



Sarah Walsh
Director, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (778) 578-3861
Cell: (604) 230-7874
www.fortisbc.com

August 27, 2026

Council of Senior Citizens' Organizations of BC (COSCO)
Leigha Worth, Executive Director & General Counsel

Residential Consumer Intervener Association (RCIA)
Michael Vaney, Executive Director

Dear COSCO-RCIA:

Re: FortisBC Energy Inc. (FEI)
2026 Review of Mains Extension and Connection Policies (Application)
Response COSCO-RCIA Joint Information Request (IR) No. 1

On May 15, 2026, FEI filed the Application referenced above. In accordance with the regulatory timetable established in British Columbia Utilities Commission Order G-122-26 for the review of the Application, FEI respectfully submits the attached response to COSCO-RCIA IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Sarah Walsh

Attachments

cc (email only): Registrar
Registered Interveners

FortisBC Energy Inc. (FEI or the Company) 2026 Review of Mains Extension and Connection Policies (Application)	Submission Date: August 27, 2026
Response to COSCO-RCIA Information Request (IR) No. 1	Page 1

MX TEST REVIEW AND PROPOSALS

1.0 Reference: Exhibit B-1, Section 4.3, Tables 4-9, 4-11, Pages 45-54, and Section 7, Table 7-2, Page 84

Topic: Appropriateness of Profitability Index (PI) Threshold

Preamble: Residential ratepayers wish to test the appropriateness of the proposed PI threshold and to understand the basis upon which FEI has concluded it is appropriate to preserve a significant surplus that favour existing customers when new customer growth itself may now have a greater strategic value.

1.1 Please explain how FEI decided an individual PI threshold of 0.6 appropriately balances the objective of equitable cost allocation with the objective of maximizing the efficient utilization of FEI's existing distribution system. In particular, given that the Rate Impact Analysis (RIA) indicates existing customers would continue to benefit following the proposed changes, please explain why a PI threshold of 0.6 represents an appropriate threshold from the perspective of maximizing long-term customer attachments and system utilization while maintaining minimal impacts on existing customers when compared to a PI threshold of 0.5 or lower.

Response:

FEI did not select the individual PI threshold of 0.6 on the basis of maximizing customer attachments or increasing the utilization of its existing distribution system independently of other rate design considerations. Rather, FEI considers 0.6 to be a measured adjustment that improves the balance of cost responsibility between new and existing customers (i.e., it directionally reduces the extent to which new customers are subsidizing existing customers) while maintaining appropriate safeguards for existing customers through the individual and aggregate PI thresholds.

A threshold of 0.5 or lower would also be directionally correct, further reducing CIAC requirements such that it could allow additional projects to proceed; however, FEI considers reducing the individual PI threshold to 0.6 to be a more measured approach. As FEI explained in the responses to BCUC IR1 2.1 and CEC IR1 13.1, there are a number of factors that make it difficult to predict with confidence what the impact of adjustments to the MX Test will be. As such, FEI considers incremental adjustments to the PI to be the best approach.

IMPACT OF PROPOSALS

2.0 Reference: Exhibit B-1, Section 1.2.6 and Section 7, Table 7-2, Page 84

Topic: New and Existing Customers Impact Quantification

Preamble: FEI states that its proposals will result in a material benefit to new customers with a minimal impact on existing customers. (**Section 1.2.6, pg. 6**)

2.1 Please quantify the average and median reductions in Contribution in Aid of Construction (CIAC) resulting from the combined proposals and compare those benefits to the estimated 0.06 percentage-point impact on delivery rates for existing customers.

Response:

The estimated cumulative impact on the aggregate CIAC if all the proposed changes are applied is \$6.545 million (refer to Table 7-1 of the Application), and the estimated cumulative rate impact if all the proposed changes are applied is 0.06 percent (refer to Table 7-2 of the Application).

Please refer to Table 1 below for the average and median reduction in CIACs from mains (due to changes to the MX Test) and service lines (due to changes to the SLCA calculation) if all proposed changes are applied based on the MX Test data from 2017 to 2025.

