



Doug Slater
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) 578-3874
Cell: (778) 214-3842
Fax: (604) 576-7074
Email: doug.slater@fortisbc.com
www.fortisbc.com

June 29, 2020

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

BCUC File 63877

Attention: Ms. Marija Tresoglavic, Acting Commission Secretary

Dear Ms. Tresoglavic:

Re: FortisBC Energy Inc. (FEI)

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

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

On September 16, 2016, the BCUC issued its Decision and Order G-147-16 in FEI's 2015 System Extension Application approving changes to its mains extension test and customer connection policies, use of the rate impact analysis (RIA), implementation of the SEF as a pilot program, and related reporting requirements. Among other things, FEI was directed to file an updated RIA and to address the appropriateness of continuation of the SEF pilot program by June 30, 2020. The updated RIA is being filed under separate cover concurrent with this filing.

In accordance with BCUC Decision and Order G-147-16, FEI files the attached update on the SEF pilot program and applies for approval of the SEF on a permanent basis, with one modification to its framework and funding rules as described in the Application.

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

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

cc (email only): Registered Parties in the FEI 2015 System Extension Application



FORTISBC ENERGY INC.

**Application for Approval of the
System Extension Fund
on a Permanent Basis**

June 29, 2020

Table of Contents

1

2

3 **1. INTRODUCTION 1**

4 **2. PROPOSAL FOR A PERMANENT PROGRAM 1**

5 **2.1 Background 1**

6 **2.2 SEF Continues to Be Needed for Equitable Access to Natural Gas..... 2**

7 **2.3 Permanent SEF Program 4**

8 **3. SEF PROGRAM PROPOSED MODIFICATIONS 4**

9 **3.1 Background 4**

10 **3.2 Current Challenge 5**

11 **3.3 Proposed Change..... 6**

12 **4. CONCLUSION AND APPROVALS SOUGHT 8**

13

List of Appendices

14

15

16 **Appendix A** Blacklined Tariff Pages

17 **Appendix B** Draft Order

18

1. INTRODUCTION

On September 16, 2016, the British Columbia Utilities Commission (BCUC) issued Order G-147-16 and Decision (Decision) on FortisBC Energy Inc.'s (FEI or the Company) 2015 System Extension Application. In its Decision, the BCUC directed FEI to file an updated rate impact analysis (RIA)¹ by June 30, 2020, and to address the appropriateness of continuation of the System Extension Fund (SEF) pilot program in the June 30, 2020 filing of the updated RIA.² The following report provides an update on the SEF (SEF Update), in accordance with the Decision; however, a separate filing is being made concurrently to address the other directives in the Decision regarding the Rate Impact Analysis.

In Summary, FEI believes that the SEF has provided value to customers by reducing the financial barrier for homeowners facing high costs to connect to the natural gas system and thereby creating greater equity among potential and new customers in higher and lower density areas of FEI's service territory while also contributing to the benefit of all FEI customers resulting from increased throughput. Given these benefits demonstrated by the SEF pilot program, FEI is proposing and seeking approval from the BCUC to continue the SEF as a permanent program, with some modification to its framework based on the experience gained during the SEF pilot program, as discussed in Section 3 below. FEI expects that approval of the SEF on a permanent basis with the proposed amendments to the framework will result in the SEF permanent program being more beneficial for customers and more effectively accomplish its objective of creating greater equity among customers connecting to the natural gas system in both higher and lower density areas of FEI's service territory and increasing throughput on the system as a whole.

2. PROPOSAL FOR A PERMANENT PROGRAM

2.1 BACKGROUND

The Decision, among other things, approved the implementation of the SEF pilot program, from January 1, 2017 through December 31, 2020, with a budget of \$1 million per year. The purpose of the SEF is to help eligible homeowners who require a main extension to connect to the FEI natural gas distribution system by giving them access to the SEF pilot program funds to offset the potentially significant contribution the customer may need to pay (Contribution In Aid of Construction or CIAC). In its Decision the BCUC found that the SEF pilot program was in the public interest, and that the \$1 million per year funding was reasonably sufficient and does not impose an excessive cost burden to the overall FEI ratepayers.³

As discussed in the 2015 System Extension Application process, the rate impact of the SEF at \$1 million was forecast to be modest at \$0.001 per GJ.⁴ This rate impact estimate was

¹ Decision, p. 18.

² Decision, p. 51.

