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August 27, 2026

The Corporation of the District of Saanich (Saanich)
Rebecca Newlove, Manager of Sustainability

City of Richmond (Richmond)
Brendan Burns, Staff Solicitor

Dear Saanich-Richmond:

Re: FortisBC Energy Inc. (FEI)
2026 Review of Mains Extension and Connection Policies (Application)
Response to Saanich-Richmond 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 Saanich-Richmond 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

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A. Structure of the discounted cash flow revenue forecast

1.0 Topic: Consumption profile within the 40-year DCF term

Reference: Application, Exhibit B-1, Appendix A (MX Test Technical Guide), Section 2.1.1 (p. 3; p. 110/445), Section 2.1.1.3 and Table 2-2 (pp. 4 to 5; pp. 111 to 112/445); Section 2.2.1.1 and Table 2-1 (pp. 16 to 17); Appendix D, Section 3.2, accompanying text to Table 7 (p. 6; p. 166/445); Section 9.2 (p. 92). Decision and Order G-147-16, p. 23.

At Appendix A, Section 2.1.1, FEI states that the Delivery Margin is calculated as (FEI's Basic Charge x Number of Customer Attachments) + (FEI's Delivery Charge x Number of Customer Attachments x Consumption of Customer). The expression is stated as a single annual amount and does not vary by year. At Section 2.1.1.3 FEI states that consumption per customer is determined on a per-installed appliance basis, using the average consumption per appliance in Table 2-2, largely based on the 2017 Residential End Use Study (REUS). At Appendix D, Section 3.2, FEI states that the average consumption by appliance type "has generally been declining slowly with each iteration of the REUS" and that "[a]s the average consumption use by appliance type reduces, it reduces the net cash inflow of each project under the MX Test." At Section 9.2 FEI cites the 2016 Decision, in which the BCUC noted that "periodic updates to the REUS will reflect reduced usage by customers over time." At Section 2.2.1.1 FEI states that the volume credit "is not intended to be a forecast of a specific customer's usage or an expectation that the new customers will use a specific volume of gas in their appliances", while at Appendix A, Section 2.1.1.3 FEI states that the consumption per customer "reflects the forecast of gas to be consumed by each new customer".

1.1 Please confirm that, within any single MX Test, the Delivery Margin is calculated using a single consumption per customer and a single set of basic and delivery charges, applied unchanged in each year of the 40-year DCF term, with no assumed decline in consumption per customer (whether from behaviour change or from equipment replacement or removal over the 40-year term) and that there

is no assumed change in delivery rates across that term. If that is not correct, please provide, for a representative 2025 residential main extension, the consumption per customer, the Basic Charge, the Delivery Charge and the resulting Delivery Margin used in each of the 40 years.

Response:

FEI confirms that the MX Test uses the most recent consumption per appliance as determined in the most recent REUS and current delivery rates over the 40-year DCF term. Please refer to the response to BCUC IR1 5.2 for more information regarding the inputs into the MX Test.[1]

1.2 Please confirm that the only mechanism by which reductions in the average consumption per appliance enter the MX Test is the periodic re-basing of the appliance use credits between REUS iterations described at Appendix D, Section 3.2, that each re-basing rests on measured historical consumption, and that a re-basing applies only to MX Tests performed after it takes effect and not to extensions already tested. If not confirmed, please identify each other mechanism by which reductions in the average consumption per appliance enter the MX Test.

Response:

FEI confirms that updating the MX Test with the most recent REUS study results is the method in which appliance consumption is rebased, embedding the most recent actual trends in customer use per appliance within the MX Test. Please refer to the response to BCUC IR1 5.2 for more information regarding the inputs into the MX Test.

[1] As discussed on page 17 of the Application, the 2022 REUS, finalized in March 2023, was affected by changes in consumption patterns during the COVID-19 pandemic, yielding results that skewed upward (i.e., it showed increased use rates per customer), likely due to customers remaining at home and using heat during the day. The results deviated significantly from previously established downward trends. Using this unreliable data would have made it easier (less costly) for customers to connect when compared to prior years, all else equal. Therefore, FEI has maintained the 2017 REUS for the 2025 MX Test parameters. The next REUS is being undertaken in 2026 and the results will be available in Spring 2027.

B. Attrition and lower use connections

2.0 Topic: Absence of attrition in the MX Test

Reference: Application, Exhibit B-1, Section 4.1 (p. 37) and Section 4.2 (p. 41); Appendix A, Section 2.1.1 (p. 3; p. 110/445). BCUC Information Request No. 1 (Exhibit A-4), IRs 4.3 and 6.6.

FEI states at page 37 that costs and revenues are considered over the same DCF term aligned with useful life, and at page 41 that the 40-year DCF term "continues to be appropriate because it closely reflects the weighted average service life of the assets associated with new connections." The MX Test formula at Appendix A does not include a term representing disconnection, fuel switching, or a decline in consumption by a customer who remains connected, whether from behaviour change or from equipment replacement or removal over the 40-year term. BCUC IR 6.6 asks how FEI's proposal to keep the DCF term at 40 years balances the risks related to the energy transition and customers potentially moving away from natural gas appliances over time.

2.1 Please confirm that no input to the MX Test reflects disconnection, fuel switching, or any reduction in consumption by a customer who remains connected, at any point in the 40-year DCF term, and that the DCF therefore treats each forecast customer attachment as remaining connected and consuming at its initial annual volume for the remainder of the 40-year term, together with any analysis FEI has undertaken of the risk that the forecast Delivery Margin will not be realized. If not confirmed, please identify each such input.

Response:

FEI confirms that there is no MX Test input that would forecast a change in a customer's consumption over the 40-year DCF term. However, FEI notes that the DCF calculation increasingly discounts consumption (i.e., revenues) over the DCF term, thereby placing more weight on consumption (i.e., revenues) in the early years and significantly less weight on consumption (i.e., revenues) nearest to the end of the term. Moreover, the MX Test only accounts for forecast attachments over a five-year (or sometimes 10-year) period, and does not account for the revenues from infill customers attaching thereafter. Please refer to the response to BCUC IR1 5.2 for more information regarding the inputs into the MX Test.

3.0 Topic: Disconnection and experience with low consumption

Reference: Application, Exhibit B-1, Section 9.3, Tables 9-1 and 9-3 (pp. 93 to 95).

At Section 9.3 FEI provides the actual annual consumption of new residential connections by connection year from 2014 to 2024, in five cohorts. Table 9-1 shows the 0 to 20 GJ cohort comprising 2,125 of 6,248 new residential connections in 2024. Table 9-3 shows average use per customer for new residential connections declining from 70.7 GJ for the 2014 connection cohort to 54.6 GJ for the 2024 cohort. FEI describes the 0 to 20 GJ cohort as typically characterized by smaller homes, condos, or dwellings in carbon-restricted jurisdictions using gas for lifestyle applications. The Application does not provide corresponding data on connections that have ceased to take service or that consume negligible volumes.

3.1 Please provide, for each year from 2015 to 2025, the number and percentage of residential accounts disconnected, disaggregated by region, separately for Vancouver Island, the Lower Mainland and the Interior, and by the number of years elapsed since the account was connected.

Response:

FEI interprets this question as asking about service abandonments (i.e., where a customer ceases using gas) as opposed to account disconnections, which can occur for temporary reasons such as move in / move outs. Please refer to Table 1 below for the number and percentage of residential service abandonments in each year from 2015 to 2025, disaggregated between Vancouver Island, the Lower Mainland and the Interior.

