effective for financial statement covering fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. This ASU is not expected to have a significant impact on the Company's financial statements or disclosures.

Note 19—Alternative Fuels Excise Tax Credit
From October 1, 2006 through December 31, 2014, the Company was eligible to receive a federal fuel tax credit ("VETC") of $0.50 per gasoline gallon equivalent of CNG and $0.50 per liquid gallon of LNG that it sold as vehicle fuel. Based on the service relationship with its customers, either the Company or its customers claimed the credit. The Company records its VETC credits as revenue in its condensed consolidated statements of operations, as the credits are fully refundable and do not need to offset income tax liabilities to be received. VETC revenues recognized in December 2014 for the 2014 calendar year were $28,359. The Company did not recognize any VETC revenue during the three or nine months ended September 30, 2015, as the program under which the Company received such credit

expired December 31, 2014 and has not been reinstated.

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (this "MD&A") should be read together with the unaudited condensed consolidated financial statements and the related notes included in this report. For additional context with which to understand our financial condition and results of operations, refer to the MD&A for the fiscal year ended December 31, 2014 contained in our 2014 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission ("SEC") on February 26, 2015, as well as the consolidated financial statements and notes contained therein (collectively, our "2014 10-K"). Unless the context indicates otherwise, all references to "Clean Energy," the "Company," "we," "us," or "our" in this MD&A and elsewhere in thi report refer to Clean Energy Fuels Corp. together with its majority and wholly owned subsidiaries.

### Cautionary Statement Regarding Forward Looking Statements

This MD&A and other sections of this report contain forward looking statements. We make forward-looking statements, as defined by the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, and in some cases, you can identify these statements by forward-looking words such as "if," "shall," "may," "might," "could," "will," "should," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "intend," "goal," "objective," "predict," "po "continue," or the negative of these terms and other comparable terminology. These forward-looking statements, which are based on various underlying assumptions and expectations and are subject to risks, uncertainties and other unknown factors, may include projections of our future financial performance based on our growth strategies and anticipated trends in our industry and our business. These statements are only predictions based on our current expectations and projections about future events that we believe to be reasonable. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the historical or future results, level of activity, performance or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to, those discussed under the caption "Risk Factors" in this report and in our 2014 10-K. In preparing this MD&A, we presume that readers have access to and have read the MD&A in our 2014 10-K pursuant to Instruction 2 to paragraph (b) of Item 303 of Regulation S-K. We undertake no duty to update any of these forward-looking statements after the date we file this report to conform such forward-looking statements to actual results or revised expectations, except as otherwise required by law.

### Overview

We are the leading provider of natural gas as an alternative fuel for vehicle fleets in the United States and Canada, based on the number of stations operated and the amount of gasoline gallon equivalents ("GGEs") of compressed natural gas ("CNG"), liquefied natural gas ("LNG"), and renewable natural gas ("RNG") delivered (RNG can be delivered in the form of CNG or LNG). We design, build, operate and maintain fueling stations and supply our customers with CNG fuel for light, medium and heavy-duty vehicles and LNG fuel for medium and heavy-duty vehicles. We also manufacture, sell and service non-lubricated natural gas fueling compressors and other equipment used in CNG stations and LNG stations, provide operation and maintenance ("O&M") services to customers on a per-gallon fee basis for stations we do not own, offer assessment, design and modification solutions to provide operators with code-compliant service and maintenance facilities for natural gas vehicle fleets, transport and sell CNG to large industrial and institutional energy users who do not have direct access to natural gas pipelines, process and sell RNG, which can be used as vehicle fuel or sold for renewable power generation, sell tradable credits we generate by selling natural gas and RNG as a vehicle fuel, including credits we generate under the California Low Carbon Fuel Standard ("LCFS Credits") and Renewable Identification Numbers ("RIN Credits" or "RINs") we generate under the federal Renewable Fuel Standard Phase 2, help our customers acquire and finance natural gas vehicles and obtain local, state and federal tax credits, grants and incentives.

We sell natural gas vehicle fuels in the forms of CNG, LNG and RNG. CNG is produced from natural gas that is supplied by local utilities and third-party marketers to CNG vehicle fueling stations, where it is compressed and dispensed into vehicles in gaseous form. We also provide CNG via trailers in its compressed form directly from the fueling station and by delivering and vaporizing LNG to turn liquefied natural gas into compressed natural gas. LNG is natural gas that is cooled at a liquefaction facility to approximately -260 degrees Fahrenheit until it condenses into a liquid, which takes up about 1/600th of its original volume as a gas. We deliver LNG to fueling stations via our fleet of 84 tanker trailers. At the stations, LNG is stored in above-ground tanks until dispensed into vehicles in liquid form.

RNG is produced from waste streams such as landfills, animal waste digesters and waste water treatment plants. RNG production plants are connected to natural gas pipelines, which allow RNG to be transported to vehicle fueling stations, where it can be compressed and dispensed as CNG, and to LNG liquefaction facilities, where it is converted to LNG.

We serve fleet vehicle operators in a variety of markets, including heavy-duty trucks, airports, refuse, fleet services, ready mix and public transit. We believe these fleet markets will continue to present a growth opportunity for natural gas vehicle fuels for the foreseeable future. At September 30, 2015, we served approximately 954 fleet customers operating approximately 42,941 natural gas vehicles, and we owned, operated or supplied 569 natural gas fueling stations in 42 U.S. states and in British Columbia and Ontario within Canada.

We believe we are positioned to capture a substantial share of the anticipated future growth in the use of natural gas as a vehicle fuel in the U.S. given our leading market share and the comprehensive solutions we offer.

Sources of Revenue

We generate revenues by selling CNG, LNG, RNG, and providing O&M services to our customers, designing and constructing fueling stations and selling or leasing those stations to our customers, processing and selling RNG, manufacturing, selling and servicing non-lubricated natural gas fueling compressors and other equipment for CNG and LNG fueling stations, offering assessment, design and modification solutions to provide operators with code-compliant service and maintenance facilities for natural gas vehicle fleets, transporting and selling CNG to large industrial and institutional energy users who do not have direct access to natural gas pipelines, providing financing for our customers' natural gas vehicle purchases, selling tradable LCFS Credits and RIN Credits, and receiving federal fuel tax credits.

The following table represents our sources of revenue:

| Revenue | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2015 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2015 |
|---|---|---|---|---|
| Volume Related | $61.5 | $65.6 | $177.7 | $191.3 |
| CE Compression Business | 19.3 | 12.9 | 63.4 | 41.4 |
| Station Construction Project Sales | 21.8 | 11.5 | 52.8 | 27.5 |
| LCFS Credits | 0.8 | 2.3 | 2.7 | 4.4 |
| Other | — | — | 0.2 | 0.4 |
| Total | $103.4 | $92.3 | $296.8 | $265.0 |

Key Operating Data

In evaluating our operating performance, our management focuses primarily on: (1) the amount of CNG, LNG and RNG gasoline gallon equivalents delivered (which we define as (i) the volume of gasoline gallon equivalents we sell to our customers, plus (ii) the volume of gasoline gallon equivalents dispensed at facilities we do not own but where we provide O&M services on a per-gallon fee basis, plus (iii) our proportionate share of the gasoline gallon equivalents sold as CNG by our joint venture with Mansfield Ventures, LLC called Mansfield Clean Energy Partners, LLC ("MCEP"), plus (iv) our proportionate share of the gasoline gallon equivalents sold as CNG by our joint venture in Peru (through March 2013 when we sold our interest in the joint venture in Peru), plus (v) our proportionate share (as applicable) of the gasoline gallon equivalents of RNG produced and sold as pipeline quality natural gas by the RNG production facilities we own or operate), (2) our gross margin (which we define as revenue minus cost of sales), and (3) net loss attributable to us. The following tables, which should be read in conjunction with our condensed consolidated financial statements and notes included in this report and our consolidated financial statements and notes contained in our 2014 10-K, presents our key operating data for the years ended December 31, 2012, 2013, and 2014 and for the three and nine months ended September 30, 2014 and 2015:

| Gasoline gallon equivalents delivered (in millions) | Year Ended December 31, 2012 | Year Ended December 31, 2013 | Year Ended December 31, 2014 | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2015 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2015 |
|---|---|---|---|---|---|---|---|
| CNG (1) | 130.5 | 143.9 | 182.6 | 47.6 | 61.1 | 130.5 | 168.5 |
| RNG | 8.9 | 10.5 | 12.2 | 3.0 | 1.3 | 9.2 | 7.7 |
| LNG | 55.5 | 60.0 | 70.3 | 18.0 | 18.2 | 53.0 | 54.0 |
| Total | 194.9 | 214.4 | 265.1 | 68.6 | 80.6 | 192.7 | 230.2 |

| Gasoline gallon equivalents delivered (in millions) | Year Ended December 31, 2012 | Year Ended December 31, 2013 | Year Ended December 31, 2014 | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2015 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2015 |
|---|---|---|---|---|---|---|---|
| O&M | 102.6 | 120.9 | 151.8 | 39.7 | 46.4 | 110.0 | 130.4 |
| Fuel (1) | 92.3 | 93.5 | 113.3 | 28.9 | 34.2 | 82.7 | 99.8 |
| Total | 194.9 | 214.4 | 265.1 | 68.6 | 80.6 | 192.7 | 230.2 |

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| Operating data | Year Ended December 31, 2012 | Year Ended December 31, 2013 | | Year Ended December 31, 2014 | | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2015 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Gross margin (3) | $ 80,324 | $ 127,713 | (2) | $ 120,153 | (2) | $ 19,446 | $ 25,534 | $ 67,968 | $ 69,731 |
| Net loss attributable to Clean Energy Fuels. Corp | $ (101,255 ) | $ (66,968 ) | (2) | $ (89,659 ) | (2) | $ (30,093 ) | $ (23,119 ) | $ (90,992 ) | $ (84,228 ) |

(1) As noted above, this includes our proportionate share of the GGEs sold as CNG by our joint venture MCEP and our former joint venture in Peru. GGEs sold were 9.0 million, 2.1 million, and 0.0 million, for the years ended December 31,2012, 2013, and 2014, respectively. There were de minimis amounts sold during the three and nine months ended September 30, 2014 and 2015, respectively, due to the formation of MCEP in late 2014 and the sale of our joint venture in Peru in early 2013.
(2) Includes $45.4 million and $28.4 million of revenue for the years ended December 31, 2013 and 2014, respectively, from VETC of $0.50 per gasoline gallon equivalent of CNG and $0.50 per liquid gallon of LNG that we sold as vehicle fuel. See the discussion under “Operations—VETC” below.
(3) Revenues and gross margins of our nonconsolidated joint ventures are net within the "Loss from noncontrolling interest" line item on our condensed consolidated statement of operations.

Key Trends

CNG and LNG are generally cheaper on an energy equivalent basis and, according to studies conducted by the California Air Resources Board and Argonne National Laboratory, a research laboratory operated by the University of Chicago for the United States Department of Energy, cleaner than gasoline and diesel fuel. According to the U.S. Department of Energy’s Energy Information Administration (“EIA”), the amount of natural gas consumed in the U.S. for vehicle use more than doubled between 2000 and 2014 and demand for natural gas fuels in the U.S. increased by approximately 52% during the period from January 1, 2011 through December 31, 2014. We believe this growth in consumption and demand was attributable primarily to the higher prices of gasoline and diesel relative to CNG and LNG during much of these periods, increasingly stringent environmental regulations affecting vehicle fleets, which have driven the need for cleaner vehicle fuels, and increased availability of natural gas.

The number of fueling stations we owned, operated, maintained and/or supplied grew from 273 at January 1, 2012 to 569 at September 30, 2015 (a 108.4% increase). Included in this number are all of the CNG and LNG fueling stations we own, maintain or with which we have a fueling supply contract. The amount of CNG, RNG, and LNG gasoline gallon equivalents we delivered from 2012 to 2014 increased by 36.0%. The increase in gasoline gallon equivalents delivered was the primary contributor to increased revenues during 2012, 2013 and 2014. In addition, in 2013 and 2014, revenues included federal fuel tax credit (“VETC”) revenues of $45.4 million and $28.4 million, respectively, with the 2013 VETC revenues including $20.8 million related to 2012 due to the reinstatement of VETC in January 2013. We have not recognized any VETC revenue during the nine months ended September 30, 2015, as the program providing for the credit expired December 31, 2014 and has not been reinstated. Our revenue can vary between periods for various reasons, including the timing of equipment sales, station construction, recognition of VETC and other credits, and natural gas sale activity.

Our fuel cost of sales also increased from 2012 through 2014, which was attributable primarily to increased costs related to delivering more CNG, RNG and LNG to our customers during this period. Our cost of sales can vary between periods for various reasons, including the timing of equipment sales, station construction and natural gas sale activity.

In the recent past, the prices of oil, gasoline, diesel and natural gas have been volatile and have generally decreased, and these trends of volatility and decreasing prices may continue. These conditions have resulted in lower revenues from reduced prices we charge for CNG and LNG and, to a lesser degree, lower profit margin as a result of lower natural gas commodity costs. Further, the global decline in oil prices, the strength of the U.S. dollar, and slower than expected sales in China has resulted in weaker than expected demand in non-U.S. markets for the natural gas fueling compressors and other equipment manufactured and sold by our Clean Energy Compression (formerly IMW Industries, Ltd.) subsidiary. To the extent these volatile and lower-pricing conditions persist, our financial results may be adversely affected.

Recent Developments

On July 31, 2015, President Obama signed into law a comprehensive highway funding bill that includes a measure that will, effective January 1, 2016, equalize the federal tax on LNG to an energy-equivalent basis with diesel. This means that, beginning in 2016, our customers who use LNG vehicle fuel will pay the same per-gallon federal tax as users of diesel vehicle fuel. We are evaluating the financial impact of the measure.

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Anticipated Future Trends

We anticipate that, over the long term, the prices for gasoline and diesel will continue to be higher than the price of natural gas as a vehicle fuel, which will continue to make natural gas vehicle fuel an attractive alternative to gasoline and diesel. Our belief that natural gas will continue, over the long term, to be a cheaper vehicle fuel than gasoline or diesel is based in large part on the growth in United States natural gas production in recent years.

We believe natural gas fuels are well-suited for use by vehicle fleets that consume high volumes of fuel, refuel at centralized locations or along well-defined routes, and/or are increasingly required to reduce emissions. As a result, we believe there will be growth in the consumption of natural gas as a vehicle fuel among vehicle fleets, and our goal is to capitalize on this trend if and to the extent it materializes and enhance our leadership position. We anticipate expanding our sales of natural gas fuels in the markets in which we operate, including heavy-duty trucking, refuse, airports, ready mix, fleet services, and public transit, and we may enter into additional markets. Consistent with the anticipated growth of our business, our operating costs and capital expenditures may increase, primarily from the anticipated expansion of our station network and RNG production capacity, as well as the logistics of delivering more natural gas fuels to our customers. We also may seek to acquire assets and/or businesses that are in the natural gas fueling infrastructure or RNG production business which may require us to raise and spend additional capital.

We expect competition to remain steady in the near term in the market for natural gas vehicle fuel. To the extent competition increases, we will be subject to greater pricing pressure and reduced operating margins.

Sources of Liquidity and Anticipated Uses of Cash

Liquidity is the ability to meet present and future financial obligations through operating cash flows, the sale or maturity of existing assets, or the acquisition of additional funds through capital management. Historically, our principal sources of liquidity have consisted of cash on hand, cash provided by financing activities and, if available, VETC and other credits.

Our business plan calls for approximately $19.6 million in capital expenditures from October 1, 2015 through the end of 2015, primarily related to the construction of CNG and LNG fueling stations and the purchase of CNG trailers by our subsidiary, NG Advantage, LLC ("NG Advantage"). Additionally, we had total consolidated indebtedness of approximately $574.2 million as of September 30, 2015, of which approximately $1.9 million, $150.2 million, $5.3 million, $305.1 million, $54.6 million, $53.1 million, and $4.0 million is expected to become due in 2015, 2016, 2017, 2018, 2019, 2020, and thereafter respectively. With respect to certain of our outstanding indebtedness due in 2016, we anticipate repaying in full, with a combination of cash and shares of our common stock, the $145.0 million outstanding principal amount of SLG Notes (as defined and discussed in note 12 to our condensed consolidated financial statements included in this report), together with accrued and unpaid interest, prior to their 2016 maturity date. We may also elect to invest additional amounts in companies or assets in the natural gas fueling infrastructure, vehicle or services industries, including RNG production or use capital for other activities or pursuits. We will need to raise additional capital to fund any capital expenditures, investments or debt repayments that we cannot fund through available cash or cash generated by operations or that we cannot fund through other sources, such as with our common stock. The timing and necessity of any future capital raise would depend on various factors, including our rate of new station construction, debt repayments (either prior to or at maturity), any potential merger or acquisition activity, and other factors. We may not be able to raise capital when needed on terms that are favorable to us or our stockholders, or at all. Any inability to raise capital may impair our ability to build new stations, develop natural gas fueling infrastructure, invest in strategic transactions or acquisitions or repay our outstanding indebtedness and may reduce our ability to grow our business and generate sustained or increased revenues.