³ Decision, p. 51.

⁴ Decision, pp. 47-48.

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

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

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

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

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

32 FEI believes that the need for the SEF and the benefits it provides remains; that homeowners
33 who are located outside of the dense urban core of FEI's service territory often face much
34 higher costs to access natural gas service and that the SEF program should be made
35 permanent to continue to address this inequity going forward. Since inception of the SEF pilot
36 program, 541 customers have received funding from the SEF, allowing them to benefit from
37 being able to connect to the natural gas system when they otherwise might not have been able
38 to do so. Not only have these new customers benefited from their natural gas service, all of
39 FEI's natural gas customers have also benefited from the increased volume throughput from

⁵ Decision, p. 47.

1 these new customers, making the overall system more economic and efficient for all
2 customers.⁶ FEI believes that approving the SEF program on a permanent basis will provide
3 these benefits on a continuing, consistent, more equitable, and sustained basis for all
4 customers.

5 In order to demonstrate how the SEF is addressing the ongoing need and objective to provide
6 more equitable access to the natural gas system, the following discussion reviews the
7 contributions (CIACs) required of homeowners who consider connecting to the natural gas
8 system but require a main extension to do so. First, FEI provides information about the typical
9 costs which homeowners in the dense urban areas in and around the Vancouver pay to obtain a
10 new connection to the natural gas system. Next, FEI considers the connection costs for
11 customers in all of FEI's service areas outside of the Vancouver area who applied for the SEF
12 pilot program, including those who accepted and those who declined the offer, and then
13 compares these costs to those of customers in the higher density areas in and around
14 Vancouver. FEI believes that this data and information supports FEI's proposed changes to the
15 framework of the SEF, as further discussed in Section 3, as part of a permanent program to
16 better achieve its intended purpose and objective.

17 First, regarding homeowners in the dense urban areas in and around Vancouver, FEI has
18 examined the contributions (CIACs) paid by these homeowners, for the period of 2017 through
19 2019, who were eligible to participate in the SEF pilot program. Over this period, one third of all
20 of FEI's single family residential customer additions occurred in and around the urban area of
21 Vancouver, which is generally well served by an existing network of gas distribution mains. As
22 a result, these customers provide a good representation of the value of CIACs actually paid by
23 customers in a dense urban area.

24 Over the period of 2017 through 2019, FEI added approximately 18,700 residential customers in
25 the Vancouver area and, while main extensions do occur, there were only 119 customers who
26 were required to pay a contribution (CIAC) and who fit the SEF eligibility criteria. That is, only
27 0.6 percent ($119/18,700 = 0.006$) of all the residential customer additions during that three-year
28 period in the dense Vancouver area, paid a contribution toward a main extension. It is notable
29 that fully 100 of these 119 customers came from the conversion of a single strata complex in
30 2017. As such, based on the three years of data, a reasonable conclusion is that the majority of
31 homeowners in the dense urban areas around Vancouver typically are not required to pay a
32 contribution for a main extension when they request to connect to the natural gas system. This
33 is because either their main extension can proceed without a contribution or a main already
34 exists near their home and they need only a service line to connect.

35 Conversely, when considering the connection costs for all the homeowners outside of the
36 Vancouver area who qualified for the SEF pilot program, including all those who accepted the
37 offer as well as those who declined it, FEI's data shows that these customers faced considerably
38 higher required contributions. Table 1 below presents this data.

⁶ Decision, p. 51.

1

Table 1: Average CIACs outside the Vancouver Area

Year	# of Qualified Homeowners	Average CIAC
2017	270	\$ 7,540.00
2018	267	\$ 6,690.00
2019	257	\$ 5,870.00
Overall	794	\$ 6,710.00

2

3 All homeowners in Table 1 above required a main extension to access the natural gas system
4 and all were required to pay a contribution (CIAC) before the installation and connection work
5 could proceed. The overall average CIAC for this group of 794 participants and non-participants
6 is a little over \$6,700 toward their new main extension. Given both the number of homeowners
7 and the average cost of the required contributions in the data set, the reasonable conclusion
8 that can be drawn is that homeowners outside of the Vancouver area often face a significant
9 cost to access the natural gas system. This is in contrast to customers in and around
10 Vancouver who, as noted above, most often do not pay a contribution towards a main extension
11 to access gas service. Given this disparity, FEI believes the SEF program continues to have a
12 role to play to help create greater equity within FEI's service territory.

