

20 October 2020



VIA E-FILING

Marija Tresoglavic
Acting Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3

Reply to: Leigha Worth
lworth@bcpiac.com
Ph: 604-687-3034

Our File: 7310.702

Dear Ms. Tresoglavic,

**Re: FortisBC Energy Inc. (“FEI”) System Extension Fund (SEF) Pilot Program
Compliance Filing and Application for Approval of the SEF on a Permanent Basis
Project No. 1599112**

Please be advised that we provide the following submissions in regard to the above-noted application on behalf of our client groups known in this and other FEI regulatory processes as BCOAPO or BCOAPO et al. The member groups of BCOAPO et al. represent the interests residential energy consumers before the BC Utilities Commission (Commission or BCUC) and as such, our clients have a direct and material interest in the outcome of this Application.

The Application

On June 29, 2020, FortisBC Energy Inc. filed a combined document including both a compliance filing as required by BCUC Order G-147-16 and an application requesting approval of the SEF on a permanent basis.

At present, the SEF is a pilot program with a \$1 M/year budget intended to provide homeowners not currently on the FEI system with funds to help offset some of the full cost of connecting to FEI’s natural gas system. The BCUC approved this pilot in the Order cited above in 2016 with a three-year test cycle: January 1st, 2017 to December 31, 2020. The justification for these subsidies included a Utility assertion that it would create greater regional equity since those living in urban areas like Vancouver often don’t face high CIAC’s because our natural gas pipe system is already well developed and wide spread while those in less populated areas often face such

high CIAC's to connect that it is effectively a financial disincentive to connect to the FEI system. FEI was absolutely correct when it stated that this approach was similar to the one used to justify postage stamp rates, providing increased and more equitable access to its distribution system¹

In the Pilot's originating application, FEI calculated the impact of this program on its customers to be \$0.0001 per GJ – a rate impact the utility indicated in its application continues to be applicable² with a cumulative average rate impact of 0.01% or a modest \$0.08 per customer per year.³

This Commission Panel ordered a process that included one round of IR's and then, in responding to IR 1, FEI discovered an error in its initial filing. So, on September 24, 2020 the Utility filed a brief but important evidentiary update, correcting not only the number of customers that participated in the Pilot, but also the value of the Pilot funds distributed in 2019.

Submissions

Introduction

Our clients are not taking the position that the SEF should be abandoned in the absence of a clear Cost of Service based justification. Instead, BCOAPO supports the continuation of some form of the SEF on a permanent basis but not with the 95% subsidy FEI has proposed. Instead, BCOAPO's position is that, at least to start, a more moderate approach is warranted to balance efficiency with the goals of this program in a manner that is fair to both those who might access the SEF and those who will not.

If, after some time passes under a more moderate SEF subsidy level, the data shows more compelling evidence that a 95% subsidy is warranted, then the Utility is certainly welcome and able to file an application with the BCUC with that evidence, allowing intervenors and the Commission to test that evidence and formulate their own opinions before a Decision is made committing to almost double the SEF from its current subsidy level.

The Justification

¹ Exhibit B-1, page 2.

² Exhibit B-1, p 2

³ Exhibit B-5-1, BCSEA IR1 2.3 [Amended] and FEI Final Argument, pp. 10-11

While our clients recognize that there may be those who would oppose a subsidy program that provides funds to homeowners to aid in the cost of connecting their homes to FEI's natural gas distribution system, we note that this did not sway the Commission in its consideration of the SEF's Pilot. That is also not the position BCOAPO is taking in this subsequent process on behalf of the tens of thousands of their organization's members and clients who we submit form a significant representative population of FEI's residential ratepayers. It is, in their view, untenable that our society would allow monopolistic utilities providing energy – an essential service – to the public in a manner that does not facilitate reasonable access to their service, especially when doing so comes at little cost to the Utility's non-participating ratepayers. Our clients also accept FEI's assertion that the increased throughput of its natural gas caused by its increased ratepayer count creates a benefit to all, making the system more economic and efficient⁴ – although that does only hold true if the Use Per Customer, currently trending downward, does not fall below a certain threshold. As in all systems, balance is key.

BCOAPO et al accepts that there is a valid public interest argument in favour of some level of continued funding for the SEF and notes that there are a number of factors inherent in the program's design that should silence, or at the very least, moderate the position of many of those who might be opposed. For example: the per customer funding cap limits cost exposures as does the program's funding cap limit the risk of wild upwardly trending costs and the evidence showing a modest rate impact \$0.08/year of the current program is persuasive as well. We note that the Utility cited the possibility of a rate benefit to nonparticipating ratepayers in the future but that is hardly a promise upon which our clients are willing to hang their hats. If there is anything that 2020 has taught British Columbians and the rest of the world, our expectations and projections are easily derailed by things beyond our control, rendering a reliance upon potentials far more dangerous.

According to the Utility, between 2017 and 2019 544 homeowners accepted the SEF⁵:

⁴ Exhibit B-1, page 3.