Table 1: Average and Median Reductions in CIACs Resulting from the Combined Proposed Changes and Comparison with Average Bill Impact to Residential Customers

Line	Particular	Reference	Amount
1	Combined Impact of Proposed MX Test Changes	Table 7-1 of Application	\$ (2,992,295)
2	Average Reduction of MX CIAC	Average from 2017 to 2025	\$ (3,085)
3	Median Reductions of MX CIAC	Median from 2017 to 2025	\$ (1,500)
4			
5	Combined Impact of Proposed SLCA Changes	Table 7-1 of Application	\$ (3,552,534)
6	Average Reduction of Service Line CIAC (2017-2025)	Average from 2017 to 2025	\$ (896)
7	Median Reductions of Service Line CIAC (2017-2025)	Median from 2017 to 2025	\$ (1,072)
8			
9	Delivery Rate Impact per GJ (Total Combined)	Table 7-2 of Application (Line 3, Total - Current)	\$ 0.004
10	Average Residential Demand (GJ)	Average RS 1	90
11	Average Bill Impact (\$)	Line 9 x Line 10	\$ 0.40

For an average residential customer with 90 GJ of annual consumption, the bill impact resulting from the combined proposed changes is approximately \$0.40 (i.e., 40 cents), while the average CIAC reduction from mains and service lines is approximately \$3,085 and \$896, respectively. The median CIAC reduction from mains and service lines is approximately \$1,500 and \$1,072, respectively. The results show that the proposed changes would have a positive impact on new customers connecting to FEI's system with an immaterial impact on existing customers.

FortisBC Energy Inc. (FEI or the Company) 2026 Review of Mains Extension and Connection Policies (Application)	Submission Date: August 27, 2026
Response to COSCO-RCIA Information Request (IR) No. 1	Page 3

2.2 Please estimate the number of additional residential and small commercial customers expected to connect annually as a result of the proposed policy changes.

Response:

As discussed in the response to BCUC IR1 2.1, FEI does not have sufficient information to determine the number or characteristics of new connection requests that would fall below the current 0.8 threshold but would proceed under the proposed 0.6 threshold. Historically, these projects often do not proceed due to the CIAC, but FEI cannot determine whether a particular customer that did not proceed would have proceeded if the required CIAC had been lower. Without this information, FEI is unable to reliably determine the number of additional connections that may take place at the proposed 0.6 threshold.

If approved, FEI will evaluate the effect of the proposed changes through its Annual MX Reports and the next RIA.

FortisBC Energy Inc. (FEI or the Company) 2026 Review of Mains Extension and Connection Policies (Application)	Submission Date: August 27, 2026
Response to COSCO-RCIA Information Request (IR) No. 1	Page 4

SYSTEM EXTENSION FUND REVIEW

3.0 Reference: Exhibit B-1, Section 1.1, Page 1 and Section 6.4, Pages 82-83

Topic: SEF Expansion to Small Commercial Customers

Preamble: FEI is proposing to allow small commercial customers access to the existing System Extension Fund (SEF) funding without changing the total funding available. (Section 1.1, pg. 1)

3.1 Please provide the analysis supporting FEI's expectation that expanding SEF eligibility to small commercial customers will improve equity without adversely affecting residential customers' access to the SEF.

Response:

Please refer to the response to CEC IR1 15.1.

3.2 If residential and small commercial demand exceeds the current annual SEF funding envelope, please explain how funding will be prioritized.

Response:

Funding is prioritized on a first come, first served basis until such time that the entire funding envelope is allocated for a given year.

3.3 Please provide what percentage of years from 2017–2025 would the \$1 million SEF have been fully allocated if small commercial customers had also been eligible based on historical residential uptake.

Response:

Please refer to the response to CEC IR1 15.1.

1 IMPACTS OF PROPOSALS

2 **4.0 Reference: Exhibit B-1, Section 1.2.6, Table 1-3, Page 6 and Section 7, Table 7-2,**
3 **Page 84**

4 **Topic: RIA Remaining Margin of Safety**

5 **Preamble:** FEI states that the combined impact of its proposed extension policy
6 changes would reduce the delivery-rate benefit to existing customers from
7 1.72% under the current policies to 1.66% under the proposed policies.

8 4.1 Please quantify the remaining positive RIA margin following implementation of all
9 proposed changes (referring to the cumulative RIA results presented in Table 7-
10 2). Please explain how much of the current benefit to existing customers remains
11 after the proposed recalibration.
12

13 **Response:**

14 The delivery rate benefit to existing customers of 1.66 percent referred to in the preamble is the
15 remaining positive RIA margin following the implementation of all the proposed changes in the
16 Application. It is calculated as the difference between the average cost per GJ with and without
17 growth, expressed as a percentage.

18 Please refer to Table 1 below which shows that the remaining 1.66 percent rate benefit due to
19 new customer additions (which includes the proposals contained in the Application) is equivalent
20 to approximately \$22.9 million. This amounts to a reduction of approximately \$23.8 million when
21 compared to the 1.72 percent rate benefit under the currently approved MX Test and Connections
22 Policies.