13 **2.3 PERMANENT SEF PROGRAM**

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

25 **3. SEF PROGRAM PROPOSED MODIFICATIONS**

26 **3.1 BACKGROUND**

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

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

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

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

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

16 **3.2 CURRENT CHALLENGE**

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

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

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

Year	Total SEF Eligible Participants	Actual SEF Participants	% Participated	SEF Funding Provided	% Funding Utilized	SEF Funding Declined	% Declined
2017	374	218	58%	\$ 265,950	27%	156	42%
2018	271	167	62%	\$ 392,716	39%	104	38%
2019	260	156	60%	\$ 318,237	32%	104	40%
Totals	905	541	60%	\$ 976,903	33%	364	40%

28
 29 As can be seen by Table 2 above, over the three years of the SEF pilot program, 40 percent of
 30 homeowners eligible for the SEF declined to proceed with their main extension. The primary
 31 reason given by homeowners who declined to proceed was that even with financial assistance
 32 from the SEF toward reducing their required contribution, the remaining required CIAC was still
 33 too expensive.

1 Second, as a consequence of the SEF pilot program design, the homeowners who declined to
2 participate have resulted in under utilization of the funds available in the SEF. Since inception
3 of the SEF pilot program, eligible homeowners have accessed between 27 to 39 percent of the
4 \$1 million funding. In 2019, after three full years in market, the SEF only saw 32 percent of its
5 funding assistance accessed. At the same time, there have been many potential participants
6 who expressed interest in participating but ultimately declined the SEF offer, primarily because
7 their CIACs remained prohibitively high even after applying the SEF funding available to them.

8 **3.3 PROPOSED CHANGE**

9 FEI is proposing that the SEF program be made permanent, with a simple change to the SEF
10 framework that FEI believes will create a more equitable outcome between homeowners who
11 live in the dense urban area around Vancouver relative to other homeowners who represent
12 typical SEF potential participants.

13 When the SEF was proposed, FEI believed that participants in the pilot would, by 2020, be
14 effectively using the full amount of the \$1 million annual budget to address the inequity as
15 described in Section 2.2. As can be seen by the results in Table 2, this has not been the case.

16 The current funding structure, which contributes 50 percent of the CIAC of eligible participants,
17 does not work well at creating greater equity for homeowners who are located further from an
18 existing main (typically in areas outside of Vancouver). For those homeowners, the funding
19 assistance from the SEF has been frequently rejected as being insufficient because even with
20 the financial assistance, many homeowners still have a significant CIAC to pay, unlike
21 homeowners in Vancouver and the surrounding communities who typically do not need to pay a
22 CIAC for a main extension to access natural gas.

23 FEI is requesting approval to amend the funding rules for the SEF framework to allow the SEF
24 to fund a maximum of 95 percent of the CIAC, as opposed to the current limit of 50 percent, with
25 no change to the per customer funding cap of \$10,000. All other program terms and conditions
26 would remain the same as currently with the SEF pilot program. As noted in Section 2.2,
27 homeowners eligible for the SEF have typically been presented with CIACs of approximately
28 \$6,700. In contrast, when homeowners in Vancouver and surrounding communities request
29 natural gas service their proximity to the gas distribution system means that a CIAC is typically
30 not required. To better achieve the SEF program's objective of creating greater equity for
31 homeowners who are located further from existing mains, the purpose of the SEF is to enable
32 equity for customers connecting to the natural gas system, irrespective of what community they
33 reside in, by aiming to provide participants with a CIAC similar to that paid by other customers,
34 such as those in higher density areas. In other words, if homeowners in Vancouver typically do
35 not have to pay a CIAC to obtain natural gas service, the participants in the SEF program who
36 typically reside in communities outside of the Vancouver area should similarly not be faced with
37 a significantly greater financial burden. In order to bridge this CIAC gap, FEI is proposing to
38 amend the SEF framework and funding rules to contribute up to 95 percent of the CIAC for
39 qualifying participants to better achieve the objective of more equitable access to natural gas
40 across FEI's service areas. In order to illustrate how the proposed amendment achieves better

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

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

Participant location	Required CIAC	SEF Portion	Homeowner Portion
Vancouver Area	Approx. \$ 0	\$ 0	\$ 0
Non Vancouver Area	\$ 6,710	\$ 6,375	\$ 336

8
 9 As can be seen by Table 3, if FEI’s proposed amendment to the SEF to allow up to 95 percent
 10 funding contribution to the CIAC were approved, the average homeowner’s portion to the
 11 connection cost would be reduced to \$336 in less dense areas service areas of the province,
 12 bringing it in much closer alignment with homeowners costs in the dense Vancouver area. This
 13 amendment would address the primary concern as expressed by eligible SEF pilot program
 14 participants who declined to proceed with their main extension and connection to FEI’s natural
 15 gas system.