⁵ Exhibit B-3, BCUC IR 1.6.1.1, Table 2

Table 2: Summary Statistics for Homeowners Who Accepted the SEF

	Number	Mean	Median	Range
CIAC	544	\$ 3,765	\$ 2,110	\$ 72,690
Funding Offered	544	\$ 1,800	\$ 1,055	\$ 9,930

According to this Table, the Pilot's 50% SEF subsidy resulted in, amongst those who accepted the SEF, a mean contribution by homeowners of \$3,765 supplemented by a mean FEI-offered subsidy of \$1,800 while the median CIAC amount by homeowners was \$2,110 and a median funding offered was \$1,055.

In its Application, FEI also presented evidence that the homeowners who declined to proceed with their potential main extension did so, "was that even with financial assistance from the SEF toward reducing their required contribution, the remaining CIAC was still too expensive."⁶

When the exact percentages of those homeowners who declined to proceed once their CIAC and subsidy were calculated, the cumulative total came to 40%⁷ so the inference we are being asked to draw is that 40% or nearly that proportion of potential SEF recipients found the 50% subsidy too low.

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%

It is important to note that the following table provided response to BCUC IR 1.6.1.1 shows that these homeowners who declined to accept the SEF offered were required to make a CIAC of \$9,425, and median CIAC amount of \$7,240⁸.

⁶ Exhibit B-1, page 5.

⁷ Exhibit B-

⁸ Exhibit B-3, BCUC IR 1.6.1.1, Table 1

Table 1: Summary Statistics for Homeowners Who Declined the SEF

	Number	Mean	Median	Range
CIAC	364	\$ 9,425	\$ 7,240	\$ 52,200
Funding Offered	364	\$ 4,355	\$ 3,620	\$ 9,965

So, if the program is approved at the applied-for subsidy level, 95%, the homeowner's mean CIAC going forward will be \$471 with a median CIAC of \$362, significantly less than the amounts paid by homeowners who accepted the SEF during the Pilot, as per Table 2 above. The fact of the matter is that, aside from FEI's hearsay reports of homeowner statements a Court could potentially find self-serving, there is no solid evidence upon which we can find the homeowners who rejected the SEF under the Pilot's 50% subsidy levels were actually not willing or able to pay at least as much as the homeowners who accepted it during the Pilot.

In IR's, we asked on behalf of our clients whether FEI considered a scaled CIAC subsidy when a specific percentage of SEF assistance would depend on the actual amount of the required CIAC (e.g. if the total CIAC is under \$4,000, the subsidy would be 50%, whereas if the total CIAC is under 6,000, the subsidy would be 70% etc.). FEI responded that, "[t]he specific approach described in the question was not among the approaches considered for the reasons discussed in the response to BCUC IR1 7.2."⁹

However, we cannot help but to note that nowhere on the record did FEI provide explicit reasons why that kind of approach where the subsidy is scaled to the homeowner's potential CIAC was not considered and that begs the question why.

BCOAPO also rejects any suggestion that the fact that there were available SEF funds unspent every year of the Pilot justifies offering a 95% subsidy to qualifying homeowners seeking to connect to the FEI system simply to spend as many dollars as possible in each year's available funding. We note that BC Hydro's Customer Crisis Fund also fell short of distributing the funds available each year of its pilot, but neither the utility nor the Commission suggested changing the program's parameters to increase each participant's grant amount to cover all outstanding balances owed. Why? Because without strong evidence of nonparticipant benefit having

⁹ Exhibit B-4, BCOAPO IR 1.1.5

manifested, increasing the funding available to each participant so dramatically would be an indefensible overstretch.

Conclusion

In the end, how we react to the figures FEI has presented showing how the SEF has been underutilized is a matter of perspective. Do we focus on the 40% who chose not to participate or the 60% who did? Our clients recognize the need to look at both. So, while BCOAPO accepts that the 60% who did accept the SEF only accessed between 27 and 39% of the pilot's available funding with a three year cumulative usage rate of only 33%, we question whether whatever percentage of applicants voicing their views that the subsidy is too low justifies increasing the SEF to an unusually high level of 95%.

In our submission, this evidence and the balanced perspective BCOAPO is taking, looking at where the program performed well and where it fell short of expectation still does show that a significant number of the homeowners who face an average CIAC of \$3,765 were still willing and able to pay 50% of CIAC costs. FEI's own evidence is that it did not consider all reasonable approaches even after they were brought to their attention, including something like what we put to them in BCOAPO IR 1.1.5, when the percentage of the SEF funding given would be calibrated to the customer's CIAC.

Facilitating better evidence of the SEF's potential benefits and subsidy calibration by taking a more balanced approach is, in our submission, always in the public interest. As a result, we urge the Commission to either approve the program using a more conservative SEF subsidy level than FEI has proposed or an incremental one like the one we proposed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED:

Sincerely,
BC Public Interest Advocacy Centre

Original on file signed by:

Leigha L. Worth
Executive Director
Barrister & Solicitor

Original on file signed by:

Irina Mis
Barrister & Solicitor