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September 9, 2020

VIA ELECTRONIC MAIL

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Attention: Marija Tresoglavic, Acting Commission Secretary

Dear Sirs/Mesdames:

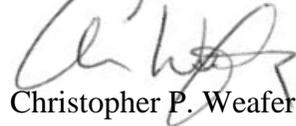
Re: FortisBC Energy Inc. System Extension Fund (SEF) Pilot Program Compliance Filing and Application for Approval of the SEF on a Permanent Basis Project No. 1599112

We are counsel to the Commercial Energy Consumers Association of British Columbia (the "CEC"). Attached please find the CEC's first set of Information Requests with respect to the above-noted matter.

If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Yours truly,

OWEN BIRD LAW CORPORATION



Christopher P. Weafer

CPW/jj
cc: CEC
cc: FortisBC Energy Inc.
cc: Registered Interveners

COMMERCIAL ENERGY CONSUMERS ASSOCIATION
OF BRITISH COLUMBIA (“CEC”)

INTERVENER INFORMATION REQUEST NO. 1

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

September 9, 2020

1. Reference: Exhibit B-1, page 2

2.2 SEF CONTINUES TO BE NEEDED FOR EQUITABLE ACCESS TO NATURAL GAS

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

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

- 1.1 Please provide quantification for how FEI's remaining natural gas customers have also benefited from the increased volume.

2. Reference: Exhibit B-1, page 4

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

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

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

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

- 2.1 Please confirm that the above table represents all those homeowners who were eligible and not only those homeowners who applied for SEF assistance.
 - 2.1.1 If not confirmed, please explain and provide quantification of the number of customers who may have qualified but did not apply.
- 2.2 FEI provides the total number of additions in the Vancouver area (18,700) demonstrating that only 0.6% of customer additions paid a contribution toward a main extension. Please

provide the total additions in the areas outside Vancouver and the % of customer additions that paid a contribution toward a main extension.

3. Reference: Exhibit B-1, page 5

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

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

- 3.1 Please confirm that the utility has no regulatory obligation to attach uneconomic customers.
- 3.2 Does the ‘up to 50%’ mean that 50% is always offered, up to the \$10,000 maximum, or are there other criteria or judgements used in determining the appropriate % of funding is made available? Please explain.

4. Reference: Exhibit B-1, pages 5-6

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%

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

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

- 4.1 Please provide, for each year, the mean, the median and the range of SEF funding provided per participant.
- 4.2 What other reasons were identified for declining the funding? Please explain.
 - 4.2.1 Please provide quantification of percentages for each reason for declining the funding.
- 4.3 The CEC would like to have an understanding of the dollar threshold levels which appear to have prevented customers from proceeding with their system extension. Please provide a brief discussion.
 - 4.3.1 For those customers who declined funding, please provide the distribution of customers and the \$ value of the CIAC that was required from the customer.
 - 4.3.2 For those customers who declined funding, please provide, in table form, the number of customers, the mean, the median and the range of CIAC that was required by the customer on a second line, the mean, median and range of funding that was offered.
 - 4.3.3 For those customers who accepted funding, please provide the distribution of customers and the \$ value of the CIAC that was required from the customer.
 - 4.3.4 For those customers who accepted funding, please provide, in table form, the number of customers, the mean, the median and the range of CIAC that was required by the customer on a second line, the mean, median and range of funding that was offered.

5. Reference: Exhibit B-1, page 6

3.3 PROPOSED CHANGE

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

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

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

5.1 Please provide FEI's view of a 'more equitable outcome between homeowners' when there are differing costs between those homeowners, and relate to the ratemaking principles of fairness and cost causation.

6. Reference: Exhibit B-1, page 7

Table 3: Comparison of CIACs in Vancouver Area vs. Outside Vancouver Area with the SEF 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

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

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

- 6.1 Did FEI consider any percentage other than 95%, such as 60% or 75%?
 - 6.1.1 If yes, please provide the percentages considered and the rationale for selecting 95% as the appropriate portion. Please provide quantification of any evidence FEI has supporting the 95% as the appropriate number.
 - 6.1.2 If no, please explain why not.
- 6.2 Would FEI find it acceptable to change the percentage to 70% instead of 95%? Please explain.
- 7. **Reference: Exhibit B-1, page 7**

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

- 7.1 For each year of the pilot, please provide an estimate of the funding that would have been used if all customers had accepted all funding available.
- 7.2 Please provide FEI’s forecast for the next 5 years of eligible customers and the total funding that would be provided.
- 7.3 To the extent that the annual funding requests could exceed \$1 million, how would FEI expect to avoid ‘using up’ all the \$1 million of the fund towards the beginning of year?
- 7.4 To the extent that the annual funding requests is significantly lower than \$1 million, would FEI accept a cap at a lower level? Please explain and provide quantification for an appropriate cap lower than \$1 million.

8. Reference: Exhibit B-1, pages 6-7 and 7-8

such as those in higher density areas. In other words, if homeowners in Vancouver typically do not have to pay a CIAC to obtain natural gas service, the participants in the SEF program who typically reside in communities outside of the Vancouver area should similarly not be faced with a significantly greater financial burden. In order to bridge this CIAC gap, FEI is proposing to amend the SEF framework and funding rules to contribute up to 95 percent of the CIAC for qualifying participants to better achieve the objective of more equitable access to natural gas across FEI's service areas. In order to illustrate how the proposed amendment achieves better

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

Table 3: Comparison of CIACs in Vancouver Area vs. Outside Vancouver Area with the SEF 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

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

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Home must be a principal residence	No change
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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

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

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

- 8.1 Please confirm that there are commercial customers wishing to connect that also face 'inequitable' CIAC costs relative to other customers.
- 8.2 Please provide a brief discussion, with quantification to the extent possible, of the CIAC costs facing commercial enterprises within and outside the lower mainland.
- 8.3 When would it be appropriate for FEI to develop a pilot for commercial enterprises?
Please explain
- 8.4 How could it be structured such that some of the unused funds in the residential pilot could be used to make contributions for commercial enterprises wishing to connect?
Please discuss.