Table 1: Residential Service Abandonments and Percentage by Region[2]

Year	Vancouver Island		Lower Mainland		Interior	
	#	%	#	%	#	%
2015	274	0.27	4,339	0.80	541	0.22
2016	284	0.27	4,161	0.76	587	0.24
2017	285	0.26	4,308	0.78	631	0.25
2018	242	0.21	4,345	0.78	627	0.24
2019	203	0.17	2,994	0.53	511	0.20
2020	228	0.19	3,052	0.54	486	0.19
2021	259	0.20	3,820	0.67	634	0.24
2022	236	0.18	3,556	0.62	574	0.21
2023	209	0.15	2,777	0.48	551	0.20
2024	195	0.14	2,751	0.47	520	0.19
2025	222	0.16	2,722	0.46	469	0.17

[2] The residential disconnection counts and percentages represent gross disconnections, meaning they do not account for reconnections at the same service location.

FEI is not able to provide the requested disaggregation by the number of years elapsed since the account was connected because the original connection date is not available for many of the abandonments. Legacy premises were connected before FEI began recording the relevant installation information in its database. As a result, providing abandonment information by years elapsed since connection would produce incomplete and potentially unrepresentative results.

FEI also notes that more than 52 percent of residential service abandonments during the period were subsequently reconnected, but are not reflected in the table above. This indicates that a substantial portion of abandonments are associated with construction, renovation or redevelopment rather than a permanent departure from the gas system. In addition, the 52 percent of residential service abandonments that are subsequently reconnected to the system may be understated as redevelopment and densification can result in more than one new premise or account being added back where one was abandoned.

3.2 Please provide, for each year from 2015 to 2025, the number and percentage of residential accounts that consumed less than 1 GJ annually, and separately the number and percentage that consumed less than 20 GJ annually.

Response:

Please refer to Table 1 below for the number and percentage of residential accounts that consumed less than 1 GJ annually, and the number and percentage that consumed less than 20 GJ annually, for each year from 2015 to 2025.

Table 1: Residential Accounts with Annual Consumption Below 1 GJ and 20 GJ, 2015 to 2025

Consumption Year	Total Accounts	Number of Accounts Less Than 1 GJ	Percentage Less Than 1 GJ	Number of Accounts Less Than 20 GJ	Percentage Less Than 20 GJ
2015	886,169	13,015	1.47%	77,723	8.77%
2016	897,528	14,103	1.57%	76,392	8.51%
2017	910,885	15,171	1.67%	67,845	7.45%
2018	930,142	16,733	1.80%	75,705	8.14%
2019	940,751	17,209	1.83%	75,650	8.04%
2020	953,746	17,610	1.85%	77,421	8.12%
2021	963,987	18,168	1.88%	82,090	8.52%
2022	974,334	18,728	1.92%	81,161	8.33%
2023	985,844	19,734	2.00%	93,227	9.46%
2024	996,178	20,946	2.10%	100,740	10.11%
2025	1,002,255	23,483	2.34%	107,899	10.77%

Changes in consumptions trends, including those of low consumption customers, are embedded in the MX Test through periodic updates on the average consumption per appliance through the REUS study and reflected in the RIA, which incorporates the actual consumption of new customers during the analysis period. Therefore, the fact that a portion of customers use less gas than the average is accounted for in the MX Test and does not necessarily imply a change in consumption patterns after the fact.

C. Consumption inputs: vintage and regional basis

4.0 Topic: Regional basis of the consumption per appliance

Reference: Application, Exhibit B-1, Appendix D, Section 3.2, Tables 5, 6 and 7 (pp. 5 to 6; pp. 165 to 166/445); Appendix A, Table 2-2 (p. 5; p. 112/445); Section 9.3, Table 9-3 (p. 94).

Table 5 of Appendix D sets out the average consumption per appliance used in the 2014 MX Test, derived from the 2008 REUS and differentiated by region, with a primary furnace credited 62.0 GJ per year in the Lower Mainland, 51.6 GJ in the Interior and 43.0 GJ on Vancouver Island. Tables 6 and 7 show that from the 2015 MX Test onward a single credit has been applied to each appliance in all regions. The credit applied to a primary furnace for the 2020 to 2025 MX Tests, based on the 2017 REUS, is 51.7 GJ per year.

4.1 Please confirm that FEI applies the same average annual consumption per appliance in calculating the PI and any CIAC regardless of whether the new connection is located on Vancouver Island, in the Lower Mainland or in the Interior. If confirmed, please explain why the regional differentiation of the consumption per appliance applied in the 2014 MX Test was discontinued.

Response:

FEI confirms that it applies the same consumption credit regardless of whether the new connection is located on Vancouver Island, in the Lower Mainland or in the Interior.

The volume associated with a customer attachment within the MX Test is not a forecast of what a particular new customer is expected to consume. Rather, it credits each new customer with average consumption on a per-appliance basis derived from existing customer data, thereby providing comparable treatment of new and existing customers. As described in FEI's 2015 System Extension Application:[3]

> The use of common inputs in the MX Test is consistent with the theory of amalgamation and postage stamp rates, whereby all customers are treated equally, regardless of location.

The regional differentiation was discontinued after the BCUC approved the amalgamation and adoption of common rates for FEI, FortisBC Energy (Vancouver Island) Inc. (FEVI) and FortisBC Energy (Whistler) Inc. (FEW) in 2014. Applying a common consumption credit was consistent with the resulting common rate structure and avoided treating otherwise comparable new customers differently based solely on geography.

[3] 2015 System Extension Application, Exhibit B-1, p. 35.

4.2 Please provide Table 9-3 disaggregated by region, specifically the actual average annual use per customer for new residential connections by connection year from 2014 to 2024, separately for Vancouver Island, the Lower Mainland and the Interior.

Response:

Please refer to Table 1 below for the actual average annual use per customer for new residential connections by connection year from 2014 to 2024, disaggregated between Vancouver Island, the Lower Mainland and the Interior.

Table 1: Actual Average Annual Use per Customer for New Residential Connections by Region and Connection Year (2014 to 2024)

Year	Vancouver Island Average Use Per Customer (GJ)	Lower Mainland Average Use Per Customer (GJ)	Interior Average Use Per Customer (GJ)
2024	28.4	67.2	50.9
2023	31.6	78.6	56.9
2022	38.2	78.9	59.2
2021	37.7	71.3	60.2
2020	41.1	74.0	57.4
2019	41.4	84.2	60.4
2018	43.6	83.2	63.1
2017	43.7	80.0	66.7
2016	44.0	82.3	62.7
2015	43.5	82.9	63.1
2014	42.2	83.7	65.2

FEI notes that the MX Test uses volume credits specific to the appliances included in the test and not the use per customer or a credit based on customer type. Further, the RIA reflects the actual consumption of new customers during the analysis period.

5.0 Topic: Timing of the 2026 Residential End Use Study

Reference: Application, Exhibit B-1, Section 9.1 (pp. 91 to 92); Section 5.2 (p. 70).

At Section 9.1 FEI states that it has continued to use the 2017 REUS for the 2026 MX Test parameters because the 2022 REUS was affected by changes in consumption patterns during the COVID-19 pandemic, and that "[t]he next REUS will be conducted in summer 2026, with findings available in spring 2027, continuing the established four-year study cycle." The appliance use credits derived from the REUS enter both the MX Test and the determination of the SLCA.

5.1 Please confirm whether FEI will commit to re-basing the MX Test consumption parameters on the 2026 REUS results when they are available, and whether it opposes any change to the individual MX Test PI threshold or the SLCA PI threshold taking effect on an interim basis pending those results.

Response:

FEI will follow its long-standing approach of using the most recent reliable REUS results as the primary source of information for determining the consumption credits.

FEI does not support implementing the proposed changes to the individual MX Test PI threshold or the SLCA PI threshold on an interim basis pending the 2026 REUS results. The proposed PI thresholds reflect FEI's assessment of the appropriate allocation of connection costs between new and existing customers based on the evidence in this proceeding, including the RIA which incorporates actual consumption of new customers.

D. Treatment of new construction in the MX Test

6.0 Topic: Treatment of step code adoption in the MX Test

Reference: Application, Exhibit B-1, Section 9.2 (p. 92); Appendix A, Table 2-2 (p. 5; p. 112/445). FEI 2026 Long Term Gas Resource Plan proceeding, Exhibit B-1, Section 3.5.1.2 and Table 3-6 (p. 3-10), Section 3.5.1.3 and Table 3-7 (p. 3-11).

At Section 9.2 FEI states that the natural gas appliances a customer is planning to use are "constrained by building code, city bylaws, and a municipality's level of adoption of step code, in which the customer connection will occur," and that "the usage of natural gas in the MX Test is the result after all relevant restrictions have been considered." In its 2026 Long Term Gas Resource Plan FEI models the same new construction differently. Table 3-6 applies Energy Step Code thermal load improvements in new Part 9 construction of 25 percent for 2023 to 2026, 53 percent for 2027 to 2031 and 75 percent for 2032 to 2050, to space heating, space cooling and water heating. Table 3-7 applies Zero Carbon Step Code fuel switching in new Part 9 construction of 100 percent electric space heating at EL-2, 100 percent electric space and water heating at EL-3, and 100 percent electric for all end uses including cooking at EL-4.

6.1 Please describe, step by step, how a municipality's level of Zero Carbon Step Code adoption modifies the MX Test inputs for a proposed extension in that municipality, stating whether the adjustment is limited to the assumed appliance list or whether the appliance use credits are also modified, and whether a distinction is made between municipalities requiring EL-2, EL-3 and EL-4, and reconcile that treatment with the treatment of new Part 9 construction in Tables 3-6 and 3-7 of the 2026 Long Term Gas Resource Plan.

Response:

Please refer to the response to BCUC IR1 2.1 for a description of how FEI's Key Account Managers (KAMs) work with project proponents. The effect of Zero Carbon Step Code (ZCSC) adoption on an MX Test is described step by step below.

- First, the applicable municipality determines the ZCSC emissions level that the proposed development must satisfy. The applicable level constrains the building's permitted operational GHG emissions and may affect the energy sources and appliances that can be included in the building design. EL-2, EL-3 and EL-4 impose progressively more stringent GHG requirements.
- Second, the developer determines the building design and proposed appliance list that will comply with the applicable requirements. Depending on the emissions level and the project's chosen compliance pathway, the developer may use higher-efficiency equipment, reduce the number of gas appliances, or exclude gas appliances from some or all end uses. If the ZCSC-compliant design does not include a gas connection, no MX Test is required.

- Third, where the ZCSC-compliant building design includes gas appliances and a main extension is required, FEI performs the MX Test using the appliance list provided by the developer. Thus, the MX Test reflects the appliance list from the project design that was selected by the developer in accordance with the applicable building and permitting requirements and not an FEI assumed appliance list based solely on the municipality's emissions level.

  FEI applies the standard use credit for each appliance included in the developer's appliance list. FEI does not modify the use credit assigned to a particular appliance based on whether the municipality requires EL-2, EL-3 or EL-4. As explained in Section 2.2.1.1 of the Application, an appliance use credit is not intended to forecast a particular new customer's future consumption. It is based on average consumption for the relevant appliance among existing customers and provides comparable treatment of new and existing customers.

In summary, MX Tests for connection requests from developers rely on project designs and appliance lists that comply with the applicable emissions level at EL-2, EL-3 or EL-4. Once that appliance list is established, the MX Test methodology and the per-appliance use credits are applied in the same manner.

Tables 3-6 and 3-7 of the 2026 LTGRP use assumptions regarding the effects of future Energy Step Code and ZCSC requirements to forecast system-wide gas demand, thereby incorporating the impact of the Energy Step Code and ZCSC on new customer consumption over time. By contrast, the MX Test evaluates a specific proposed extension using the appliance list for a project that must comply with the Energy Step Code and ZCSC requirements in effect when the test is performed. This distinction reflects their different purposes – the LTGRP forecasts potential system-wide demand, while the MX Test determines whether a specific proposed extension requires a CIAC.

6.2 For main extensions tested in 2024 and 2025, please provide the number located in municipalities that had adopted Zero Carbon Step Code EL-2, the number located in municipalities that had adopted EL-3 or EL-4, and the number located in non-adopting municipalities, and for each of those three groups the average assumed consumption per attaching customer, the average number and mix of gas appliances assumed per attaching customer, and the average individual PI.

Response:

Please refer to Tables 1 to 3 below for the number of MX Tests, average assumed consumption per attaching customer and average individual PI for 2024 and 2025, grouped by municipal ZCSC adoption. FEI is unable to provide the requested average number and mix of gas appliances per attaching customer for the reasons explained below.

For the purposes of grouping the requested results, FEI classified each municipality according to the highest ZCSC level adopted, recognizing that some municipalities implement different

emissions requirements for Part 9 and Part 3 buildings. For example, the City of North Vancouver requires EL-3 for Part 9 buildings but EL-1 for Part 3 buildings. For the purposes of the tables below, FEI therefore classified MX Tests in the City of North Vancouver in the "EL-3 or EL-4" group.

Several municipalities also use layered compliance pathways. For example, the City of Richmond permits a lower level of ZCSC compliance when a higher level of the Energy Step Code is achieved. In these cases, FEI classified the municipality according to its adopted ZCSC level without determining whether an individual project qualified for a lower ZCSC level by achieving a higher Energy Step Code level. With respect to EL-2 adoption, only the City of Langford was classified as having adopted EL-2 for the purposes of this reporting.

Table 1: MX Tests in Municipalities Classified as EL-2 (2024 and 2025)

Metric	Year	
	2024	2025
Total MX Tests	17	22
Average PI	1.35	1.18
Average Attachments	26	21
Average Consumption	66.5	79.1

Table 2: MX Tests in Municipalities Classified as EL-3 or EL-4 (2024 and 2025)

Metric	Year	
	2024	2025
Total MX Tests	133	99
Average PI	2.05	3.48
Average Attachments	15	16
Average Consumption	154.8	465.1

Table 3: MX Tests in Municipalities Classified as Non-Adopting (2024 and 2025)

Metric	Year	
	2024	2025
Total MX Tests	280	235
Average PI	1.94	1.80
Average Attachments	18	20
Average Consumption	107.5	102.9

FEI is unable to provide the average number and mix of gas appliances per attaching customer due to system limitations. The MX Test output data that can be exported from CAFÉ provides only total gas consumption per customer. Although appliance specific data is stored within CAFÉ and used to calculate that total consumption, FEI has no feasible method to extract or aggregate the appliance-level information needed to produce the requested average number and mix of appliances.

7.0 Topic: Building envelope performance in new Part 9 construction

Reference: Application, Exhibit B-1, Appendix A, Table 2-2 (p. 5; p. 112/445). FEI 2026 Long Term Gas Resource Plan proceeding, Exhibit B-1, Table 3-6 (p. 3-10). BCUC Information Request No. 1 (Exhibit A-4), IR 5.1.

The average consumption per appliance for space heating in Table 2-2 is derived from the 2017 REUS, which measured consumption in the building stock existing at that time. New Part 9 residential buildings are now constructed to Energy Step Code requirements that reduce space heating demand through improved airtightness, reduced heat loss through the building envelope, and more efficient mechanical systems. In its 2026 Long Term Gas Resource Plan FEI models thermal load improvements in new Part 9 construction of 25 percent for the 2023 to 2026 period relative to the base year.

7.1 Please state whether the average consumption per appliance for space heating used in the MX Test reflects the reduced space heating demand of new Part 9 residential buildings constructed to current Energy Step Code requirements. If it does not, please state, for each space heating appliance listed in Table 2-2, the average consumption per appliance FEI would apply to new Part 9 residential buildings constructed to current Energy Step Code requirements, in GJ per year, and the difference from the value in Table 2-2.

Response:

The average consumption per space heating appliance used in the MX Test does not specifically reflect the reduced space heating demand of new Part 9 residential buildings constructed to current Energy Step Code requirements. The MX Test uses consumption credits derived from the average consumption of appliances among existing customers on FEI's system.

As new customers attach to the system with more efficient appliances, and existing customers upgrade to more efficient appliances, the credit for consumption per appliance will go down over time. As noted in the preamble, the values in Table 2-2 are derived from the 2017 REUS, which measured consumption in the building stock existing at that time.

The consumption credit does not attempt to forecast the consumption of a particular appliance in a particular new building or distinguish among buildings based on the applicable Energy Step Code requirements. Actual consumption may vary based on the building design, number of occupants, and customer behaviour. In addition, existing customers are not required to consume a set amount of gas. Using average appliance consumption provides comparable treatment of new and existing customers rather than assigning a project-specific forecast to each new customer.

Further, the Energy Step Code is a whole-building performance standard for planning purposes wherein actual energy usage will differ from modeled energy usage. Compliance depends on the performance of the building's integrated design, including factors such as the building envelope, ventilation and airtightness, rather than prescribing a particular level of consumption for each space heating appliance. A building constructed to current Energy Step Code requirements may

therefore consume more or less than modelled depending on its design, occupants and how energy is used.

FEI cannot provide the requested alternative values in GJ per year or the differences from the values in Table 2-2 because it cannot determine a single average consumption value that should be applied to each space heating appliance for all new Part 9 residential buildings constructed to current Energy Step Code requirements. The MX Test instead applies the same system-average consumption credit to each type of appliance to provide comparable treatment of new and existing customers.

8.0 Topic: Individual PI of connections assumed to consume 20 GJ per year or less

Reference: Application, Exhibit B-1, Section 4.1 (p. 33); Section 9.3, Table 9-1 (p. 93); Appendix A, Table 2-2 (p. 5; p. 112/445). BCUC Information Request No. 1 (Exhibit A-4), IRs 1.3 and 3.3.

In a municipality that has adopted Zero Carbon Step Code EL-4, gas space heating and water heating are effectively excluded, so a new connection is likely to serve a range and possibly a decorative fireplace. Table 2-2 of Appendix A gives 5.2 GJ per year for a range or cooktop and 16.5 GJ per year for a decorative fireplace, so such a connection would be credited between 5.2 and 21.7 GJ per year. Table 9-1 shows that 2,125 of the 6,248 new residential connections in 2024 (34 percent) consumed less than 20 GJ annually, and that the 0 to 20 GJ band has been the second or third largest cohort of new residential connections in every year from 2014 to 2024. FEI proposes to reduce the individual MX Test PI threshold from 0.8 to 0.6.

8.1 For MX Tests performed in 2024 and 2025, please provide the distribution of individual PI values for projects in which the assumed consumption per attaching customer was 20 GJ per year or less, and the number and percentage of those projects that would require a CIAC at an individual PI threshold of 0.8 and at 0.6 respectively.

Response:

FEI completed 20 MX Tests in 2024 and 2025 for which the assumed consumption per attaching customer was 20 GJ per year or less. As shown in Table 1 below, the individual PIs for these projects ranged from 0.00 to 5.61.

At an individual PI threshold of 0.8, three projects required a CIAC, representing 15 percent of the 20 projects. At the proposed individual PI threshold of 0.6, two projects would require a CIAC, representing 10 percent of the 20 projects.

Table 1: Distribution of 2024 and 2025 MX Tests with Average Consumption Less than 20 GJ per Year

Year	Project PI	Customer Attachments	Average Consumption	CIAC 0.8 Minimum	CIAC 0.6 Minimum
2025	1.04	18	8.8	0	0
2025	1.27	80	5.9	0	0
2025	0.66	149	5.9	$61,920	0
2025	0.8	144	5.9	0	0
2025	1.12	35	5.9	0	0
2025	0.97	101	5.9	0	0
2025	0.81	25	5.9	0	0
2025	1.54	24	13.3	0	0
2025	1.14	26	5.9	0	0

Year	Project PI	Customer Attachments	Average Consumption	CIAC 0.8 Minimum	CIAC 0.6 Minimum
2025	1.05	18	5.9	0	0
2025	5.61	42	16.3	0	0
2025	1.43	17	5.9	0	0
2024	1.19	112	6.4	0	0
2024	1.44	23	6.1	0	0
2024	1.16	43	5.9	0	0
2024	2.69	20	16.0	0	0
2024	0.81	4	16.3	0	0
2024	1.87	19	18.4	0	0
2024	0.27	1	17.2	$3,717	$2,301
2024	0.00	1	10.0	$38,940	$30,341

The number of MX Tests with assumed consumption per customer below a particular level does not provide a basis to assess the performance of the MX Test. Rather, each of these connections ultimately proceeded because their total revenues (i.e., from all customers included in the test), including the CIAC, were sufficient to generate a PI at or above 0.8. For example, FEI provides additional information in Table 2 below for two MX Tests from Table 1 in which the large number of customer attachments provided sufficient forecast revenues to offset the forecast costs, despite the average consumption value per customer being less than 6 GJ. The individual PI for both projects is above the approved threshold of 0.8 despite the low consumption value per customer.

Table 2: Examples of 2025 MX Tests with Average Consumption Below 20 GJ per Year

Project	PI	PV Input	PV Output	Rate 1 Customers	Rate 1 Average Consumption (GJ)
5550031324	1.12	$74,865	$66,672	35	5.9
5550033562	1.05	$34,930	$33,233	18	5.9

E. Scenario runs on the 2025 MX Test portfolio

9.0 Topic: Basis and output convention for the scenario runs

Reference: Application, Exhibit B-1, Section 4.2.1 and Table 4-4 (p. 42); Section 2.2 (p. 18); Section 4.3.3.3, Table 4-11 (p. 52); Section 5.2 (p. 70); Section 9.3, Table 9-3 (p. 94); Appendix C, p. 14 (p. 143/445). FEI 2026 Long Term Gas Resource Plan proceeding, Exhibit B-1, Section 3.8 (p. 3-26), Figure 3-5 (p. 3-20), Figure 4-5 (p. 4-11), Section 9.4, Summary of Affordability Impacts of the Long-Term Scenarios (p. 9-23). BCUC Information Request No. 1 (Exhibit A-4), IRs 5.5 and 6.1.