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

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

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

21
 22 The proposed change to the funding rules will provide SEF participants with greater assistance
 23 and leave them with a CIAC which approximates the experience of customers in the dense area
 24 surrounding Vancouver. This modification will result in better achievement of the objective and

1 purpose of the SEF, to create more equitable access to natural gas, by enabling more eligible
2 homeowners to benefit from the additional energy option, particularly those in locations that
3 often come with high-cost main extensions as a requirement to connect.

4 **4. CONCLUSION AND APPROVALS SOUGHT**

5 In summary, FEI believes the SEF pilot program has been successful in helping provide more
6 equitable access to natural gas for homeowners. FEI believes that the SEF should be
7 continued on a permanent basis, effective January 1, 2021. Further, FEI believes that its
8 proposed amendment to the funding rules will enable the SEF program to better address the
9 issue of more equitable access within FEI's entire service territory. The proposed amendment
10 to the funding rules will enable more homeowners outside of the dense Vancouver area to
11 participate in the SEF and offset their higher required contributions, bringing the costs for their
12 connection into closer alignment with what customers in the denser part of FEI's service territory
13 typically experience when they request a new natural gas connection.

14 FEI, therefore, seeks approval from the BCUC, pursuant to sections 59 to 61 of the *Utilities*
15 *Commission Act*, for approval of the SEF on a permanent basis, effective January 1, 2021.
16 Further, FEI seeks approval to change the funding rules for the SEF to allow it to fund up to 95
17 percent of the CIAC while maintaining the maximum of \$10 thousand per customer. FEI
18 believes that the proposed change will improve the effectiveness of the SEF by providing
19 participants with a financial contribution that more closely matches what customers in the dense
20 Vancouver and surrounding areas are presented with. This will ensure a more fair and
21 equitable treatment of potential customers in FEI service territory.

22 FEI provides its proposed tariff changes to FEI's General Terms & Conditions blacklined in
23 Appendix A.

24 A draft form of order sought is provided in Appendix B.

Appendix A

BLACKLINED TARIFF PAGES

FORTISBC ENERGY INC. GENERAL TERMS AND CONDITIONS
TABLE OF CONTENTS

11.9	Meter Set Consolidations.....	11-2
11.10	Delivery Pressure.....	11-2
11.11	Customer Requested Mobile Service.....	11-2
12.	MAIN EXTENSIONS	12-1
12.1	System Expansion	12-1
12.2	Ownership	12-1
12.3	Economic Test	12-1
12.4	Revenue	12-1
12.5	Costs	12-2
12.6	Contributions in Aid of Construction	12-2
12.7	Contributions Paid by Connecting Customers	12-3
12.8	Refund of Contributions	12-3
12.9	Extensions to Contributory Extensions.....	12-4
12.10	Security	12-4
12.11	System Extension Fund.....	12-4
12B.	VEHICLE FUELING STATIONS	12B-1
12B.1	CNG Service and LNG Service	12B-1
12B.2	Ownership	12B-1
12B.3	Cost of Service Recovery	12B-2
12B.4	Calculation of Cost of Service	12B-2
12B.5	Customer's Obligation at the Expiration of Initial Term of the Service Agreement	12B-2
13.	INTERRUPTION OF SERVICE.....	13-1
13.1	Regular Supply	13-1
13.2	Right to Restrict	13-1