Business Risks and Uncertainties

Our business and prospects are exposed to numerous risks and uncertainties. For more information, see “Risk Factors” in Part II, Item 1A of this report.

Operations

We generate revenues principally by selling CNG, LNG and RNG, and providing O&M services to our vehicle fleet customer stations. For the nine months ended September 30, 2015, CNG and RNG (together) represented 77% and LNG represented 23% of our natural gas sales (on a gasoline gallon equivalent basis). To a lesser extent, we generate revenues by designing and constructing fueling stations and selling or leasing those stations to our customers.

We also generate revenues through manufacturing, selling and servicing non-lubricated natural gas fueling compressors and other equipment for CNG and LNG stations, offering assessment, design and modification solutions to

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provide operators with code-compliant service and maintenance facilities for natural gas vehicle fleets, transporting and selling CNG to large industrial and institutional energy users who do not have direct access to natural gas pipelines, providing financing for our customers' natural gas vehicle purchases, selling tradable RINs and LCFS Credits, and receiving federal fuel tax credits.

CNG Sales

We sell CNG through fueling stations and by transporting it to customers without direct access to a natural gas pipeline. CNG fueling station sales are made through stations located on our customers' properties and through our network of public access fueling stations. At these CNG fueling stations, we procure natural gas from local utilities or third-party marketers and then compress and dispense it into our customers' vehicles. Our CNG fueling station sales are made primarily through contracts with our customers. Under these contracts, pricing is principally determined on an index-plus basis, which is calculated by adding a margin to the local index or utility price for natural gas. CNG sales revenues based on an index-plus methodology increase or decrease as a result of an increase or decrease in the price of natural gas. Our customers typically are billed monthly based on the volume of CNG sold at a station. The remainder of our CNG fueling station sales are on a per fill-up basis at prices we set at public access stations based on prevailing market conditions.

Additionally, NG Advantage uses a fleet of 54 high-capacity tube trailers to deliver CNG to large institutions and industrial energy users, such as hospitals, food processors, manufacturers and paper mills, that do not have direct access to natural gas pipelines. Utilizing its trailer fleet, NG Advantage creates a "virtual natural gas pipeline" that allows large oil, diesel or propane users to take advantage of the cost savings and environmental benefits of natural gas. We anticipate that NG Advantage will need to purchase or lease additional trailers to transport CNG in support of its operations.

LNG Production and Sales

We obtain LNG from our own plants as well as through relationships with suppliers. We own and operate LNG liquefaction plants near Houston, Texas and Boron, California. We may expand the production capacity of the Boron, California plant, and we have obtained a commitment from General Electric Capital Corporation ("GE") to, subject to our satisfaction of certain conditions, partially finance our purchase of two new LNG plants to be built by an affiliate of GE (see note 12 to our condensed consolidated financial statements).

We sell LNG on a bulk basis to fleet customers, who often own and operate their fueling stations, and we also sell LNG to fleet and other customers at our public access LNG stations. Further, we sell LNG for non-vehicle purposes, including to customers who use LNG in the oil fields or for industrial applications or utility applications. During 2014 and through September 30, 2015, we procured 44% and 42%, respectively, of our LNG from third-party producers, and we produced the remainder of our LNG at our liquefaction plants in Texas and California. For a portion of LNG that we purchase from third parties, we have entered into "take or pay" contracts that require us to purchase minimum volumes of LNG at index-based rates. We expect to enter into additional purchase contracts with third-party LNG producers in the future to support our LNG supply needs, some of which may be "take or pay" contracts. We deliver LNG via our fleet of 84 tanker trailers to fueling stations, where it is stored and dispensed in liquid form into vehicles. We sell LNG through supply contracts that are priced on an index-plus basis. LNG sales revenues based on an index-plus methodology increase or decrease as a result of an increase or decrease in the price of natural gas. We also sell LNG on a per fill-up basis at prices we set at public access stations based on prevailing market conditions. LNG generally costs more than CNG, as LNG must be liquefied and transported, and, until 2016 when recently enacted legislation becomes effective, the U.S. government imposes higher fuel taxes on LNG.

VETC

From October 1, 2006 through December 31, 2014, we were eligible to receive a VETC of $0.50 per gasoline gallon equivalent of CNG and $0.50 per liquid gallon of LNG that we sold as vehicle fuel. Based on the service relationship with our customers, either we or our customers claimed the credit. We recorded these tax credits as revenues in our consolidated statements of operations, as the credits are fully refundable and do not need to offset tax liabilities to be received. As such, the credits are not deemed income tax credits under the accounting guidance applicable to income taxes. In addition, we believe the credits are properly recorded as revenue because we often incorporate the tax credits into our pricing with our customers, thereby lowering the actual price per gallon we charge them.

Our VETC revenue for calendar year 2014 was all recognized in December 2014 and no VETC revenues has been recognized during 2015, as the program under which we received the credit expired December 31, 2014 and has not been reinstated.

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O&M Services

We generate a portion of our revenue from our performance of O&M services for CNG and LNG fueling stations that we do not own. For these services we generally charge a per-gallon fee based on the volume of fuel dispensed at the station. We include the volume of fuel dispensed at the stations at which we provide O&M services in our calculation of aggregate gasoline gallon equivalents delivered.

Station Construction and Engineering

We generate a portion of our revenue from designing and constructing fueling stations and selling or leasing some of the stations to our customers. For these projects, we typically act as general contractor or supervise qualified third-party contractors. We also offer assessment, design and modification solutions to provide operators with code-compliant service and maintenance facilities for natural gas vehicle fleets, which can include the construction and sale of facility modifications, including our NGV Easy Bay™ product, a natural gas vapor leak barrier developed specifically for natural gas vehicle facilities. We charge construction or other fees or lease rates based on the size and complexity of the project.

RNG

We own an RNG production facility located at a Republic Services landfill in Canton, Michigan. This facility was completed in 2012, and we have entered into a ten-year fixed-price sale contract for the majority of the RNG that we expect the facility to produce. We built another RNG production facility in 2014 at a Republic Services landfill in North Shelby, Tennessee. We are seeking to expand our RNG business by pursuing additional RNG production projects, either on our own or with project partners. We sell some of the RNG we produce, and expect to sell a significant amount of the RNG we produce at the facilities we plan to build, through our natural gas fueling infrastructure for use as a vehicle fuel. In addition, we purchase RNG from third-party producers, and sell that RNG for vehicle fuel use through our fueling infrastructure. The RNG we sell for vehicle fuel use is distributed under the name Redeem™. In December 2014, we sold our ownership interest in our former subsidiary, Dallas Clean Energy, LLC (“DCE”), together with its subsidiary Dallas Clean Energy McCommas Bluff, LLC (“DCEMB”), for approximately $40.6 million. In September 2015, we received $1.1 million in cash due to the results of certain performance tests performed at the RNG extraction and production project owned by DCEMB. For the nine months ended September 30, 2014, DCE contributed approximately $12.8 million to our revenue. We continued to perform O&M services for DCEMB subsequent to the sale and recognized $0.4 million in revenue for such services during the nine months ended September 30, 2015. See note 2 to our condensed consolidated financial statements included in this report for further information on the divestiture.

Natural Gas Fueling Compressors

Our subsidiary, Clean Energy Compression, manufactures, sells and services non-lubricated natural gas fueling compressors and related equipment for the global natural gas fueling market. Clean Energy Compression is headquartered near Vancouver, British Columbia, has an additional manufacturing facility near Shanghai, China and has sales and service offices in Bangladesh, Colombia, Peru and the U.S. For the nine months ended September 30, 2014 and 2015, Clean Energy Compression contributed approximately $63.4 million and $41.4 million, respectively, to our revenue.

Sales of RINs and LCFS Credits

We generate LCFS Credits when we sell RNG and conventional natural gas for use as a vehicle fuel in California, and we generate RIN Credits when we sell RNG for use as a vehicle fuel. We can sell these credits to third parties who need the RINs and LCFS Credits to comply with federal and state requirements. During the nine months ended September 30, 2014, we realized $1.6 million and $2.7 million in revenue through the sale of RIN Credits and LCFS Credits, respectively. During the nine months ended September 30, 2015, we realized $7.7 million and $4.4 million in revenue through the sale of RIN Credits and LCFS Credits, respectively. We anticipate that we will generate and sell increasing numbers of RINs and LCFS Credits as we sell increasing amounts of CNG, LNG and RNG for use as a vehicle fuel. The market for RINs and LCFS Credits is volatile, and the prices for such credits may be subject to significant fluctuations. Further, the value of RINs and LCFS Credits will be adversely affected by any changes to the state and federal programs under which such credits are generated and sold.

Vehicle Acquisition and Finance

We offer vehicle finance services, including loans and leases, to help our customers acquire natural gas vehicles. Where appropriate, we apply for and receive state and federal incentives associated with natural gas vehicle purchases and pass these benefits through to our customers. We may also secure vehicles to place with customers or pay deposits with respect to such vehicles prior to receiving a firm order from our customers, which we may be required to purchase if our customer fails to

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purchase the vehicle as anticipated. Through September 30, 2015, we have not generated significant revenue from vehicle financing activities.

Volatility of Earnings Related to Series I Warrants

We are required to record the change in the fair market value of our liability-classified warrants, which we sometimes refer to as our Series I warrants, in our condensed consolidated financial statements. We have recognized a gain of $5.4 million and $1.1 million, respectively, related to recording the estimated fair value changes of our Series I warrants in the nine months ended September 30, 2014 and 2015. See note 17 to our condensed consolidated financial statements included in this report. Our earnings or loss per share may be materially affected by future gains or losses we are required to recognize as a result of valuing our Series I warrants. As of September 30, 2015, 2,130,682 of our Series I warrants remained outstanding.

Debt Compliance

Certain of our debt agreements, which are discussed in note 12 to our condensed consolidated financial statements included in this report, have certain non-financial covenants with which we must comply. As of September 30, 2015, we were in compliance with all of these covenants.

Risk Management Activities

Our risk management activities are discussed in Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of our 2014 10-K. For the quarter ended September 30, 2015, there were no material changes to our risk management activities.

Critical Accounting Policies

Our critical accounting policies are discussed in Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of our 2014 10-K. For the quarter ended September 30, 2015, there were no material changes to our critical accounting policies.

Recently Adopted Accounting Changes and Recently Issued Accounting Standards

For a description of recently adopted accounting changes and recently issued accounting standards, see note 18 to our condensed consolidated financial statements included in this report.

Results of Operations

The table below and the following narrative present is our results of operations as a percentage of total revenue along with a detailed discussion of certain line items for the periods presented.

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| | Three Months Ended September 30, 2014 | 2015 | Nine Months Ended September 30, 2014 | 2015 |
|---|---|---|---|---|
| Statement of Operations Data: | | | | |
| Revenue: | | | | |
| Product revenues | 87.5 % | 83.8 % | 88.5 % | 83.9 % |
| Service revenues | 12.5 | 16.2 | 11.5 | 16.1 |
| Total revenues | 100.0 | 100.0 | 100.0 | 100.0 |
| Operating expenses: | | | | |
| Cost of sales: | | | | |
| Product cost of sales | 76.4 | 64.3 | 72.8 | 65.7 |
| Service cost of sales | 4.8 | 8.0 | 4.3 | 8.0 |
| Derivative (gains) losses on Series I warrant valuation | (3.1 ) | (0.5 ) | (1.8 ) | (0.4 ) |
| Selling, general and administrative | 27.3 | 30.1 | 32.4 | 32.8 |
| Depreciation and amortization | 11.9 | 15.2 | 11.9 | |