Table 4-4 reports the effect of alternative DCF terms on the 413 projects in the 2025 MX Test data, giving the number and percentage of projects requiring a CIAC, the aggregate CIAC and the highest single CIAC. The questions in this section apply the same analysis to the demand assumptions rather than to the DCF term. In questions 9.1 to 9.5, a reference to the results means, for the same 413-project population and on the same basis as Table 4-4 and, for the aggregate PI net of CIAC, Table 4-11, the number and percentage of projects requiring a CIAC, the aggregate CIAC, the average CIAC, the highest single CIAC, and the aggregate PI net of CIAC, together with all other assumptions used. Because consumption per customer enters both the Delivery Margin and the System Improvement cost input, which FEI calculates as Number of Customer Attachments multiplied by Consumption per Customer multiplied by the SI Charge per GJ, a reference to the results also means those results on two bases, first with the System Improvement input recalculated on the adjusted consumption and second with the System Improvement input held at the value used in the Application. Each of questions 9.1 to 9.5 asks for a separate set of results.

9.1 Please provide the results as defined above with consumption per customer declining across the 40-year DCF term at the average annual rate implied by Table 9-3, which shows average use per customer for new residential connections falling from 70.7 GJ for the 2014 connection cohort to 54.6 GJ for the 2024 cohort.

Response:

Table 9-3 of the Application shows the average UPC of new residential connections that occurred in each year from 2014 to 2024. For example, the average UPC of new residential customers connected in 2024 was 54.6 GJ, while the average UPC of new residential customers connected in 2014 was 70.7 GJ. The average UPC for each year includes only the new customers that were connected in that year and does not include customers connected in prior years. Therefore, Table 9-3 does not track how the consumption of the same customers changes over time from 2014 to 2024. Rather, it compares the average UPC of different groups of newly connected customers. In particular, new residential customers connected in 2024 on average consumed less than residential customers connected in 2014. The difference reflects changes in the characteristics of the customers and premises comprising each customer cohort, including changes in building code, dwelling characteristics, and appliance efficiency (i.e., it reflects the fact that new buildings

are being built with improved efficiency and use less energy as compared to a new building built 10 years ago; it does not reflect that a newly connected customer's energy use is declining after they connect).

In contrast, the MX Test uses a credit for estimated consumption by appliance included in the test, of the same customer(s) attaching to the same main extension over the DCF term. It is a point-in-time estimate based on the type and number of appliances expected to be installed by the initial connecting customer(s) or developer in accordance with the REUS, as discussed in the response to BCSEA IR1 1.5. It does not assume any future increase or decrease in the customer's consumption when determining whether a CIAC is required. It also does not account for customer additions to the same main extension beyond the first 5 years (or 10 years, as applicable) or any future changes in delivery rates or other parameters that, all else equal, could improve the economics of the main extension.

Applying the annual rate of decline derived from Table 9-3 to the demand of any particular MX Test throughout the DCF term would incorrectly assume that the consumption of the initial customer's forecast to attach to a main extension during the 5-year or 10-year attachment period would decline at the same rate as the average UPC of different groups of newly connected customers. In FEI's view, this assumption is based on an unrealistic scenario where all newly connected customers would subsequently invest and make changes to their building envelope or appliances after the new building is completed to reduce consumption. Further, Table 9-3 of the Application does not support that assumption because, as described above, it compares the consumption of different groups of newly connected customers rather than changes in the consumption of the same customers over time.

However, to be responsive, Table 1 below provides the number and percentage of projects requiring a CIAC, the aggregate CIAC requirement, the average CIAC requirement, the highest CIAC requirement, and the aggregate PI net of CIAC if consumption in the 2025 MX Tests is assumed to decline by 2.4 percent annually throughout the 40-year DCF term. This sensitivity is illustrative and is not a forecast of the future consumption of those customers.

Table 1: Illustration of Changes in CIAC Requirements (Aggregate, Average, and Highest) Based on an Annual 2.4% Consumption Decline (2025 MX Test Data)

Individual PI Threshold	Projects Requiring CIAC	Percentage of Projects Requiring CIAC	Aggregate CIAC Requirement ($)	Average CIAC Requirement ($)	Highest CIAC Requirement ($)	Aggregate PI net of CIAC
0.8	71	18%	$ 980,532	$ 13,810	$ 102,294	2.15
0.8 (Demand Decline 2.4% per Year)	147	37%	$ 3,547,245	$ 24,131	$ 590,382	1.66

Under this sensitivity, assuming a 2.4 percent annual decline in consumption would increase the number of projects requiring a CIAC from 71 to 147 and the aggregate CIAC requirement from

approximately $0.980 million to $3.547 million, representing an increase of 262 percent. The aggregate PI net of CIAC decreases from 2.15 to 1.66.

9.2 Please provide the results as defined above using the residential use per customer trajectory implied by the Diversified Approach scenario in FEI's 2026 Long Term Gas Resource Plan, which FEI identifies at Section 3.8 as the outcome it is planning towards, with reference to Figure 3-5, Figure 4-5, and the average residential use per customer of 55 GJ that FEI adopts at Section 9.4, Summary of Affordability Impacts of the Long-Term Scenarios, as the average annual use per customer under that scenario from 2026 to 2050.

Response:

The average residential UPC of 55 GJ from the Diversified Approach scenario in FEI's 2026 LTGRP referenced in the question is the average of the annual residential UPC values calculated for the period from 2023 to 2050. The UPC for each year is calculated based on the post-DSM demand forecast from Figure 4-5 of the 2026 LTGRP, divided by the residential customer forecast from Section 3.3 and Appendix B of the 2026 LTGRP. FEI also notes that Figure 3-5 of the 2026 LTGRP referenced in the question is the pre-DSM version of the demand forecast shown in Figure 4-5 of the 2026 LTGRP. Table 1 below shows the calculation of the average UPC of 55 GJ. As the table shows, the average year-over-year decrease in UPC is approximately 3.0 percent over the period from 2023 to 2050.

Table 1: Average Residential UPC and Average Year-Over-Year Decrease under the Diversified Approach Scenario in the 2026 LTGRP

Year	Forecast Residential Demand - LTGRP Diversified Figure 4-5 (GJ)	Residential Customer Count - LTGRP Appendix B	UPC (GJ)	Year-over-Year Decline (%)
2023	80,224,035	985,844	81	
2024	79,591,783	996,337	80	-1.8%
2025	78,891,689	1,006,398	78	-1.9%
2026	76,882,891	1,016,033	76	-3.5%
2027	74,969,238	1,025,250	73	-3.4%
2028	73,197,313	1,034,059	71	-3.2%
2029	71,628,260	1,042,507	69	-2.9%
2030	69,967,328	1,050,615	67	-3.1%
2031	68,251,333	1,058,329	64	-3.2%
2032	66,451,883	1,065,606	62	-3.3%
2033	64,605,744	1,072,558	60	-3.4%
2034	62,739,991	1,079,192	58	-3.5%
2035	60,762,959	1,085,540	56	-3.7%
2036	58,919,272	1,091,650	54	-3.6%
2037	57,158,125	1,097,577	52	-3.5%
2038	55,538,048	1,103,370	50	-3.3%
2039	53,950,808	1,109,065	49	-3.4%
2040	52,495,107	1,114,680	47	-3.2%
2041	51,341,592	1,120,218	46	-2.7%
2042	50,184,497	1,125,677	45	-2.7%
2043	48,778,469	1,131,056	43	-3.3%
2044	47,381,665	1,136,361	42	-3.3%
2045	45,950,551	1,136,361	40	-3.0%
2046	44,524,540	1,136,361	39	-3.1%
2047	43,109,055	1,136,361	38	-3.2%
2048	41,959,591	1,136,361	37	-2.7%
2049	40,953,498	1,136,361	36	-2.4%
2050	40,059,379	1,136,361	35	-2.2%
		Averages	**55**	**-3.0%**