Deleted: Pilot

Deleted: G-135-18

Deleted: Diane Roy, Vice President

Deleted: November 1, 2018

Deleted: November 9, 2018

Deleted: Original signed by Patrick Wruck

Deleted: Original

Order No.: _____ Issued By: Doug Slater, Director, Regulatory Affairs

Effective Date: _____ Accepted for Filing: _____

BCUC Acting Secretary: _____ First Revision of Page iv

FORTISBC ENERGY INC. GENERAL TERMS AND CONDITIONS
DEFINITIONS

Standard Charges Schedule	Means the schedule attached to and forming part of the General Terms and Conditions which lists the various charges relating to Service provided by FortisBC Energy as approved from time to time by the British Columbia Utilities Commission.
Storage and Transport Charge	Means the storage and transport charge defined in the Table of Charges of the applicable Rate Schedules.
System Extension Fund	Means the fund available from FortisBC Energy, to provide assistance to eligible new Customers who are required to pay a contribution in aid of construction in order for a system extension to proceed as set forth in these General Terms and Conditions.
Temporary Service	Means the provision of Service for what FortisBC Energy determines will be a limited period of time.
Tenant	Means a Person who has the temporary use and occupation of real property owned by another Person.
Unauthorized Transportation Service	Means any transportation service utilized in excess of the curtailed quantity specified in any notice to interrupt or curtail transportation service.
Vertical Subdivision	Means a multi-storey building that has individually metered units and a common Service Header connecting banks of meters, typically located on each floor.
Year	Means a period of 12 consecutive Months totalling at least 365 Days.
10³m³	Means 1,000 cubic metres.

Deleted: ,
Deleted: for the period beginning January 1, 2017 and ending December 31, 2020,
Deleted: Pilot

Deleted: G-135-18
Deleted: Diane Roy, Vice President
Deleted: November 1, 2018
Deleted: November 9, 2018
Deleted: Original signed by Patrick Wruck
Deleted: Original

Order No.: _____ Issued By: Doug Slater, Director, Regulatory Affairs

Effective Date: _____ Accepted for Filing: _____

BCUC Acting Secretary: _____ First Revision of Page D-7

12.7 Contributions Paid by Connecting Customers

The total required contribution will be paid by the Customers connecting at the time the Main Extension is built. FortisBC Energy will collect contributions from all Customers connecting during the first five Years, or during the first 10 Years (if applicable) after the Main Extension is built. As additional contributions are received from Customers connecting to the Main Extension, partial refunds will be made to those Customers who had previously made contributions, except those Customers who have received funding under Section 12.11 (System Extension Fund). At the end of the fifth Year or tenth Year (if applicable), all Customers will have paid an equal contribution, after reconciliation and refunds.

Deleted: Pilot

For larger Main Extension projects, FortisBC Energy may use the Main Extension Contribution Agreement for initial contributions. Customers will be billed the contribution amount after the Main Extension is built.

12.8 Refund of Contributions

A review will be performed annually, or more often at FortisBC Energy's discretion, to determine if a refund is payable to all Customers who have contributed to the extension.

If the review of contributions indicates that refunds are due:

- (a) individual refunds greater than \$100 will be paid at the time of the review;
- (b) individual refunds less than \$100 will be held until a subsequent review increases the refund payable over \$100, or until the end of the five-Year contributory period;
- (c) no interest will be paid on contributions that are subsequently refunded;
- (d) the total amount of refunds issued will not be greater than the original amount of the contribution; and
- (e) if, after making all reasonable efforts, FortisBC Energy is unable to locate a Customer who is eligible for a refund, the Customer will be deemed to have forfeited the contribution refund and the refund will be credited to the other Customers who contributed towards the Main Extension.

For clarity, no refunds will be due to Customers who receive funding under Section 12.11 (System Extension Fund).

Deleted: Pilot

Deleted: G-135-18

Deleted: Diane Roy, Vice President

Deleted: November 1, 2018

Deleted: November 9, 2018

Deleted: Original signed by Patrick Wruck

Deleted: Original

Order No.: _____ Issued By: Doug Slater, Director, Regulatory Affairs

Effective Date: _____ Accepted for Filing: _____

BCUC Acting Secretary: _____ First Revision of Page 12-3

12.9 **Extensions to Contributory Extensions**

When a Main Extension is attached to an existing contributory Main Extension within the five-Year contributory period for the existing extension or within the ten-Year contributory period for the existing extension (if applicable), the new extension will be evaluated using the Main Extension test to determine whether a contribution is required. A prorated portion of the total contribution for the existing contributory extension will be assigned to the new extension on the basis of expected use, point of connection, and other factors. Any contributions toward the cost of the existing extension from Customers on the new extension will be used to provide partial refunds to the contributing Customers on the existing extension, subject to Section 12.11 (System Extension Fund). The total refunds issued will not exceed the total amount of contributions paid by Customers on the existing extension.

