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September 24, 2020

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Marija Tresoglavic, Acting Commission Secretary

Dear Ms. Tresoglavic:

Re: FortisBC Energy Inc. (FEI)

2015 System Extension Application – British Columbia Utilities Commission (BCUC) Decision and Order G-147-16

System Extension Fund (SEF) Pilot Program Compliance Filing and Application for Approval of the SEF on a Permanent Basis (Application)

Evidentiary Update dated September 24, 2020

On June 29, 2020, FEI submitted the above noted compliance filing and Application in accordance with BCUC Decision and Order G-147-16. In the course of responding to information requests, FEI has identified a correction required to the SEF pilot program results due to a reporting error to the number of customers who participated in the SEF program in both 2019 and 2017. The resulting total value of SEF funding disbursed in 2019 is also affected, while the total value of SEF funding disbursed in 2017 remains unchanged.

FEI attaches in Appendix A an evidentiary update to the Application, pages 2, 4, 5 and 7, which corrects relevant tables and narrative. For ease in identifying these corrections, FEI also attaches in Appendix B a blacklined version of those pages.

If further information is required, please contact Jason Wolfe, Director, Energy Solutions at 604-592-7516.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

1 conservative in that it accounted only for the effect of the SEF expenditure but did not take into
2 account any benefit for the increased load to attenuate this impact. FEI has updated the rate
3 impact estimate for continuation of the SEF program on a permanent basis, following the same
4 methodology as was used during the 2015 proceeding, and confirms that the ongoing rate
5 impact estimate remains the same.

6 FEI proposed and designed the SEF in an effort to create more equity between homeowners
7 facing high CIACs in order to connect to gas, and other homeowners who often do not need to
8 pay a CIAC due to their closer proximity to existing gas mains. The fund partially offsets the
9 cost of CIACs that effectively prevent or deter homeowners from connecting to the natural gas
10 system, thereby limiting their energy options. This approach is consistent with common rates,
11 and provides for increased and more equitable access to the natural gas system.

12 The purpose of the SEF is to help eligible homeowners who require a main extension but,
13 because of the lengthier distance between their premise and the closest main, they must pay a
14 contribution (CIAC) to connect to FEI's natural gas distribution system. The SEF provides
15 potential new customers with direct financial assistance to offset their CIAC, which potentially
16 can be a significant cost. The concept of the SEF is similar to the British Columbia Hydro and
17 Power Authority's longstanding Uneconomic Extension Assistance Fund. The SEF benefits
18 customers as it creates equity between homeowners who are located further from existing
19 mains, often in low-density communities, who, as a result, face higher financial contributions to
20 connect to gas as compared to homeowners in higher density areas who on average pay much
21 less to connect.

22 The current framework for the SEF pilot is structured such that it can offset up to 50 percent of
23 the cost of a customer's required contribution (CIAC) to help reduce the financial barrier that
24 often limits the energy options available to some homeowners. FEI continues to believe, as set
25 out in the 2015 System Extension Application, that the SEF enables customers who are further
26 away from the gas system to be able to have more equitable access to natural gas service,
27 consistent with the theory of amalgamation and common rates established for FEI,⁵ and thereby
28 also provides benefits to all customers from the increased total volumes and better utilization of
29 FEI's system.

30 **2.2 SEF CONTINUES TO BE NEEDED FOR EQUITABLE ACCESS TO NATURAL** 31 **GAS**

32 FEI believes that the need for the SEF and the benefits it provides remains; that homeowners
33 who are located outside of the dense urban core of FEI's service territory often face much
34 higher costs to access natural gas service and that the SEF program should be made
35 permanent to continue to address this inequity going forward. Since inception of the SEF pilot
36 program, 544 customers have received funding from the SEF, allowing them to benefit from
37 being able to connect to the natural gas system when they otherwise might not have been able
38 to do so. Not only have these new customers benefited from their natural gas service, all of

⁵ Decision, p. 47.

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Table 1: Average CIACs outside the Vancouver Area

Year	# of Qualified Homeowners	Average CIAC
2017	269	\$ 7,570.00
2018	267	\$ 6,690.00
2019	261	\$ 5,780.00
Overall	797	\$ 6,690.00

2

3 All homeowners in Table 1 above required a main extension to access the natural gas system
4 and all were required to pay a contribution (CIAC) before the installation and connection work
5 could proceed. The overall average CIAC for this group of 797 participants and non-participants
6 is a little under \$6,700 toward their new main extension. Given both the number of homeowners
7 and the average cost of the required contributions in the data set, the reasonable conclusion
8 that can be drawn is that homeowners outside of the Vancouver area often face a significant
9 cost to access the natural gas system. This is in contrast to customers in and around
10 Vancouver who, as noted above, most often do not pay a contribution towards a main extension
11 to access gas service. Given this disparity, FEI believes the SEF program continues to have a
12 role to play to help create greater equity within FEI's service territory.

13 **2.3 PERMANENT SEF PROGRAM**

14 FEI believes that there is a clear and significant difference in the availability of natural gas in
15 different parts of its service territory. Many homeowners located further away from existing
16 mains face a financial barrier that is significantly higher than that of those located in denser
17 areas, thereby limiting their access to the natural gas system and their available energy options.
18 The SEF provides assistance to reduce this financial barrier, thereby creating more equitable
19 access to natural gas. Moreover, providing this more equitable access to natural gas for all
20 potential new customers comes at a very modest cost to existing customers with the benefit of
21 increased throughput contributing to lower delivery rates for customers. For all of the reasons
22 above FEI proposes that the SEF program continue on a permanent basis at the existing
23 funding level of \$1 million per year, with the proposed modifications as described in Section 3 to
24 more effectively address the SEF program's objectives.

25 **3. SEF PROGRAM PROPOSED MODIFICATIONS**

26 **3.1 BACKGROUND**

27 The SEF pilot program has been successful in helping many homeowners more equitably
28 connect to the natural gas system. The current structure of the SEF pilot program allows for
29 contributions of up to 50 percent of the CIAC of eligible participants.

30 The assistance has been frequently rejected by potential participants as being insufficient. Most
31 of the SEF participants still have to pay a significant CIAC unlike homeowners in Vancouver and
32 the surrounding communities who typical do not need to pay a CIAC to access natural gas. At

1 the same time, the majority of the potential \$1 million in assistance remains unused. FEI
 2 believes that with a minor modification the SEF could do a much better job of fulfilling its
 3 intended purpose.

4 The SEF was intended to reduce the financial barrier faced by some homeowners wishing to
 5 connect to the gas system and thus to treat customers in a more equitable manner. Some
 6 homeowners are located further from an existing main than most customers, and are, therefore,
 7 required to pay a higher CIAC in order to obtain natural gas service. In other circumstances the
 8 SEF was seen as a way to reduce the cost barrier and see a main extension reach a small
 9 group of customers (a cul de sac for example). While the SEF pilot program has assisted many
 10 customers by offsetting the cost of their main extension, for many other homeowners the
 11 assistance has either been insufficient, or the structure of the program has produced an
 12 unintended obstacle in their desire to connecting to gas. In either case, the needed assistance
 13 has not been effectively provided. This is more fully explained below.

14 Currently the SEF provides eligible participants with funding assistance of up to 50 percent of
 15 the CIAC to a maximum of \$10 thousand per participant.

16 **3.2 CURRENT CHALLENGE**

17 There are two aspects of the SEF pilot program results which FEI believes can be improved.
 18 First, even though many homeowners qualified for the SEF, a large number still declined to
 19 proceed with their connection due to cost. Second, as a result of homeowners declining to
 20 proceed with their main extension, not all of the available \$1 million funding for the SEF pilot
 21 program has been used or disbursed to eligible customers, even though the financial assistance
 22 has been available. These two aspects are discussed in more detail below.

23 First, Table 2 provides the data for the SEF pilot period for homeowners who qualified for the
 24 SEF, including those that accepted funding from the SEF and proceeded with their main
 25 extension, and those that qualified for funding but still declined the financial assistance from the
 26 SEF and did not proceed with their main extension.

27 **Table 2: SEF Pilot Program Results 2017-2019**

Year	Total SEF Eligible Participants	Actual SEF Participants	% Participated	SEF Funding Provided	% Funding Utilized	SEF Funding Declined	% Declined
2017	373	217	58%	\$ 265,950	27%	156	42%
2018	271	167	62%	\$ 392,716	39%	104	38%
2019	264	160	61%	\$ 321,537	32%	104	39%
Totals	908	544	60%	\$ 980,203	33%	364	40%

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 29 As can be seen by Table 2 above, over the three years of the SEF pilot program, 40 percent of
 30 homeowners eligible for the SEF declined to proceed with their main extension. The primary
 31 reason given by homeowners who declined to proceed was that even with financial assistance
 32 from the SEF toward reducing their required contribution, the remaining required CIAC was still
 33 too expensive.

1 equity among new customers connecting to the natural gas system, Table 3 below provides a
 2 comparison of the average CIACs required over the SEF period for new customers in the dense
 3 Vancouver area in contrast with the CIACs required in the less dense areas (as shown in Table
 4 1), if the SEF portion is increased to allow the SEF to contribute up to 95 percent of the required
 5 CIAC, as proposed.

6 **Table 3: Comparison of CIACs in Vancouver Area vs. Outside Vancouver Area with the SEF**
 7 **Portion Amended as Proposed to up to a maximum of 95%**

Participant location	Required CIAC	SEF Portion	Homeowner Portion
Vancouver Area	Approx. \$ 0	\$ 0	\$ 0
Non Vancouver Area	\$ 6,690	\$ 6,356	\$ 335

8
 9 As can be seen by Table 3, if FEI’s proposed amendment to the SEF to allow up to 95 percent
 10 funding contribution to the CIAC were approved, the average homeowner’s portion to the
 11 connection cost would be reduced to \$335 in less dense areas service areas of the province,
 12 bringing it in much closer alignment with homeowners costs in the dense Vancouver area. This
 13 amendment would address the primary concern as expressed by eligible SEF pilot program
 14 participants who declined to proceed with their main extension and connection to FEI’s natural
 15 gas system.

16 For clarity, in addition to requesting approval of the SEF program on a permanent basis, FEI is
 17 proposing only this single amendment to the SEF funding rules. The following table provides a
 18 summary of the current SEF pilot program framework and funding roles along with identifying
 19 the proposed change.

20 **Table 4: Summary of SEF Pilot Program Rules and Proposed Amendment**

Current Program	Proposed Amendment
Eligibility	
Applicant must be a homeowner	No change
Must be single family home or townhome	No change
Home must be a principal residence	No change
PI must be between 0.2 and 0.8	No change
Cannot participate in Contributory Main model	No change
Total Funding Amount	
Capped at \$1 Million per year	No change
Funding Rules	
SEF pays: 50% of CIAC to a maximum of \$10,000 per customer	SEF pays: 95% of CIAC to a maximum of \$10,000 per customer

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Year	# of Qualified Homeowners	Av
2017	270	\$
2018	267	\$
2019	257	\$
Overall	794	\$

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Year	Total SEF Eligible Participants	Actual SEF Participants	% P
2017	374	218	
2018	271	167	
2019	260	156	
Totals	905	541	

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Participant location	Required CIAC
Vancouver Area	Approx. \$
Non Vancouver Area	\$ 6,710

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