The annual residential UPC values from the 2026 LTGRP under the Diversified Approach scenario, as shown in the table above, do not reflect how the consumption of each individual customer would change over the period. Rather, each annual value represents the average UPC across all residential customers forecast for that year. The decline in average UPC may reflect various factors, including changes in housing type, technological improvements, DSM expenditures, and growth in customer count. For example, a decline in system-wide average UPC could result from the addition of residential customers with lower consumption (e.g., customers in smaller homes), without the consumption of each existing residential customer declining at the same rate. Therefore, for the reasons discussed in the response to Saanich-Richmond IR1 9.1,

the 2026 LTGRP's system-wide average annual decline of 3.0 percent does not provide a customer-specific consumption trajectory that can be directly applied throughout the DCF term of an individual MX Test.

However, to be responsive, Table 2 below provides the number and percentage of projects requiring a CIAC, the aggregate CIAC requirement, the average CIAC requirement, the highest CIAC requirement, and the aggregate PI net of CIAC if the consumption assumptions in each of the 2025 MX Tests were assumed to decline by a constant 3.0 percent annually throughout the 40-year DCF term. This sensitivity is illustrative and is not a forecast of the future consumption of those customers.

Table 2: Illustration of Changes in CIAC Requirements and Aggregate PI Based on an Annual 3.0% Consumption Decline Using 2025 MX Test Data

Individual PI Threshold	Projects Requiring CIAC	Percentage of Projects Requiring CIAC	Aggregate CIAC Requirement ($)	Average CIAC Requirement ($)	Highest CIAC Requirement ($)	Aggregate PI net of CIAC
0.8	71	18%	$ 980,532	$ 13,810	$ 102,294	2.15
0.8 (Demand Decline 3.0% per Year)	160	40%	$ 4,476,662	$ 27,979	$ 805,777	1.57

Under this illustrative sensitivity, assuming a 3.0 percent annual decline in consumption results in an increase in the number of projects requiring a CIAC from 71 to 160 and an increase in the aggregate CIAC requirement from approximately $0.981 million to $4.477 million. The average CIAC among projects requiring a CIAC increases from $13,810 to $27,979, the highest CIAC increases from $102,294 to $805,777, and the aggregate PI net of CIAC decreases from 2.15 to 1.57.

9.3 Please provide the results as defined above applying a negative 10 percent, a negative 15 percent and a negative 20 percent adjustment to volume forecasts, following the negative 15 percent adjustment the Régie de l'énergie directed for Energir (Appendix C, p. 14), including, for the negative 15 percent case, the effect on the SLCA and on the resulting allowance and CIAC for a representative infill connection.

Response:

As further explained in the response to BCUC IR1 5.5, the Régie's decision to apply a negative 15 percent adjustment to the forecast volumes used in Énergir's MX Test for small- and medium-volume customers was driven by Énergir's historical challenges with accurately forecasting new

customers' volumes. In contrast, FEI's current and historical RIA results show that new customer growth has reduced delivery rates for existing customers without a negative adjustment to the consumption inputs used in the MX Test. Further, and as explained in the response to Saanich-Richmond IR1 9.1, the MX Test does not forecast the consumption of each customer connecting to the main extension over the DCF term, whether they are small- or medium-volume customers. Instead, it applies consumption credits based on the type and number of appliances expected to be installed from the REUS, which is developed based on existing customer consumption and actual appliances installed. Therefore, FEI does not consider that the circumstances underlying the Régie's decision apply to FEI or that a similar negative adjustment is warranted.

However, to be responsive, Table 1 below provides the number and percentage of projects requiring a CIAC, the aggregate CIAC requirement, the average CIAC requirement, the highest CIAC requirement, and the aggregate PI net of CIAC if the consumption credits from the REUS[4] that were applied to each of the 2025 MX Tests were discounted by 10 percent, 15 percent, and 20 percent.

Table 1: Illustration of Changes in CIAC Requirements (Aggregate, Average, and Highest) Under Alternative Volume Forecasts (Based on 2025 Data)

Scenario	Projects Requiring CIAC	Percentage of Projects Requiring CIAC	Aggregate CIAC Requirement ($)	Average CIAC Requirement ($)	Highest CIAC Requirement ($)	Aggregate PI net of CIAC
No Demand Discount (Current Approved)	71	18%	$ 980,532	$ 13,810	$ 102,294	2.15
10% Demand Discount	96	24%	$ 1,295,320	$ 13,493	$ 112,282	1.97
15% Demand Discount	114	28%	$ 1,634,012	$ 14,333	$ 117,276	1.88
20% Demand Discount	131	33%	$ 2,268,583	$ 17,317	$ 273,008	1.80

Artificially reducing the demand applied in the MX Test, and therefore reducing the forecast delivery margin, increases the number of projects requiring a CIAC, as well as the CIAC requirements for each project. For example, approximately 18 percent of the projects in the 2025 MX Test data require a CIAC under the currently approved methodology, compared with 33 percent when the demand is reduced by 20 percent. The aggregate CIAC requirement also increases to approximately $2.3 million when the demand is reduced by 20 percent, which is more than double the aggregate CIAC requirement under the current methodology (i.e., an increase of approximately 131 percent). The aggregate PI net of CIAC decreases from 2.15 to 1.80.

Reducing the demand in the MX Test would also affect the SLCA. Table 2 below shows the changes in the 2025 SLCA if the demand applied in the proxy MX Test as part of the SLCA methodology was reduced by 10 percent, 15 percent, and 20 percent. FEI notes that the SLCA is the allowance available to eligible infill customers seeking to connect to FEI's system, and if the cost of connection exceeds the SLCA amount, a CIAC is required from the connecting customer. Therefore, the effect on the SLCA and the resulting allowance, as requested in this question, would be the same.

[4] Based on the 2017 REUS as discussed in Section 9 of the Application.

Table 2: Impact on 2025 SLCA if the Demand Use in the SLCA Calculation is Discounted by 10%, 15% and 20%

Scenario	SLCA	Variance from Approved
No Demand Discount (Current Approved)	3,875	
10% Demand Discount	2,800	(1,075)
15% Demand Discount	2,404	(1,471)
20% Demand Discount	2,050	(1,824)

Reducing the demand used in the proxy MX Test as part of the SLCA calculation reduces the SLCA and therefore increases the CIAC required from an infill customer to connect to FEI's system.

9.4 Please provide the results as defined above assuming annual attrition of connected customers of 0.5 percent, 1 percent and 2 percent.

Response:

FEI notes that although net customer additions[5] have been declining, FEI continues to add new customers and grow its total number of customer accounts each year. As FEI continues to connect customers and forecasts an increase in customer accounts, as described in Section 3.3 of its 2026 LTGRP, there is no basis to assume an annual attrition rate of 0.5 percent, 1 percent, or 2 percent.

However, to be responsive, please refer to Table 1 below for the number and percentage of projects requiring a CIAC, the aggregate CIAC requirement, the average CIAC requirement, the highest CIAC requirement, and the aggregate PI net of CIAC if connected customers associated with each of the 2025 MX Tests are assumed to decline annually by 0.5 percent, 1 percent, and 2 percent. These results are sensitivity analyses, not forecasts of future customer attrition.

Table 1: Illustration of Changes in CIAC Requirements (Aggregate, Average, and Highest) Assuming Annual Customer Attrition of 0.5%, 1%, and 2% (Based on 2025 Data)

Scenario	Projects Requiring CIAC	Percentage of Projects Requiring CIAC	Aggregate CIAC Requirement ($)	Average CIAC Requirement ($)	Highest CIAC Requirement ($)	Aggregate PI net of CIAC
Appoved methodology	71	18%	$ 980,532	$ 13,810	$ 102,294	2.15
-0.5% Annual Attrition	93	23%	$ 1,196,395	$ 12,864	$ 109,728	2.02
-1.0% Annual Attrition	110	27%	$ 1,549,743	$ 14,089	$ 116,377	1.90
-2.0% Annual Attrition	142	35%	$ 3,035,865	$ 21,379	$ 465,631	1.71

[5] Includes move-outs, vacancies, and disconnections.

9.5 Please provide the results as defined above for the proposed individual PI threshold of 0.6 combined with, in turn, a negative 15 percent volume adjustment, a 20-year DCF term, and both together.

Response:

Based on the 2025 MX Test data, Table 1 below provides the number and percentage of projects requiring a CIAC, the aggregate CIAC requirement, the average CIAC requirement, the highest CIAC requirement, and the aggregate PI net of CIAC for the proposed individual PI threshold of 0.6 combined, in turn, with:

- A reduction in the DCF term from the currently approved 40 years to 20 years;
- A 15 percent reduction in the demand applied in all MX Tests; and
- Both a 20-year DCF term and a 15 percent reduction in demand.

Table 1: Illustration of Changes in CIAC Requirements (Aggregate, Average, and Highest) with Individual PI of 0.6 and Combination of 20-year DCF Term and 15% Demand Reduction (Based on 2025 Data)

Scenario	Projects Requiring CIAC	Percentage of Projects Requiring CIAC	Aggregate CIAC Requirement ($)	Average CIAC Requirement ($)	Highest CIAC Requirement ($)	Aggregate PI net of CIAC
Current Approved	**71**	**18%**	**$ 980,532**	**$ 13,810**	**$ 102,294**	**2.15**
PI Threshold @ 0.6 + 20-year DCF	100	25%	$ 985,168	$ 9,852	$ 83,972	1.42
PI Threshold @ 0.6 + 15% Demand Discount	62	15%	$ 520,310	$ 8,392	$ 72,801	1.85
PI Threshold @ 0.6 + 20-year DCF + 15% Demand Discount	**139**	**35%**	**$ 1,976,925**	**$ 14,222**	**$ 240,028**	**1.26**

As shown in the table above, combining the proposed individual PI threshold of 0.6 with a 15 percent demand reduction results in fewer projects requiring a CIAC and a lower aggregate CIAC requirement than under the current approved methodology. In contrast, combining the proposed individual PI threshold of 0.6 with a 20-year DCF term increases both the number of projects requiring a CIAC and the aggregate CIAC requirement, whether the 20-year DCF term is applied alone or together with a 15 percent demand reduction.

10.0 Topic: DCF term and the offsetting delivery rate adjustment

Reference: Application, Exhibit B-1, Section 4.2 (p. 42), Section 4.2.1, Tables 4-4, 4-5 and 4-6 (pp. 42 to 44). BCUC Information Request No. 1 (Exhibit A-4), IR 6.1.

At page 42 FEI states that "[i]f the DCF term is changed, it must be accompanied by offsetting changes in the delivery rate assumptions in the MX Test to reflect the different period of capital recovery." The sensitivity analysis presented in Tables 4-4 to 4-6 does not appear to incorporate any such offsetting change, and the Application does not quantify it.

10.1 Please describe and quantify the offsetting changes in the delivery rate assumptions referred to at page 42, and provide Table 4-4 recalculated with those offsetting changes applied at the 30-year, 20-year and 10-year DCF terms.

Response:

The MX Test uses FEI's currently approved delivery rates. FEI's delivery rates are designed to recover its approved revenue requirement, including depreciation expense determined using the approved depreciation study. The weighted average expected service life of the distribution assets related to new customer connections, including distribution mains, meters, regulators and service lines, is approximately 44 years, which is very close to the DCF period in the MX Test.

The DCF term used in the MX Test should align with the depreciation period used to determine the delivery rate and revenue requirement. As such, an artificial delivery rate which would only be used in the MX Test would be needed to align the depreciation rate with the DCF terms proposed in the question. The resulting analysis would not reflect the delivery rates that new customers would actually pay or the period over which FEI would recover the costs of the connection assets through approved delivery rates. FEI therefore does not consider using an artificial rate to be appropriate for the MX Test.

However, to be responsive, FEI has provided Table 1 below which scales the depreciation component of FEI's residential delivery rate under Rate Schedule 1 to each alternative DCF term, with all other components of the delivery rate held constant. As shown in Line 20 of Table 1, under a 60-year DCF term, the residential delivery rate would be 98 percent of the current 2026 approved delivery rate. Using a 10-year DCF term, the residential delivery rate would be 127 percent of the currently approved delivery rate.

Table 1: Residential Delivery Rate Scaled to Alternative MX Test DCF Terms

Line No.	Particulars	Unit	Amounts						Reference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	FEI's Delivery Revenue Requirement	$000	1,387,719						FEI Annual Review for Rates G-287-25, Section 11 - 2026, Schedule 16, Line 15, Column 5
2	Depreciation in Revenue Requirement	$000	241,766						FEI Annual Review for Rates G-287-25, Section 11 - 2026, Schedule 21, Line 5, Column 3
3	Depreciation as a Percent of Delivery Revenue Requirement	%	17%						Line 2 / Line 1
4									
5	Delivery Rate	$/GJ	8.257						2026 Approved Rate Schedule 1(Residential) Delivery Rate
6	Depreciation Component of Delivery Rate	$/GJ	1.439						Line 5 x Line 3
7	Delivery Rate less Depreciation Component	$/GJ	6.818						Line 5 - Line 6
8									
9	Depreciation Mains, Meters, Service Lines in Revenue Requirement	$000	108,315						FEI Annual Review for Rates G-287-25, Section 11 - 2026, Schedule 7.1
10	Percent of Depreciation that is Mains, Meters, Service Lines	%	45%						Line 9 / Line 2
11	Depreciation Component of Delivery Rate that is Mains, Meters, Service Lines	$/GJ	0.644						Line 6 x Line 10
12									
13	Average Life of Assets	Years	44	44	44	44	44	44	
14	DCF term	Years	60	50	40	30	20	10	
15	DCF Scale	%	73%	88%	110%	147%	220%	440%	Line 13 / Line 14
16	Scaled - Mains, Meters, Service Lines Depreciation in Rate	$/GJ	0.473	0.567	0.709	0.945	1.418	2.836	Line 11 x Line 15
17	Unscaled - Other Depreciation in Rate	$/GJ	0.794	0.794	0.794	0.794	0.794	0.794	Line 6 - Line 11
18	Delivery Rate - no Depreciation Component	$/GJ	6.818	6.818	6.818	6.818	6.818	6.818	Line 7
19	**Delivery Rate Scaled to DCF Term**	**$/GJ**	**8.085**	**8.180**	**8.321**	**8.558**	**9.030**	**10.448**	**Line 16 + Line 17 + Line 18**
20	Scaled Delivery Rate / Unscaled Delivery Rate	%	98%	99%	101%	104%	109%	127%	Line 19 / Line 5

Please refer to Table 2 below for the number and percentage of projects requiring a CIAC, the aggregate CIAC requirement, the average CIAC requirement, and the highest CIAC requirement when Table 4-4 is recalculated using the scaled delivery rates in Table 1 for each alternative DCF term. For ease of comparison, FEI has provided Table 3 below showing the same information without scaling the delivery rate in the MX Test.

Table 2: Illustration of Changes in CIAC Requirements (Aggregate, Average, and Highest) Under Alternative DCF Term with Delivery Rate Scaling for Depreciation (Based on 2025 Data)

DCF Tern (Years)	Projects Requiring CIAC	Percentage of Projects Requiring CIAC	Aggregate CIAC Requirement ($)	Average CIAC Requirement ($)	Highest CIAC Requirement ($)
60	64	16%	$ 748,799	$ 11,700	$ 91,747
50	68	17%	$ 828,757	$ 12,188	$ 95,833
40	71	18%	$ 980,532	$ 13,810	$ 102,294
30	99	25%	$ 1,288,303	$ 13,013	$ 107,944
20	148	37%	$ 2,886,567	$ 19,504	$ 367,587
10	226	56%	$ 6,983,847	$ 30,902	$ 1,087,283

Table 3: Illustration of Changes in CIAC Requirements (Aggregate, Average, and Highest) Under Alternative DCF Term without Delivery Rate Scaling for Depreciation (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
10	277	69%	$ 11,264,175	$ 40,665	$ 1,551,225

As shown in Tables 2 and 3, scaling the delivery rate to align the depreciation of the distribution assets with the DCF term reduces the effect of shortening the DCF term, but does not eliminate it. With delivery rate scaling, reducing the DCF term from 40 years to 20 years increases the number of projects requiring a CIAC from 71 to 148 and increases the aggregate CIAC requirement from approximately $0.981 million to $2.887 million. Reducing the DCF term to 10 years increases the number of projects requiring a CIAC to 226 and the aggregate CIAC requirement to approximately $6.984 million.

As discussed in Section 4.2.3 of the Application, the significant increase in CIAC requirements would disproportionately increase the cost burden for new customers. FEI does not consider this outcome appropriate, particularly given that the RIA shows that new customer growth continues to provide a favourable delivery rate impact for existing customers.

11.0 Topic: The aggregate PI threshold as a safeguard

Reference: Application, Exhibit B-1, Section 4.1.2.1 (pp. 36 to 37), Section 4.3.1, Table 4-7 (pp. 47 to 48), Section 4.3.3.3, Table 4-11 and the accompanying calculation (pp. 52 to 53). BCUC Information Request No. 1 (Exhibit A-4), IRs 1.1 and 3.1.

FEI proposes to reduce the individual MX Test PI threshold to 0.6 while maintaining the aggregate PI of 1.1, and states at page 37 that an individual PI threshold lower than the aggregate target provides flexibility to account for unique circumstances and prevents the undue exclusion of new connections. Table 4-11 shows the aggregate PI net of CIAC for 2025 moving from 2.15 to 2.14 under a 0.6 threshold. FEI calculates that an additional 833 projects, each at an individual PI of 0.6, would be required to reduce the 2025 aggregate PI to 1.1, against 413 actual projects in the 2025 MX Test data. BCUC IR 1.1 asks how FEI proposes to ensure the aggregate PI is maintained above 1.1.

11.1 Please confirm that in no year from 2014 to 2025 has any main extension project been refused, or any CIAC required, by reason of the aggregate PI threshold of 1.1. If not confirmed, please identify each instance in which the aggregate PI threshold caused a project to be refused or a CIAC to be required.

Response:

FEI confirms that from 2014 to 2025, no main extension project was refused, and no CIAC was required because of the aggregate PI threshold of 1.1. The aggregate PI is not used to reject a particular main extension project or to require a CIAC for that project. Only the individual project-level PI is used to determine whether a CIAC is required.

The aggregate PI is a metric that FEI reviews annually to assess whether the forecast revenues and CIACs associated with the main extensions completed in the year are sufficient to recover the forecast costs.

F. Attachment forecast accuracy

12.0 Topic: Attachment forecast accuracy over the build-out window

Reference: Application, Exhibit B-1, Appendix A, Section 2.1.1.2 (p. 4; p. 111/445). BCUC Information Request No. 1 (Exhibit A-4), IR 4.1.

At Appendix A, Section 2.1.1.2, FEI states that the forecast of customer attachments to a main extension is based on discussions with the developer or the customer requiring the extension, and that a 10-year forecast period may be used where it can be reasonably demonstrated that there is a longer-term municipality-accepted plan or other evidence for growth exceeding five years. Revenue in the MX Test is a function of the number of attachments realized. BCUC IR 4.1 compares forecast and actual individual PI for connections between 2017 and 2023 but does not address the attachment forecast itself.

12.1 For main extensions tested between 2015 and 2020 using a five-year or ten-year customer attachment forecast, please provide the forecast number of attachments and the number actually realized by the end of the forecast window, disaggregated by region, separately for Vancouver Island, the Lower Mainland and the Interior, and separately identify those extensions located in municipalities that had adopted Zero Carbon Step Code EL-2 and those located in municipalities that had adopted EL-3 or EL-4.

Response:

FEI is unable to provide a complete forecast-versus-actual attachment analysis for the requested projects. FEI does not maintain information systems that link historical MX Test attachment forecasts to subsequent customer attachments. Please refer to the response to BCUC IR1 4.1 which explains that the MX Test is a tool used when evaluating the connection of customers to the system using a variety of forecast assumptions. The MX Test is completed in the CAFÉ system, which also manages the construction of the main and services. After the main and services are completed, customers contact FEI to begin service. Their information is entered into the SAP customer management system. The customer account information in SAP is not linked back to the historical MX Test in CAFÉ. FEI can identify some customers associated with a main extension, but does not maintain a complete linkage between historical MX Test attachment forecasts and subsequent customer attachments. Preparing the requested analysis would therefore require a project-by-project review to identify and match customer accounts with the applicable historical MX Test. FEI has previously provided an analysis demonstrating that attachments continue to occur after the initial forecast period. Please refer to the response to BCUC IR1 4.1.

With respect to municipalities that have adopted the ZCSC, FEI notes that municipal adoption is not necessarily uniform across all new construction. The applicable requirements may vary by building type, building size, geographic area, or project. Determining whether each historical main extension was subject to EL-2, EL-3, or EL-4 would therefore require a project-specific assessment of the requirements applicable at the time of the MX Test. Providing the requested

1 breakdown would also, for the reasons explained above, remain subject to the limitations in
2 identifying the attachments associated with each historical MX Test.

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