23 **Table 1: Remaining Benefit to Existing Customers with Implementation of Application Proposals**

Line	2017-2025 RIA	Reference	Current	Proposed
1	Average Cost per GJ with Growth	Table 7-2 of Application	\$ 6.715	\$ 6.715
2	Average Cost per GJ without Growth	Table 7-2 of Application	\$ 6.833	\$ 6.828
3	Rate Impact per GJ	Line 1 - Line 2	\$ (0.118)	\$ (0.113)
4	Percentage Rate Impact	Line 3 / Line 2	-1.72%	-1.66%
5	Change in Percentage Rate Impact from Current	Line 4, Proposed - Current	0.00%	0.06%
6	Total FEI Demand (TJ)	Appendix B, Table 4, Row r	202,585	202,585
24 7	Equivalent Benefit due to Growth (\$million)	Line 3 x Line 6 / 1,000	\$ (23.8)	\$ (22.9)

25
26

27
28 4.2 Under the proposed individual PI threshold, please provide a sensitivity analysis
29 quantifying the delivery-rate impact on existing customers under reasonably
30 foreseeable adverse assumptions, including lower-than-forecast customer
31 attachments, lower customer consumption and higher connection capital costs.

Please identify the assumptions used, indicate whether the sensitivities are considered individually or collectively, and identify any scenario in which the RIA benefit to existing customers becomes neutral or negative. If FEI has not performed such an analysis, please explain why.

Response:

FEI notes that the RIA is reflecting the actual benefits due to new customer attachments from 2017 to 2025, which resulted in a 1.72 percent delivery rate benefit under the current MX Test and Connection Policies. If the changes proposed in this Application were applied, a 1.66 percent delivery rate benefit would have resulted during the 2017 to 2025 time period based on actual Growth capital expenditures along with actual new customers and their consumption (i.e., the delivery rate benefits are not a forecast). The purpose of the RIA is to assess the reasonableness of the current MX Test, and if changes are applied, how the changes would affect FEI's delivery rates based on actual results. Therefore, any sensitivities that are considered would have affected both the RIA results under the current policies and proposed policies. However, to be responsive, FEI provides the following sensitivity analysis.

Lower Customer Attachments

FEI's approved Growth capital is based on a formula using gross customer additions. Therefore, if the number of customer attachments is reduced, thus reducing incremental volume and revenue, the amount of Growth capital would also be reduced. Please refer to Table 1 below for the 2017-2025 RIA results under both the current and proposed MX Test and Connection Policies if, all else equal, the number of customers attached is reduced by 10 percent and 20 percent. FEI prorates the amount of Growth capital expenditures using the unit costs of Growth capital (i.e., total Growth capital included in the RIA divided by total number of new customer additions).

Table 1: Estimated Rate Impact if Number of Customer Attachments Reduced by 10% and 20% (Based on 2017-2025 RIA Results)

2017-2025 RIA	Current	Current (-10%)	Current (-20%)	Proposed	Proposed (-10%)	Proposed (-20%)
Average Cost per GJ with Growth	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Average Cost per GJ without Growth	\$ 6.83	\$ 6.82	\$ 6.81	\$ 6.83	\$ 6.82	\$ 6.80
Rate Impact per GJ	\$ (0.12)	\$ (0.10)	\$ (0.09)	\$ (0.11)	\$ (0.10)	\$ (0.09)
Percentage Rate Impact	-1.72%	-1.53%	-1.35%	-1.66%	-1.47%	-1.30%

As shown in Table 1 above, even if the number of customer attachments is reduced by 20 percent, there remains a delivery rate benefit of 1.30 percent to existing customers.

Lower Customer Consumption

Table 2 below provides a sensitivity of the 2017-2025 RIA results under both the current and proposed MX Test and Connection Policies if, all else equal, the actual use per new customer (UPC of new customer) is reduced by 10 percent and 20 percent. FEI notes that the RIA results reflect the actual UPC of new customers attached from 2017 to 2025, which as shown in Table

9-3 of the Application, has declined by approximately 18 percent since 2017. Therefore, sensitivities of reducing the actual customer consumption used in the 2017-2025 RIA by 10 percent or 20 percent are in addition to the decline that had already taken place.

Table 2: Estimated Rate Impact if UPC is Reduced by 10% and 20% (Based on 2017-2025 RIA Results)

2017-2025 RIA	Current	Current (-10%)	Current (-20%)	Proposed	Proposed (-10%)	Proposed (-20%)
Average Cost per GJ with Growth	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Average Cost per GJ without Growth	\$ 6.83	\$ 6.75	\$ 6.66	\$ 6.83	\$ 6.74	\$ 6.66
Rate Impact per GJ	\$ (0.12)	\$ (0.03)	\$ 0.05	\$ (0.11)	\$ (0.03)	\$ 0.06
Percentage Rate Impact	-1.72%	-0.45%	0.83%	-1.66%	-0.38%	0.89%

In the unlikely event that the actual UPC is reduced by a further 20 percent (in addition to the decline that already occurred), there would be a negative delivery rate impact on existing customers due to new customer attachments under both the current and proposed MX Test and Connection Policies. For an average residential customer with consumption of 90 GJ per year, the \$0.05 per GJ of delivery rate impact under the current policies is equivalent to a bill impact of \$4.50, and the \$0.06 per GJ of delivery rate impact under the proposed policies is equivalent to a bill impact of \$5.40.

Since the RIA results reflect the actual consumption of new customers attaching to FEI's system, the actual UPC is embedded in the RIA results. Similarly, periodic updates to the REUS would also embed this trend in the MX Test over time. As such, a decline in UPC over time, all else equal, would require an increased CIAC from new customers to offset the potential impact associated with lower revenues.

Finally, in a future scenario where the RIA results show a negative rate impact to existing customers (i.e., as shown in the 20 percent UPC decline sensitivity and unlike the current case), FEI would respond by altering parameters, such as the individual PI threshold, to restore balance between customer groups as appropriate at that time.

Higher Capital Costs

Table 3 below provides a sensitivity of the 2017-2025 RIA results under both the current and proposed MX Test and Connection Policies if, all else equal, the actual Growth capital amount is 10 percent and 20 percent higher.

Table 3: Estimated Rate Impact if Growth Capital Increases by 10% and 20% (Based on 2017-2025 RIA Results)

2017-2025 RIA	Current	Current (+10%)	Current (+20%)	Proposed	Proposed (+10%)	Proposed (+20%)
Average Cost per GJ with Growth	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72	\$ 6.72
Average Cost per GJ without Growth	\$ 6.83	\$ 6.78	\$ 6.73	\$ 6.83	\$ 6.78	\$ 6.73
Rate Impact per GJ	\$ (0.12)	\$ (0.07)	\$ (0.02)	\$ (0.11)	\$ (0.06)	\$ (0.01)
Percentage Rate Impact	-1.72%	-1.00%	-0.27%	-1.66%	-0.93%	-0.19%

FortisBC Energy Inc. (FEI or the Company) 2026 Review of Mains Extension and Connection Policies (Application)	Submission Date: August 27, 2026
Response to COSCO-RCIA Information Request (IR) No. 1	Page 8

1 As shown in Table 3 above, even if the amount of actual Growth capital from 2017 to 2025
2 increased by 20 percent, there remains a delivery rate benefit of 0.19 percent to existing
3 customers under the combined proposals in the Application based on the 2017-2025 RIA results.

4

MX TEST REVIEW AND PROPOSALS

5.0 Reference: Exhibit B-1, Section 4.3, Pages 45-53

Topic: Aggregate and Individual PI Thresholds

Preamble: FEI's evidence indicates it is proposing to maintain the aggregate PI threshold at 1.1 while reducing the individual PI threshold.

5.1 Please explain why FEI proposes maintaining the aggregate PI threshold at 1.1 while reducing the individual PI threshold to 0.6 and how those two thresholds are intended to interact.

Response:

FEI proposes to maintain the aggregate PI threshold at 1.1 while reducing the individual PI threshold to 0.6 based on its review of the updated RIA, as well as other factors described in the response to BCUC IR1 11.1. The RIA demonstrates that, under the current 0.8 individual PI minimum, the addition of new customers continues to reduce delivery rates for existing customers. This indicates that the present individual threshold continues to be more restrictive than necessary to protect existing customers and causes new customers to bear a disproportionate share of connection costs. Lowering the individual PI threshold to 0.6 is intended to be a measured way of reducing this imbalance.

The aggregate PI threshold of 1.1 serves a different purpose, as it assesses whether the forecast revenues and CIACs associated with all main extensions completed in a year are sufficient to recover their aggregate forecast costs. Maintaining the threshold at 1.1 provides a reasonable expectation that FEI's system extension activities, considered together, will not result in existing customers subsidizing new connections. While rate design principles would suggest an aggregate PI of 1.0 is the most fair value, FEI accepts that the modest cross-subsidization inherent in the existing aggregate PI of 1.1 can be justified as not "undue". This is similar to the "range of reasonableness" utilized when rebalancing rate class revenue-to-cost ratios.

FEI's aggregate PI of approximately 1.9 from 2014 through 2025 demonstrates that the portfolio consistently remained well above the 1.1 threshold. Because the aggregate PI reflects the combined revenues and costs of all MX Tests, projects with lower PIs may be offset by projects with higher PIs in the portfolio.

The two thresholds are intended to operate together. The individual PI threshold determines whether a specific project requires a CIAC, while the aggregate PI threshold assesses the forecast cost recovery of FEI's main extension activities at the portfolio level. Maintaining the aggregate PI threshold at 1.1 continues to provide a reasonable (i.e., not "undue") balance. It provides protection for existing customers while allowing individual projects with PIs below 1.1 to proceed, subject to the minimum individual PI threshold and any required CIAC.

FortisBC Energy Inc. (FEI or the Company) 2026 Review of Mains Extension and Connection Policies (Application)	Submission Date: August 27, 2026
Response to COSCO-RCIA Information Request (IR) No. 1	Page 10

1 **IMPACT OF ALL MX TEST PROPOSALS**

2 **6.0 Reference: Exhibit B-1, Section 4.7, Page 63**

3 **Topic: Post Implementation**

4 **Preamble:** FEI proposes to file an updated RIA seven years after a decision on this
5 Application.

6 6.1 Please identify the indicators FEI's proposal specifies the utility intends to monitor
7 between its RIA filings to assess whether the revised policies continue to
8 appropriately balance the interests of new and existing customers. Please explain
9 whether FEI has established, or proposes to establish, any thresholds or warning
10 indicators that would prompt further analysis, reporting to the BCUC, or an earlier
11 review.

12

13 **Response:**

14 FEI will continue to monitor and report on its main extension activities through its Annual MX
15 Reports to the BCUC. These reports include the aggregate PI, which provides an indication of
16 whether the revenues and CIACs associated with main extensions completed in the year are
17 expected to be sufficient to recover the aggregate forecast costs of those extensions.

18 FEI has not established, and does not propose to establish, a quantitative threshold or warning
19 indicator that would automatically trigger further analysis, reporting, or an earlier review. The
20 Annual MX Reports provide an interim indication of the expected economics of completed main
21 extensions, while the RIA provides a broader retrospective assessment based on actual costs,
22 customer additions, and consumption. FEI proposes to file the updated RIA seven years after the
23 BCUC issues its decision in this proceeding so that sufficient actual information is available to
24 assess the effects of the revised policies.

25 FEI notes that, as evidenced by the past RIA results and the relatively minor changes proposed
26 to the MX Test and Connection Policies in this Application, there is a low likelihood that a large
27 and persistent change will occur before the next RIA is filed.

28

1 **CHAPTER 2: BACKGROUND**

2 **7.0 Reference Exhibit B-1, Page 15**

3 **Section 2.2.1 MX Test Description**

4 **Preamble:** **FEI states:** “1. Estimated net cash inflows over 40 years associated with
5 the forecast of new attaching customers over a 5-year period (or a 10-year period in
6 circumstances where a foreseeable build-out of customer attachments is longer than 5
7 years); and

8 2. Capital costs of attaching customers over a 5-year period (or a 10-year period in
9 circumstances as noted above) of the main extension.

10

11 The total required CIAC will be paid by the customer(s) connecting at the time a main
12 extension is being built, and FEI will collect contributions from all customers connecting
13 during the first five years after the main extension is built. As additional contributions are
14 received by customers connecting to the main extension, partial refunds are made to those
15 customers who had previously contributed; therefore, at the end of the fifth year, all
16 customers will have paid an equal contribution, after reconciliation and refunds. In
17 instances where refunds are granted to customers who have contributed, the main is
18 referred to as a “contributory main.””

19 7.1 In circumstances where a foreseeable build-out of customer attachments is longer
20 than 5 years and a forecast of new attaching customers over a 10-year period is
21 used instead of a 5-year period, please confirm whether FEI will collect
22 contributions from all customers connecting during the first ten years after the main
23 extension is built.

24
25 **Response:**

26 For main extensions that use a 10-year customer attachment forecast, the treatment of
27 contributions depends on whether the main is a contributory main or a developer-led main
28 extension.

29 Where the project is undertaken by a homeowner or group of homeowners, the main is considered
30 a “contributory main”. If the MX Test uses a 10-year customer attachment forecast, customers
31 connecting during that 10-year period would pay contributions and may trigger refunds to earlier
32 contributors, in the same manner as under the standard 5-year attachment period. Accordingly,
33 there is no difference in the treatment of contributions and refunds other than the length of the
34 applicable attachment period.

35 In practice, however, main extensions using a 10-year attachment forecast are typically
36 associated with property developments. In those cases, the main is not considered a contributory
37 main because the developer, rather than the subsequent property owners, pays any required
38 CIAC to enable the project to proceed. The developer typically sells the lots or homes and

FortisBC Energy Inc. (FEI or the Company) 2026 Review of Mains Extension and Connection Policies (Application)	Submission Date: August 27, 2026
Response to COSCO-RCIA Information Request (IR) No. 1	Page 12

- 1 recovers the CIAC through those sales. The subsequent property owners therefore do not
- 2 participate in the contributory-main refund mechanism.

3

FortisBC Energy Inc. (FEI or the Company) 2026 Review of Mains Extension and Connection Policies (Application)	Submission Date: August 27, 2026
Response to COSCO-RCIA Information Request (IR) No. 1	Page 13

8.0 Reference Exhibit B-1, Pages 15-16

Section 2.2.1.1.1 DELIVERY MARGIN

Preamble:

FEI states: *“While the typical MX Test uses a customer attachments forecast period of 5 years, in circumstances where it can be reasonably demonstrated that there is evidence for growth exceeding 5 years, a 10-year forecast period may be used.”*

8.1 Have there been any instances where a forecast period for customer attachments has exceeded 10 years?

8.1.1 If yes, please describe the circumstances that warranted the use of a forecast period for customer attachments longer than 10 years.

Response:

No, FEI has not used a forecast period longer than 10 years as this is not currently permitted under the MX Test rules. As shown in the response to CEC IR1 3.1, customer attachments at an aggregate level continue well beyond the 5- and 10-year forecast period over the life of the main (e.g., infill customers). As such, restricting the forecast period to 5 and 10 years understates the benefit associated with a main extension.

CHAPTER 4: MX TEST REVIEW AND PROPOSALS

9.0 Reference Exhibit B-1, Page 42

Section 4.2.1 Implications of Different DCF Terms for CIAC Required from New Customers

Preamble: FEI presents the following:

Table 4-4: Illustration of Changes in CIAC Requirements (Aggregate, Average, and Highest) Under Alternative DCF Terms (Based on 2025 Data)

DCF Term (Years)	Projects Requiring CIAC	Percentage of Projects Requiring CIAC	Aggregate CIAC Requirement (\$)	Average CIAC Requirement (\$)	Highest CIAC Requirement (\$)
60	62	15%	\$ 686,902	\$ 11,079	\$ 87,867
50	67	17%	\$ 794,492	\$ 11,858	\$ 94,032
40	71	18%	\$ 980,532	\$ 13,810	\$ 102,294
30	112	28%	\$ 1,612,649	\$ 14,399	\$ 113,406
20	173	43%	\$ 4,242,401	\$ 24,523	\$ 638,129

9.1 For the 2025 MX Test data that included the 413 projects associated with main extensions completed in that calendar year, please provide details on the number of projects by customer type: residential, commercial and industrial.

Response:

Please refer to Table 1 below which provides a breakdown of the 413 projects by customer type. FEI notes that some main extension projects serve multiple types of customers and have therefore been categorized as mixed-use.

Table 1: Breakdown of 2025 MX Test Projects by Customer Type

Rate Class	2025 MX Tests
Residential	286
Commercial	75
Industrial	1
Mixed-Use	51
Total	413

Please refer to Tables 2, 3, and 4 below for updated versions of Table 4-4 of the Application showing the impact of CIAC requirements (aggregate, average, and highest) under different DCF terms for residential, commercial, and mixed-use customers, respectively. FEI did not include a table for the industrial customer class because there was only one main extension in 2025.

**Table 2: Changes in CIAC Requirements Under Alternative DCF Terms for Residential Customers
(Based on 2025 Data)**

DCF Term (Years)	Projects Requiring CIAC	Percentage of Projects Requiring CIAC	Aggregate CIAC Requirement (\$)	Average CIAC Requirement (\$)	Highest CIAC Requirement (\$)
60	51	18%	\$ 350,852	\$ 6,879	\$ 33,251
50	56	20%	\$ 421,645	\$ 7,529	\$ 33,066
40	59	21%	\$ 532,081	\$ 9,018	\$ 55,893
30	87	31%	\$ 940,498	\$ 10,810	\$ 91,740
20	130	46%	\$ 2,030,852	\$ 15,622	\$ 165,662

**Table 3: Changes in CIAC Requirements Under Alternative DCF Terms for Commercial Customers
(Based on 2025 Data)**

DCF Term (Years)	Projects Requiring CIAC	Percentage of Projects Requiring CIAC	Aggregate CIAC Requirement (\$)	Average CIAC Requirement (\$)	Highest CIAC Requirement (\$)
60	8	12%	\$ 256,354	\$ 32,044	\$ 87,867
50	8	12%	\$ 270,281	\$ 33,785	\$ 94,032
40	9	13%	\$ 314,715	\$ 34,968	\$ 102,294
30	19	28%	\$ 422,740	\$ 22,249	\$ 113,406
20	29	42%	\$ 912,714	\$ 31,473	\$ 151,886

**Table 4: Changes in CIAC Requirements Under Alternative DCF Terms for Mixed-Use Customers
(Based on 2025 Data)**

DCF Term (Years)	Projects Requiring CIAC	Percentage of Projects Requiring CIAC	Aggregate CIAC Requirement (\$)	Average CIAC Requirement (\$)	Highest CIAC Requirement (\$)
60	3	6%	\$ 79,696	\$ 26,565	\$ 57,993
50	3	6%	\$ 102,565	\$ 34,188	\$ 61,189
40	3	6%	\$ 133,736	\$ 44,579	\$ 65,557
30	6	12%	\$ 249,411	\$ 41,568	\$ 97,510
20	14	28%	\$ 1,298,835	\$ 92,774	\$ 638,129

As shown in the tables above, all customer types will be negatively impacted in terms of the CIAC requirement if the DCF term is shortened to 30 or 20 years. For residential customers wishing to connect to FEI's system, moving to a 20-year term would increase the number of projects requiring a CIAC from 21 percent to 46 percent. For commercial customers, the CIAC requirement would increase from 13 percent to 42 percent, and for mixed-use projects, the number of projects requiring a CIAC would increase by almost five times. Consistent with the analysis in the BCUC IR1 6 series, shortening the DCF term only achieves minor delivery rate reductions for existing customers despite significant disproportionate and unfair negative impacts on new customers,

FortisBC Energy Inc. (FEI or the Company) 2026 Review of Mains Extension and Connection Policies (Application)	Submission Date: August 27, 2026
Response to COSCO-RCIA Information Request (IR) No. 1	Page 16

1 further contributing to the imbalance between new and existing customers as identified in the RIA
2 results.

3
4
5
6 9.2 Please recreate Table 4-4 using only those projects identified as residential.

7
8 **Response:**

9 Please refer to the response to COSCO-RCIA IR1 9.1.
10
11

12
13 9.3 Please recreate Table 4-4 using only those projects identified as commercial.

14
15 **Response:**

16 Please refer to the response to COSCO-RCIA IR1 9.1.
17

1 **10.0 Reference Exhibit B-1, Pages 43-44**

2 **Section 4.2.2 Implications of Different DCF Terms for RIA Results**

3 **Preamble: FEI presents the following:**

Table 4-6: Estimated Rate Impacts Due to New Customers Connections if DCF Term of the MX Test is Changed (Based on 2017-2025 RIA Results)

2017-2025 RIA	DCF Term				
	60 Years	50 Years	40 Years	30 Years	20 Years
Average Cost per GJ with Growth	\$ 6.715	\$ 6.715	\$ 6.715	\$ 6.715	\$ 6.715
Average Cost per GJ without Growth	\$ 6.829	\$ 6.831	\$ 6.833	\$ 6.835	\$ 6.846
Rate Impact per GJ	\$ (0.114)	\$ (0.115)	\$ (0.118)	\$ (0.120)	\$ (0.131)
Percentage Rate Impact	-1.67%	-1.69%	-1.72%	-1.76%	-1.91%
Change in Percentage Rate Impact from 40 years	0.05%	0.03%	0.00%	-0.04%	-0.19%

4
5 In accordance with FEI's most recent approved depreciation study, the weighted average
6 depreciation for FEI's mains, meters, regulators and service lines is approximately 2.25
7 percent or approximately a 44-year expected service life (i.e., 1/2.25 percent).

8 10.1 Please complete all rows of Table 4-6 using a DCF Term of 44 Years.

9

10 **Response:**

11 Please refer to Table 1 below which modifies Table 4-6 of the Application to include the estimated
12 rate impact due to new customer connections if the DCF term is changed to 44 years. The analysis
13 assumes all projects that proceeded to construction when evaluated under the 2025 MX Test
14 (with the current 40-year DCF term) would still have proceeded regardless of how much the CIAC
15 amount increased.

16 **Table 1: Estimated Rate Impacts Due to New Customer Connections if DCF Term is Changed**
17 **(Based on 2017-2025 RIA Results)**

2017-2025 RIA	DCF Term					
	60 Years	50 Years	44 Years	40 Years	30 Years	20 Years
Average Cost per GJ with Growth	\$ 6.715	\$ 6.715	\$ 6.715	\$ 6.715	\$ 6.715	\$ 6.715
Average Cost per GJ without Growth	\$ 6.829	\$ 6.831	\$ 6.832	\$ 6.833	\$ 6.835	\$ 6.846
Rate Impact per GJ	\$ (0.114)	\$ (0.115)	\$ (0.116)	\$ (0.118)	\$ (0.120)	\$ (0.131)
Percentage Rate Impact	-1.67%	-1.69%	-1.70%	-1.72%	-1.76%	-1.91%
Change in Percentage Rate Impact from 40 years	0.05%	0.03%	0.02%	0.00%	-0.04%	-0.19%

18
19 As shown in Table 1 above, all else equal, changing the DCF term to 44 years results in a minor
20 increase of 0.02 percent in FEI's delivery rates. As explained in Section 4.2.2 of the Application,
21 the reason for the minor increase is that changing the DCF term only changes the total CIAC
22 required, and the total aggregate amount of CIAC is small (averages approximately 3 percent)
23 when compared to the total aggregate direct costs of main extensions from 2017 to 2025. Thus,
24 increasing the DCF term to 44 years only has a minor impact on the CIAC requirement for each
25 project and therefore has only a minor impact on customer delivery rates.

FortisBC Energy Inc. (FEI or the Company) 2026 Review of Mains Extension and Connection Policies (Application)	Submission Date: August 27, 2026
Response to COSCO-RCIA Information Request (IR) No. 1	Page 18

1

2

3

4 10.2 Please explain if a DCF Term of 44 Years would satisfy the Bonbright principles of
5 fair apportionment of costs, the avoidance of undue discrimination and customer
6 understanding and acceptance.

7

8 **Response:**

9 Both 40 years and 44 years are consistent with the Bonbright principles referenced in the
10 question. 40 years continues to closely align with the expected service life of the applicable assets
11 and is therefore a reasonable term for the DCF.

12

FortisBC Energy Inc. (FEI or the Company) 2026 Review of Mains Extension and Connection Policies (Application)	Submission Date: August 27, 2026
Response to COSCO-RCIA Information Request (IR) No. 1	Page 19

11.0 Reference Exhibit B-1, Page

Section 4.3.3.3 Reducing the Minimum Individual PI Threshold to 0.6 is Directionally Appropriate

Preamble: FEI states: *“Rather than increasing the minimum individual PI threshold, FEI is proposing to reduce the threshold to 0.6 (from 0.8) to improve fairness for new customers.”*

11.1 Please explain, with a supporting analysis, who bears the financial risk if customers associated with main extensions approved under a reduced minimum profitability index (PI) threshold of 0.6 subsequently consume less gas than forecast in the main extension (Mx) test; and/or disconnect earlier than the assumed 40 years.

11.1.1 Please explain whether, in FEI’s proposal, any of its residential or other ratepayers will bear any portion of this risk, either directly or indirectly, through future revenue requirement applications, deferral accounts, or other regulatory mechanisms.

Response:

All of FEI’s customers bear the financial risk if customers consume less gas than was assumed in their respective MX Tests, or if customers disconnect from the system earlier than 40 years (assuming that another customer does not take their place and that the disconnection is permanent). Lowering the individual PI threshold from 0.8 to 0.6 does not change who bears this risk, which remains with existing customers.

Conversely, all of FEI’s customers bear the financial reward if customers consume more gas than was used in their respective MX Tests (i.e., either via the gas used per customer or the number of customers that attach to a main), or if customers continue taking service on the main beyond 40 years.

Any resulting increase or decrease in revenue discussed above would be reflected in FEI’s revenue requirement and incorporated into the delivery rates for all customers.

While individual projects may create risk, FEI continues to propose to apply an aggregate PI of 1.1 to mitigate this risk at a portfolio level. Thus, the entire cohort of main extensions in a given year, when assessed together, must have an aggregate PI of at least 1.1. This requirement ensures that, overall, the system extension activities for a year are expected to generate more revenue than they cost. This mitigates the risk of individual underperforming mains by balancing them against over-performing ones, thereby protecting the overall interests of existing and new customers on a collective basis.

Lowering the individual PI threshold to 0.6 is a simple and understandable lever in the MX Test to balance new and existing customer interests, as the RIA shows that new customers continue to provide benefits to existing customers by way of lower rates, all else equal.