Deleted: Pilot

12.10 **Security**

In those situations where the financial viability of a Main Extension is uncertain, FortisBC Energy may require a security deposit in the form of cash or an equivalent form of security acceptable to FortisBC Energy.

12.11 **System Extension Fund**

FortisBC Energy will budget funds annually to its System Extension Fund, which is intended to provide limited assistance to eligible new Customers who are required to pay a contribution in aid of construction of a Main Extension.

Deleted: Pilot

Deleted: for the period beginning January 1, 2017 and ending December 31, 2020

Deleted: Pilot

Customers must apply to FEI for funding from the System Extension Fund.

Deleted: Pilot

The Customer applying for the System Extension Fund must meet the following requirements:

Deleted: Pilot

- (a) The Customer must be located within FortisBC Energy's Mainland and Vancouver Island Service Area;
- (b) The Customer's Premises must be a separately metered single-family dwelling or townhouse, that is the Customer's principal residence and is occupied for the majority of the year; and
- (c) The result of the economic test for the Main Extension must indicate a Profitability Index of greater than 0.2 and less than 0.8, indicating that a contribution in aid of construction is required by the Customer.

Deleted: G-135-18

Deleted: Diane Roy, Vice President

Deleted: November 1, 2018

Deleted: November 9, 2018

Deleted: Original signed by Patrick Wruck

Deleted: Original

Order No.: _____ Issued By: Doug Slater, Director, Regulatory Affairs

Effective Date: _____ Accepted for Filing: _____

BCUC Acting Secretary: _____ First Revision of Page 12-4

FORTISBC ENERGY INC. GENERAL TERMS AND CONDITIONS
SECTION 12

The number of Customers eligible to receive the System Extension Fund will be limited and the determination of eligibility will be made by FortisBC Energy in its sole discretion, acting reasonably. The maximum System Extension Fund available to a Customer is 95 percent of the required contribution in aid of construction from the Customer, up to a maximum of \$10,000 per Customer.

Deleted: Pilot

Deleted: Pilot

Deleted: 50

A Main Extension may not proceed until funding has been approved and payment of the contribution is paid. Construction of the Main Extension must commence within nine calendar Months of the date FortisBC Energy approves the application for the System Extension Fund. Customers who provide a contribution in aid of construction for a Main Extension and who receive funding from the System Extension Fund will not be eligible for a refund as set forth in Section 12.8 (Refund of Contributions).

Deleted: Pilot

Deleted: Pilot

Deleted: G-135-18

Deleted: Diane Roy, Vice President

Deleted: November 1, 2018

Deleted: November 9, 2018

Deleted: Original signed by Patrick Wruck

Deleted: Original

Order No.: _____ Issued By: Doug Slater, Director, Regulatory Affairs

Effective Date: _____ Accepted for Filing: _____

BCUC Acting Secretary: _____ First Revision of Page 12-5

Appendix B
DRAFT ORDER



ORDER NUMBER

G-xx-xx

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.

Application for Approval of the System Extension Fund on a Permanent Basis

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on **Date**

ORDER

WHEREAS:

- A. On June 29, 2020, FortisBC Energy Inc. (FEI) filed a report on the System Extension Fund (SEF) pilot program, in compliance with the British Columbia Utilities Commission (BCUC) Order G-147-16 and accompanying Order in FEI's 2015 System Extension Application and applied for approval of the System Extension Fund (SEF) on a permanent basis, effective January 1, 2021, including an amendment to the SEF funding rules (Application);
- B. In the Application, FEI proposes to amend the funding rules for the SEF framework to increase the SEF funding from a maximum of 50 percent to a maximum of 95 percent of the Contribution in Aid of Construction (CIAC) for prospective new customers. FEI proposes that all other aspects of the SEF framework and funding rules as a permanent program remain the same as the SEF pilot program.
- C. The BCUC has reviewed the Application and finds that approval is warranted.

NOW THEREFORE pursuant to sections 29, 30 and 59 to 61 of the *Utilities Commission Act*, the BCUC orders as follows:

- 1. The System Extension Fund for FEI is approved on a permanent basis, effective January 1, 2021.
- 2. FEI's request to increase the SEF funding rules to from a maximum of 50 percent to a maximum of 95 percent of the CIAC, effective January 1, 2021 is approved.
- 3. FEI is to file amended tariff pages within 30 days from the date of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner