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**FortisBC Energy Inc.**

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

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### **Decision and Order G-338-20**

**December 18, 2020**

**Before:**

**K. A. Keilty, Panel Chair  
M. Kresivo, QC, Commissioner  
B. A. Magnan, Commissioner**

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### COMMISSION ORDER G-338-20

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## Executive summary

In 2016, the British Columbia Utilities Commission approved a three-year System Extension Fund (SEF) pilot program to provide funding to eligible residential ratepayers who must pay a contribution in aid of construction (CIAC<sup>1</sup>) towards a main extension to connect to FortisBC Energy Inc.'s (FEI) natural gas distribution system. FEI seeks permanent approval of this pilot program effective January 1, 2021 and also requests approval to increase the SEF funding level to 95 percent of the CIAC.

FEI explains that residential ratepayers who are located further from existing mains, often in low-density communities, face higher financial contributions to connect to natural gas compared to homeowners in higher density areas. FEI submits that the SEF creates equity between residential ratepayers, consistent with the theory of amalgamation and common rates established for FEI, and provides benefits to all ratepayers from the increased total volumes and better utilization of FEI's system.

Currently, the SEF pilot program provides funding of a maximum of 50 percent of the CIAC for a prospective new residential ratepayer. The SEF is capped at \$1.0 million per year with no rollover of unused funds from one year to the next and is recovered through natural gas delivery rates of non-bypass ratepayers.

The Panel makes the following key findings:

- The SEF program does promote equitable access among residential ratepayers;
- The rate impact on non-participating ratepayers related to the SEF is minimal and not unduly discriminatory; and
- Setting the SEF funding level at 95 percent of the CIAC results in greater equity among residential ratepayers and, based on an analysis of the pilot data, this funding level will enable FEI to manage the annual spending level within the annual \$1 million cap for a reasonable period.

The Panel agrees with FEI that the pilot “proved out the value of the SEF”<sup>2</sup> and the evidence demonstrates that the 95 percent funding level will enhance the effectiveness of the program, without unduly burdening non-participating ratepayers. The SEF represents an appropriate balance between competing rate design principles and is consistent with postage stamp rates. The SEF will not impose an excessive cost burden on non-participating ratepayers and there will likely be benefits from increased throughput on the FEI system. Therefore, the Panel approves the Application with certain reporting requirements.

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<sup>1</sup> Contribution In Aid of Construction (CIAC).

<sup>2</sup> FEI Reply Argument, p. 13.

## 1.0 Introduction

In 2016, the British Columbia Utilities Commission (BCUC) approved a three-year System Extension Fund (SEF) pilot program to provide funding to eligible residential ratepayers<sup>3</sup> who must pay a contribution (CIAC<sup>4</sup>) towards a main extension to connect to FortisBC Energy Inc.'s (FEI) natural gas distribution system. FEI seeks permanent approval of this pilot program effective January 1, 2021.

FEI explains that residential ratepayers who are located further from existing mains, often in low-density communities, face higher financial contributions to connect to natural gas compared to homeowners in higher density areas. FEI submits that the SEF creates equity between residential ratepayers, consistent with the theory of amalgamation and common rates established for FEI, and provides benefits to all ratepayers from the increased total volumes and better utilization of FEI's system.<sup>5</sup>

This decision sets out the key issues to be decided by the Panel, provides an overview of relevant evidence, considers the positions of the parties, and outlines the reasons for its decision (Decision). The Panel addresses the following key issues in its Decision:

- BCUC's jurisdiction to approve the SEF pilot on a permanent basis, and the applicable rate design principals, including consideration of setting 'postage stamp' or common rates among FEI residential ratepayers;
- Whether approval of the SEF pilot program on a permanent basis is warranted; and
- Whether FEI's proposal to increase the SEF funding level to 95 percent of the CIAC is appropriate.

### 1.1 Application and Approvals Sought

On June 29, 2020, FEI filed an application with the BCUC seeking approval of the SEF on a permanent basis<sup>6</sup> effective January 1, 2021 and requesting an amendment to the SEF funding rules (Application).

FEI proposes to amend the SEF funding rules to increase the SEF funding from a maximum of 50 percent to a maximum of 95 percent of the CIAC for prospective new residential ratepayers. FEI proposes that all other aspects of the SEF framework and funding rules remain the same as the SEF pilot program, including maintaining the maximum funding level of \$10,000 per customer and an annual cap on funding of \$1 million.<sup>7</sup>

### 1.2 Background

In the 2015 System Extension Application decision<sup>8</sup> (2015 System Extension Decision), the BCUC approved the establishment of the SEF pilot commencing in 2017 through December 31, 2020. The BCUC found that establishing the SEF program on a pilot basis was in the public interest, provided that the costs borne by overall ratepayers are reasonable. The BCUC directed FEI to address the appropriateness of continuation of the SEF pilot program in the June 30, 2020 filing of its updated Rate Impact Analysis (RIA).<sup>9</sup>

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<sup>3</sup> The applicant must be a home-owner, must be a single-family home or townhome, and the home must be a principal residence, Exhibit B-1, p. 7.

<sup>4</sup> Contribution In Aid of Construction (CIAC).

<sup>5</sup> Exhibit B-1, p. 2.

<sup>6</sup> Pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA).

<sup>7</sup> Exhibit B-1, p. 8.

<sup>8</sup> Order G-147-16 dated September 16, 2016 and accompanying decision in FEI's 2015 System Extension Application

<sup>9</sup> 2015 System Extension Decision, p. 51.

Currently, the SEF pilot program provides funding of a maximum of 50 percent of the CIAC for a prospective new residential ratepayer. The SEF is capped at \$1.0 million per year with no rollover of unused funds from one year to the next, is recovered through natural gas delivery rates of non-bypass ratepayers,<sup>10</sup> and is included in rate base each year as an offset to CIAC.<sup>11</sup>

### 1.3 Regulatory Process

The BCUC established a public hearing process and set regulatory timetables<sup>12</sup> for review of the Application, consisting of intervener registration, one round of BCUC and intervener information requests (IR), followed by final and reply arguments. FEI submitted a revision to its response to BCSEA's IR No. 1<sup>13</sup> and a revision to its Final Argument before intervener final arguments.

BC Sustainable Energy Association (BCSEA), British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO) and the Commercial Energy Consumers Association of British Columbia (the CEC) registered as interveners and actively participated in all aspects of the proceeding.

## 2.0 Regulatory Framework

In this section, the Panel reviews the elements of the regulatory framework and relevant rate design principles applicable to its decision on whether approval of the SEF Pilot Program on a permanent basis is warranted and if FEI's proposal to increase the SEF funding level to 95 percent is appropriate.

### 2.1 Legislative Framework

FEI seeks approval of the Application pursuant to sections 29, 30 and 59 to 61 of the *Utilities Commission Act* (UCA). These sections, outlined below, set out the BCUC's jurisdiction to consider approval of FEI's proposals.

Section 29 of the UCA gives the BCUC the authority to order a utility to make extensions and install necessary equipment and apparatus on terms the BCUC directs if a supply line is more than 200 metres from a ratepayer's premises. These terms may include payment of all or part of the cost by the ratepayer applying for service.

Section 30 of the UCA states that after a hearing the BCUC may order a utility to make an extension on terms directed by the BCUC, which may include payment of all or part of the cost by the persons affected, if the BCUC determines that:

- a) an extension of the existing services of a public utility, in a general area that the public utility may properly be considered responsible for developing, is feasible and required in the public interest; and
- b) the construction and maintenance of the extension will not necessitate a substantial increase in rates chargeable, or a decrease in services provided, by the utility elsewhere.<sup>14</sup>

Sections 59 to 61 of the UCA provide the BCUC with the ability to set rates provided they are not unjust, unreasonable, unduly discriminatory or unduly preferential.<sup>15</sup>

In the 2015 System Extension Decision, the BCUC determined it had the jurisdiction to consider the SEF in light of the public interest test and the broad definition of rates and that it may set out terms of the SEF it considers

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<sup>10</sup> Non by-pass ratepayers: ratepayer of a public utility that receives service under a rate that is **not** specific to the ratepayer.

<sup>11</sup> BCUC Order G-147-16 and Reasons for Decision dated September 16, 2016.

<sup>12</sup> BCUC Order G-198-20 dated July 22, 2020 and BCUC Order G-257-20 dated October 14, 2020.

<sup>13</sup> Exhibit B-5-1.

<sup>14</sup> Section 30 of the UCA.

<sup>15</sup> Section 59(1)(a) of the UCA.

proper and in the public interest, under sections 28 to 30 of the UCA. With respect to sections 59 to 61 of the UCA, the BCUC noted its approval of the SEF pilot may lead to some degree of subsidization and discrimination in favour of single-family residential homeowners. However, the BCUC found this not to be unduly discriminatory since:

- There was a potential benefit to the overall FEI ratepayers resulting from increased throughput;
- Customers who would otherwise not connect due to high contributory costs may now connect to the natural gas system with the assistance of SEF funding; and
- Funding of up to \$1 million per year is reasonably sufficient and did not impose an excessive cost burden to non-participating FEI ratepayers.

The BCUC found that establishing the proposed SEF was in the public interest provided that the costs borne by overall ratepayers are reasonable. However, since the proposed SEF was a new initiative for natural gas customers, the BCUC determined that a limited rollout pilot was appropriate and would allow FEI sufficient time to assess whether the new program should be continued or expanded in the future.<sup>16</sup>

### *Panel Discussion*

Based on the above review of the legislative framework, including the findings of the BCUC in the 2015 System Extension Decision, key considerations for the Panel's approval of FEI's proposals are whether the SEF pilot program demonstrated that:

- the SEF has and will not impose an excessive cost burden on non-participating ratepayers; and
- the SEF has and will result in benefits from increased throughput on the FEI system.

The Panel considers these issues in Sections 3 and 4 of this Decision.

## **2.2 Rate Design Principles and Postage Stamp Rates**

The reduction of disparity within a utility's service area is a valid rate design objective and FEI submits there is ample precedent for a rate design approach that seeks to promote more uniform treatment of a class of customers throughout a utility's service area.<sup>17</sup>

In FEI's view, the SEF program funding promotes the equitable treatment of potential new residential ratepayers located further from existing mains throughout FEI's service territory by reducing a required customer contribution to connect to the natural gas system.<sup>18</sup> Similar to British Columbia Hydro and Power Authority's (BC Hydro) Uneconomic Extension Fund, FEI explains that both programs provide funding to customers facing high costs to connect by helping to reduce the financial barrier to accessing energy.<sup>19</sup>

Promoting equity among ratepayers throughout FEI's service territory aligns with FEI's postage stamp delivery rate structure and improves energy choices for consumers, consistent with government policy.<sup>20</sup> FEI submits it will:

- Promote a more uniform treatment of a class of customers throughout its service area, aligning with rate design precedents;

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<sup>16</sup> 2015 System Extension Decision p. 51.

<sup>17</sup> FEI Revised Final Argument, p. 5.

<sup>18</sup> Exhibit B-3, BCUC IR 1.1.

<sup>19</sup> Ibid., BCUC IR 7.3.

<sup>20</sup> FEI Revised Final Argument, p. 3.

- Reduce rate disparities associated with location which is the very essence of “postage stamping” rates; and
- Align with postage stamping which is the governing rate design principle for FEI and the other major utilities in British Columbia, including BC Hydro and FortisBC Inc.<sup>21</sup>

Postage stamp rates are consistent with a government policy objective “to promote access to energy services on a postage stamp rate basis so that all British Columbians benefit from access to services at the lowest average cost.”<sup>22</sup> FEI states that it has postage stamp rates in its service territory, with the exception of the Fort Nelson service area.<sup>23</sup>

Further, FEI references the BCUC’s recent decision on the FEI Revelstoke Propane Portfolio Cost Amalgamation application (Revelstoke Decision) as supportive of the postage stamp rate principle. In this decision the BCUC stated:

Therefore, as FEI’s proposal offers considerable betterment to consumers in Revelstoke with minimal impact to natural gas customers, the Panel finds the resulting rates for all FEI customers would neither be unduly discriminatory nor unduly preferential.<sup>24</sup>

### *Positions of the Parties*

The CEC submits that the key issue for review of the SEF should be balancing the program objectives and benefits with the other principles of rate design.<sup>25</sup> The CEC notes that there are benefits to FEI’s remaining natural gas customers when more customers connect to the system<sup>26</sup> and the ability to generate benefits for all ratepayers from the SEF is important.<sup>27</sup>

With respect to the postage stamping of delivery rates, the CEC states this concept implies that once a current or future customer is connected to the system it will pay the same rates for the services provided.<sup>28</sup> The CEC elaborates that when assessing the cost of connection for individual customers and determining the appropriateness of that connection, the overall cost-effectiveness of the system should be evaluated based on the principle of cost causation in favour of reducing disparity, particularly within a singular rate class. The CEC submits the SEF program should be managed to maximize benefits to other ratepayers to the extent possible.<sup>29</sup>

In Reply, FEI makes several submissions about rate design and postage stamp rates, including:

- A rate design initiative intended to promote equitable treatment will benefit some customers more than others. Rate design is an exercise of balancing competing rate design objectives, and the SEF is striking an appropriate balance.<sup>30</sup>
- Cost of service is an important basis for rate-setting, but it operates in conjunction with other well-recognized rate design principles. Postage stamped rates are routinely accepted as non-discriminatory, as are revenue-to-cost ratios other than 1:1 that result from applying other valid ratemaking principles.<sup>31</sup>

<sup>21</sup> FEI Revised Final Argument, p. 5.

<sup>22</sup> Exhibit B-3, BCUC IR 1.2.

<sup>23</sup> Ibid. BCUC IR 1.3.

<sup>24</sup> FEI Revised Final Argument, pp. 5-6.

<sup>25</sup> CEC Final Argument, p. 2.

<sup>26</sup> Ibid., p. 3.

<sup>27</sup> Ibid., p. 4.

<sup>28</sup> Ibid., p. 4.

<sup>29</sup> Ibid., p. 5.

<sup>30</sup> FEI Reply Argument, p. 3.

<sup>31</sup> Ibid., p. 6.

- Since the terms of interconnection, like delivery rates, are a “rate” under the UCA, the CEC’s comments regarding postage stamping that once connected ratepayers should pay the same rates for the services provided does support FEI’s view.<sup>32</sup>

FEI also references the BCUC’s recent Revelstoke Decision and states in that decision the BCUC emphasized that one cannot focus on cost allocation to the exclusion of other rate design criteria, such as promoting equitable treatment.<sup>33</sup>

### *Panel Discussion*

The Panel agrees with FEI that rate design is an exercise in balancing competing rate design principles. FEI points out that it is important the SEF generate benefits for all ratepayers. However, focusing solely on cost allocation to the exclusion of other rate design criteria would be inappropriate.

The Panel acknowledges that equitable access to service and postage stamp rates have been important considerations in setting utility rates in British Columbia. The BCUC stated in the Revelstoke Decision:

The BCUC has recognised the application of postage stamp rates as both just and reasonable in several instances throughout the province, and as an appropriate means of allocating costs to various customer groups. In the present case such an application is not seen as inconsistent with the Bonbright principles. FEI’s proposal is considered in keeping with these principles by its seeking to equalize rates fairly across its service territory. It achieves a balanced allocation of costs, promotes price stability and reduces burdens on a significant customer group by means of a proposal which minimizes negative effects and leaves open options for alternatives in the future.<sup>34</sup>

Weighing these principles will be necessary in the Panel’s determination if the SEF should be approved on a permanent basis and in setting an appropriate SEF funding level percentage. The Panel considers these issues in Sections 3 and 4 of this Decision.

## **3.0 Request to Approve the SEF on a Permanent Basis**

FEI seeks approval of the SEF pilot program on a permanent basis, effective January 1, 2021. FEI states that it believes the SEF program has been successful in providing equitable access to potential residential ratepayers.<sup>35</sup> FEI submits that by improving the equitable access to natural gas services, both potential new customers and existing customers benefit from the SEF. Potential new customers can benefit from lower heating costs and access to energy choices which can support reduction of personal greenhouse gas (GHG) emissions. Existing customers benefit from increased throughput volume on the system, thereby reducing the cost of natural gas per gigajoule (GJ) for all customers.<sup>36</sup>

BCSEA opposes the approval of the SEF on a permanent basis.<sup>37</sup> The CEC and BCOAPO both support the continuation of the SEF.<sup>38</sup>

In this Section, the Panel addresses the specific issues raised by the interveners with respect to permanent approval of the SEF, including:

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<sup>32</sup> FEI Reply Argument, p. 7.

<sup>33</sup> Ibid., p. 3.

<sup>34</sup> Revelstoke Decision, p. 26.

<sup>35</sup> Exhibit B-1, p. 8.

<sup>36</sup> FEI Revised Final Argument, para 27.

<sup>37</sup> BCSEA Final Argument, para 22.

<sup>38</sup> CEC Final Argument, para 1; BCOAPO Final Argument, p. 2.



1. the achievement of equitable access to service;
2. the cost impact on non-participating ratepayers, and
3. the impact on GHG reductions.

### 3.1 Equitable Access to Service

FEI submits that the SEF program contributes to equitable access to the natural gas system.<sup>39</sup> FEI states that the SEF was designed to create equity between homeowners facing high CIACs to connect to gas and other homeowners who often do not pay a CIAC due to closer proximity to existing gas mains.<sup>40</sup>

According to FEI, the need to continue with the SEF on a permanent basis can be demonstrated by assessing the inequity in connection costs faced by homeowners in the Vancouver area with the costs faced by homeowners outside of the Vancouver area. FEI provided data regarding how often residential ratepayers were required to pay CIACs during the SEF pilot program period (2017-2020).<sup>41</sup>

In the Vancouver area, 0.6 percent of residential ratepayers were required to pay a CIAC over this period<sup>42</sup> and the average CIAC amount was negligible.<sup>43</sup> FEI explains that the small number of residential ratepayers in the Vancouver area required to pay CIACs would be even lower (0.1 percent) but for one strata conversion that represented 100 of the 119 ratepayers in the Vancouver area who paid a CIAC during the pilot timeframe.<sup>44</sup>

Outside of the Vancouver area, approximately 2 percent of the residential ratepayers added during the SEF pilot program period were required to pay CIACs.<sup>45</sup> FEI states that 88 percent of the homeowners who qualified for the SEF program were from outside of the Vancouver area, a number which increases to 99 percent if the single strata conversion mentioned above is removed from the data.<sup>46</sup>

The average CIAC faced by residential ratepayers in the Vancouver area over the SEF pilot program period was negligible, while the average CIAC faced by residential ratepayers outside of the Vancouver area was \$6,690.<sup>47</sup> FEI submits that the CIAC faced by residential ratepayers in certain parts of its service territory is a barrier to accessing natural gas.<sup>48</sup> FEI adds that all of the parties that qualified for the SEF pilot program who declined to connect cited costs as the reason for not proceeding.<sup>49</sup>

### *Positions of the Parties*

BCSEA argues FEI has not demonstrated a need for the SEF since outside of the Vancouver area thousands of new single-family residential ratepayers are connecting to the FEI system despite the few hundred who connect with the support from the SEF.<sup>50</sup> BCSEA states the data provided by FEI in response to information requests shows that the fewer than 300 annual SEF participants is a small fraction of the new residential ratepayers outside of the Vancouver area.<sup>51</sup> The number of new residential ratepayers outside of the Vancouver area grew

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<sup>39</sup> Exhibit B-1, p. 2-3.

<sup>40</sup> Ibid., p. 2.

<sup>41</sup> FEI Revised Final Argument, para 8.

<sup>42</sup> Ibid., para 8.

<sup>43</sup> Exhibit B-1, p. 7.

<sup>44</sup> FEI Revised Final Argument, para 8.

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Exhibit B-2, p. 4.

<sup>48</sup> FEI Revised Final Argument, para 16.

<sup>49</sup> Ibid., para 17.

<sup>50</sup> BCSEA Final Argument, para 15.

<sup>51</sup> Ibid., para 14.

from 5,500 annually in 2012 to a maximum of approximately 12,700 annually in 2018.<sup>52</sup> Further, BCSEA submits that the evidence does not establish that continuation of the SEF would provide material economic and social benefits to remote communities.<sup>53</sup>

The CEC accepts that a significantly greater proportion of customers in the area outside of Vancouver are required to pay CIAC than within the Vancouver area, and that there is a greater financial barrier to using natural gas outside of Vancouver than there is within the Vancouver area, at least using CIAC as the financial metric.<sup>54</sup>

BCOAPO submits that it would be untenable to allow monopolistic utilities to provide energy in a manner that does not facilitate reasonable access, especially when doing so comes at little cost to the utility's non-participating ratepayers.<sup>55</sup>

In Reply, FEI states BCSEA's arguments overlook the fundamental objective of the SEF which is to promote equity as between new customers in the more developed portions of the Company's service area and customers that are in areas further from existing mains. FEI notes that both BCOAPO and CEC both recognize the core objective.<sup>56</sup>

FEI also submits that BCSEA is seeking proof of specific economic development in rural communities attributable to the SEF in order to justify continuing the program and argues it would be challenging, as a matter of evidence, to attribute specific economic development in a rural area solely to the SEF since economic prosperity is likely to be associated with several factors.

Regarding BCSEA's comments that FEI has not established the need for the program, FEI submits the "need" of the program is to promote equitable treatment and the conclusion that some households are still willing to take service at a higher cost because of need or other priorities would be a poor justification to end the program.<sup>57</sup>

### *Panel Determination*

The Panel finds the SEF program does promote equitable access among residential ratepayers. The data provided by FEI clearly highlights the disparity in average connection costs faced by ratepayers, most notably between urban and rural ratepayers. The SEF can help reduce the cost and eliminate a financial barrier for residential ratepayers facing a higher connection cost than those ratepayers who are closer to existing gas mains.

Ensuring such equitable access to service is desirable in ratemaking and should be weighed with other rate design principles. As BCOAPO points out, facilitating reasonable access to energy services is appropriate, especially when doing so comes at little cost to non-participating ratepayers. Further, the SEF's objective of providing equitable access is consistent with setting postage stamp rates which is an important consideration in setting utility rates in British Columbia.

While the Panel agrees with BCSEA that evidence of material economic and social benefits to remote communities could be a consideration in determining if continuing the SEF is in the public interest, it is only one factor that may be considered and the lack of such evidence does not mean there are not inherent economic benefits.

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<sup>52</sup> Exhibit B-5, BCSEA IR 1.2.

<sup>53</sup> BCSEA Final Argument, p. 3.

<sup>54</sup> CEC Final Argument, para 42.

<sup>55</sup> BCOAPO Final Argument, p. 3.

<sup>56</sup> FEI Reply Argument, pp. 1-2.

<sup>57</sup> Ibid., p. 5.

### 3.2 Cost Impact to Non-Participating Ratepayers

In the 2015 System Extension Application proceeding, the rate impact of \$1 million in SEF funding was forecast to be \$0.001 per GJ. Using the same methodology, FEI estimates that the rate impact from continuation of the SEF program on a permanent basis remains the same.<sup>58</sup> FEI submits that the SEF also benefits all FEI customers as a result of increased throughput on its system.<sup>59</sup>

FEI explains that the SEF funding allows a new ratepayer to avoid the cost of some or all of a CIAC and this requires FEI to incur additional capital costs to connect the ratepayer to the system. The additional capital expended by FEI is included in its rate base, financed with debt and equity and depreciated over the life of the asset.<sup>60</sup> Even with the additional capital cost, the SEF funding provided in the pilot program resulted in an average rate impact of 0.01 percent or \$0.08 per customer per year.<sup>61</sup> FEI states this cost impact analysis includes all the costs but only approximately 1.5 years of revenue and does not account for potential future customer additions to the SEF main extension during the 5-10 year Mains Extension (MX) addition window.<sup>62</sup> FEI submits it is reasonable to expect that mains will continue to generate revenues and will be modest net contributors of benefits to ratepayers as whole, over the lengthy service life of the mains.<sup>63</sup>

In FEI's view, all customers benefit from new load that would not otherwise have materialized in the absence of the SEF.<sup>64</sup>

#### *Positions of the Parties*

BCSEA states that there is no evidence that the SEF provides a net financial benefit to ratepayers, only that the SEF provides a "potential benefit" to ratepayers.<sup>65</sup> BCSEA argues that the number of homeowners connecting through the SEF, approximately 300 annually, does not represent a meaningful increase in ratepayers and that FEI does not have evidence that these homeowners would not have connected if the SEF was not available.<sup>66</sup>

Further, BCSEA submits that the SEF program is unduly discriminatory under sections 59 to 61 of the UCA because the results of the Rate Impact Analysis (RIA) "do not show that the SEF actually provides a long-term net benefit to FEI customers."<sup>67</sup>

The CEC submits that the key issue for the review of the SEF should be balancing the program objectives and benefits with the other principles of rate design.<sup>68</sup> The CEC notes that there are benefits to FEI's remaining natural gas customers when more customers connect to the system.<sup>69</sup>

BCOAPPO notes that the current program's rate impact of \$0.08 per year is modest, but cautions against expecting that there will be a rate benefit to non-participating ratepayers in the future.<sup>70</sup> BCOAPPO accepts FEI's assertion that the increased throughput of its natural gas caused by its increased ratepayer count creates a

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<sup>58</sup> Exhibit B-1, pp. 1-2.

<sup>59</sup> Exhibit B-1, p. 1.

<sup>60</sup> Exhibit B-3, BCUC IR 8.2.

<sup>61</sup> Exhibit B-5-1, BCSEA IR 2.3

<sup>62</sup> Ibid.

<sup>63</sup> Ibid.

<sup>64</sup> FEI Revised Final Argument, p. 1.

<sup>65</sup> BCSEA Final Argument, p. 4.

<sup>66</sup> Ibid., p. 4.

<sup>67</sup> Ibid., p. 5.

<sup>68</sup> CEC Final Argument, p. 2.

<sup>69</sup> Ibid., p. 3.

<sup>70</sup> BCOAPPO Final Argument, p. 3.

benefit to all, making the system more economic and efficient if use per customer does not fall below a certain threshold.<sup>71</sup>

Regarding BCSEA's argument on the impact to ratepayers, FEI submits the rate impact is distorted by the very short rate impact assessment period and that once costs are covered, revenues will continue to accrue.<sup>72</sup> FEI states that the revenues flowing from SEF attachments during the pilot have already almost covered the fixed costs, despite the mains having only been in the ground an average of a year-and-a-half, rebutting the lack of value to ratepayers.<sup>73</sup>

In response to BCSEA's position that overall customers have not benefitted from increased throughput, FEI submits:

Any rate design initiative intended to promote equitable treatment will benefit some customers more than others. Rate design is an exercise of balancing competing rate design objectives, and the SEF is striking an appropriate balance.<sup>74</sup>

### *Panel Determination*

The Panel finds the rate impact related to the SEF pilot to be minimal and not unduly discriminatory. The Panel notes BCOAPO also assesses that the impact is 'modest.' While not quantifiable, the Panel also is persuaded that since the estimated rate impact is based on a short rate assessment period, it is likely that attributable revenues will continue over the expected life of the mains. This further reduces the costs to current and future non-participating ratepayers over time.

BCSEA argues that the SEF program is unduly discriminatory because the evidence does not show actual long-term net benefit to FEI ratepayers. The Panel notes in Section 2 of this Decision that when the BCUC approved the SEF pilot it expected that the SEF may lead to some degree of subsidization and discrimination by non-participating ratepayers in favour of single-family residential ratepayers. However, the BCUC found this not to be unduly discriminatory for several reasons including that funding of up to \$1 million per year did not impose an excessive cost burden on non-participating FEI ratepayers. The BCUC found that establishing the proposed SEF was in the public interest provided that the costs borne by overall ratepayers are reasonable.

The evidence confirms that the costs associated with the SEF pilot have not been and are not expected to be an excessive or unreasonable burden on non-participating ratepayers. As FEI notes, a rate designed to promote equitable treatment is expected to benefit some ratepayers more than others. The Panel agrees that rate design is an exercise of balancing competing rate design considerations and that the costs associated with the SEF do not outweigh the program benefits.

As previously stated, the BCUC found that establishing the proposed SEF pilot program was in the public interest provided that the cost borne by non-participating ratepayers is not unduly discriminatory.

### **3.3 Impact on GHG Emissions**

While the objective of the SEF program is to create equity for access to natural gas across its service territory, FEI explains the SEF program has reduced GHG emissions when customers have switched from higher carbon fuels.<sup>75</sup> A total of 25 percent of SEF participants over the three years of the program switched from higher

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<sup>71</sup> Ibid.

<sup>72</sup> FEI Reply Argument, p. 4.

<sup>73</sup> Ibid., p. 6.

<sup>74</sup> Ibid., p. 3.

<sup>75</sup> Exhibit B-3, BCUC IR 2.1.

emitting fuels to natural gas, once the conversion of a large strata property is removed from the data as an outlier.<sup>76</sup>

FEI expects that future SEF program participants would likely fuel switch from higher carbon fuels in the same proportion. Overall, an increase in the number of fuel switching households is expected, since the total participation in the SEF program is expected to increase following the increase in the SEF funding percentage.<sup>77</sup> In addition, new customers have access to FEI's conservation and energy efficiency programs as well as its renewable natural gas offerings.<sup>78</sup>

FEI states that access to natural gas provides the potential to reduce customers' energy costs. Although the net financial benefit of switching to natural gas from another fuel source is highly dependent upon each customer's individual circumstances, the operating cost of energy more recently favours natural gas over other fuel types.<sup>79</sup>

### *Positions of the Parties*

BCSEA states that there is no evidence the SEF reduces GHG emissions, as FEI is unable to report on either the quantity of any associated GHG reductions nor the net GHG changes due to the SEF Pilot.<sup>80</sup> BCSEA submits the evidence does not establish that continuation of the SEF would reduce net greenhouse gas emissions in BC.<sup>81</sup>

The CEC considers the GHG emission reduction outcomes of the SEF to be a significant program benefit.<sup>82</sup>

In response to BCSEA, FEI states BCSEA appears to be referencing "British Columbia's energy objectives" in the *Clean Energy Act*, which are not applicable to connections and rate design. Secondly, FEI submits that BCSEA's argument would preclude customers from taking natural gas at all, unless they were switching from a higher-GHG fuel source. FEI states the evidence is clear that provincial policy supports natural gas as an energy option for reasons including affordability, equality of investment and job creation opportunities. FEI further states that it has initiatives targeting and reducing GHG emissions.<sup>83</sup>

FEI submits the SEF promotes energy choice and aligns with government objectives. FEI states that access to natural gas allows customers to save on energy costs and can reduce their greenhouse gas emissions through fuel switching.<sup>84</sup> FEI submits the greenhouse gas emissions benefits can multiply in future because neighbours can connect to the extension cost-effectively.<sup>85</sup>

### *Panel Determination*

The Panel finds the SEF program can help reduce GHG emissions when ratepayers participating in the program switch from higher carbon fuels. This can be given some weight, among other public interest considerations, in determining whether approving the SEF on a permanent basis is in the public interest under the regulatory framework outlined in Section 2. As set out in Section 5, in the Panel's view it is appropriate for FEI to continue to report on switches from higher greenhouse gas sources to natural gas (e.g. propane, heating oil, diesel, etc...) resulting from the SEF program in its annual MX report.

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<sup>76</sup> Ibid.

<sup>77</sup> Exhibit B-3, BCUC IR 2.1.3.

<sup>78</sup> Ibid.

<sup>79</sup> Ibid., BCUC IR 2.2.

<sup>80</sup> BCSEA Final Argument, p. 4.

<sup>81</sup> Ibid., p. 3.

<sup>82</sup> CEC Final Argument, para 50.

<sup>83</sup> FEI Reply Argument, p. 2.

<sup>84</sup> FEI Revised Final Argument, pp. 7-8.

<sup>85</sup> Ibid., p. 8.

The Panel agrees with BCSEA's submission that the evidence in this proceeding does not establish that continuation of the SEF will reduce net GHG emissions in British Columbia. However, FEI correctly points out that the *Clean Energy Act* does not govern extensions and rate design and current provincial policy continues to support natural gas as an energy choice. There are currently no provincial energy policies in place that prohibit adding customers to FEI's system.

### 3.4 Other Intervener Issues

#### **Processing SEF Applications**

FEI states that SEF applications are processed in the order in which they are received. FEI states it will close the program for the remainder of the year if the funding envelope is reached in any year. FEI further states that customer applications are not prioritized.<sup>86</sup>

The CEC submits it is not in favour of a "first come, first served" funding model.<sup>87</sup> "The CEC would be interested to understand if there were viable options for FEI to review system extension applications and determine whether or not it was likely for more customers to follow, and account for this in the disposition of the SEF. If FEI were able to prioritize customers based on future demand, it could be beneficial to ratepayers overall in encouraging greater throughput."<sup>88</sup>

FEI submits that in 2015, it was optimistic that an approach could be developed to prioritize participation based on potential future demand. FEI states that the pilot revealed the challenges associated with this approach.<sup>89</sup>

#### **SEF for Commercial Ratepayers**

The CEC submits that a similar program should be developed for commercial customers. The CEC submits commercial ratepayers have higher revenue to cost ratios than residential ratepayers and individual commercial rate class customers could likely be expected to contribute higher revenues than individual residential ratepayers, resulting in greater benefits to non-participating ratepayers.<sup>90</sup>

In Reply, FEI submits it is amenable to a similar program for commercial customers but has no immediate plans to implement such a program. FEI notes that a commercial program would need to have separate funding and rules. FEI submits the existing SEF program should be made permanent before a commercial program is developed.<sup>91</sup>

#### ***Panel Discussion***

The Panel takes no issue with the first come first served basis given that to this point FEI has not exceeded the \$1 million cap and that this potentially only becomes an issue if the demand for funding exceeds the \$1 million cap within one year. In Section 5 of this Decision, the Panel directs FEI to identify in its annual MX report when the funding cap of \$1 million is reached in any given year.

The consideration of whether there should be an SEF for commercial ratepayers is beyond the scope of this proceeding. The Panel takes no position on a similar commercial program but notes that FEI states it is amenable to it.

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<sup>86</sup> Exhibit B-3, BCUC IR 1.4.1.

<sup>87</sup> CEC Final Argument, p. 12.

<sup>88</sup> Ibid., p. 4.

<sup>89</sup> FEI Reply Argument, p. 7.

<sup>90</sup> CEC Final Argument, p. 5.

<sup>91</sup> Ibid., p. 8.

#### 4.0 Request to Set the SEF Funding Level at 95 Percent

FEI proposes to increase the funding level from a maximum of 50 percent to a maximum of 95 percent of the CIAC for prospective residential ratepayers.<sup>92</sup>

When the SEF program was proposed, FEI expected that by the end of the pilot program, the full \$1 million of funding would be used annually. FEI provides the following table showing actual utilization of SEF funding for each year of the SEF pilot program:

**Table 1 – SEF Pilot Program Results 2017-2019<sup>93</sup>**

Year	Total SEF Eligible Participants	Actual SEF Participants	% Participated	SEF Funding Provided	% Funding Utilized	SEF Funding Declined	% Declined
2017	373	217	58%	\$ 265,950	27%	156	42%
2018	271	167	62%	\$ 392,716	39%	104	38%
2019	264	160	61%	\$ 321,537	32%	104	39%
Totals	908	544	60%	\$ 980,203	33%	364	40%

Over the three years of the SEF pilot program, 40 percent of homeowners eligible for the SEF declined to proceed with a main extension. FEI states that these homeowners did not proceed because even with SEF reduction in the required contribution, the remaining required CIAC was still too expensive.<sup>94</sup> As a result of homeowners declining to proceed with their main extensions, FEI notes that not all of the available \$1 million funding for the SEF pilot program has been used or disbursed to eligible ratepayers.<sup>95</sup>

From the 2017 to 2019 data, FEI states that ratepayers who declined to participate in the SEF program typically faced a comparatively high CIAC; the mean CIAC (before SEF) was nearly \$9,500 and the median over \$7,000.<sup>96</sup> FEI calculates that if its proposed amendment to allow up to 95 percent funding of the CIAC were approved, the average homeowner's portion of the connection cost would be reduced to \$335 in less dense service areas of the province, bringing it in much closer alignment with homeowners costs in the dense Vancouver area,<sup>97</sup> as set out in Table 2.

**Table 2 – Comparison of CIACs in Vancouver Areas vs. Outside Vancouver Area with the SEF Portion Amended as Proposed to up to a maximum of 95%<sup>98</sup>**

Participant location	Required CIAC	SEF Portion	Homeowner Portion
Vancouver Area	Approx. \$ 0	\$ 0	\$ 0
Non Vancouver Area	\$ 6,690	\$ 6,356	\$ 335

FEI states that the SEF, as intended, promotes equity among customers by reducing the disparity that exists between the Vancouver area and other parts of FEI's service territory in terms of the cost that a potential new

<sup>92</sup> Exhibit B-1, p. 6.

<sup>93</sup> Exhibit B-2, p. 5.

<sup>94</sup> FEI Revised Final Argument, p. 13.

<sup>95</sup> Exhibit B-1, p. 5.

<sup>96</sup> Exhibit B-3, BCUC IR 6.1.1.

<sup>97</sup> FEI Revised Final Argument, p. 14; Exhibit B-1, p. 7.

<sup>98</sup> Exhibit B-2, p. 7.



ratepayer faces to connect to natural gas.<sup>99</sup> The percentage adjustment from 50 to 95 percent addresses the cost impediment and creates a more equitable outcome between homeowners who live in the dense urban area around Vancouver and other homeowners.<sup>100</sup>

In arriving at the proposed 95 percent funding, FEI states that it considered various approaches to enhance the ability of the SEF program to achieve its objectives, such as:

- different percentages such as 75%, 80%, 85%, 90% and 100%;
- increasing the per customer maximum funding amount;
- eliminating the lower Profitability Index threshold;
- reducing the CIAC to a target dollar amount; and
- various combinations of the above.<sup>101</sup>

FEI explains that increasing the per customer maximum funding amount would affect a relatively small number of homeowners, and the SEF could still leave a significant cost barrier for those customers since the total CIAC (before applying the SEF) in most cases is below the current \$10,000 threshold.<sup>102</sup>

In response to BCOAPO IR 1.5 which suggests a sliding scale funding approach with a proportionate CIAC subsidy where a specific percentage of SEF assistance would depend on the actual amount of the required CIAC, FEI stated this was not among the approaches considered for the reasons discussed above.<sup>103</sup> FEI concluded that increasing the funding level percentage had advantages over other approaches and the proposed 95 percent level is optimal.<sup>104</sup>

FEI submits that any increase in the percentage of the CIAC funded by the SEF will naturally improve the performance of the program. However, if the SEF were to fund a smaller percentage, FEI submits that the SEF program would be less effective at contributing to greater equity among potential customers. At a lower percentage, fewer interested homeowners would proceed with their main extension project.<sup>105</sup> For example, FEI states:

... if the funding rule was set to pay 70 percent of the CIAC, FEI expects that approximately 35 fewer homeowners would accept the offer of SEF assistance leaving 40 to 50 percent of the program's annual \$1 million amount still available. While in theory one could reduce the SEF available amount to \$500-\$600 thousand to reflect a lower level of disbursements... this would not be consistent with the objectives of the program.<sup>106</sup>

FEI considered funding at the 100 percent level (as previously proposed in 2018) but observed "with the benefit of additional years of participation data, FEI believes ... the annual \$1 million available SEF funding would be exceeded prior to the end of the year."<sup>107</sup>

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<sup>99</sup> FEI Revised Final Argument, p. 1.

<sup>100</sup> FEI Revised Final Argument, p. 14; Exhibit B-1, p. 6.

<sup>101</sup> Exhibit B-3, BCUC IR 7.2.

<sup>102</sup> Ibid.

<sup>103</sup> FEI Reply Argument, p. 10.

<sup>104</sup> FEI Revised Final Argument, pp. 18–21.

<sup>105</sup> Exhibit B-3, BCUC IR 7.2.

<sup>106</sup> Exhibit B-6, CEC IR 6.2.

<sup>107</sup> Exhibit B-3, BCUC IR 7.2.



Thus, FEI submits that 95 percent is a better funding level if the available funding is to be limited to the current \$1 million and will likely all be used.<sup>108</sup> FEI submits that doing a simple calculation can provide a forecast for total SEF funding utilization based on averages calculated from the data set from the pilot period. The calculations suggest that an average of 270 SEF participants would each receive an average of \$4,085 SEF funding based on the proposed funding rule, resulting in \$1.1 million per year of funding spent.<sup>109</sup>

This estimate does not take into consideration factors that may impact participation such as: homeowners deciding not to proceed, economic or housing market conditions and maximum SEF funding of \$10,000 per customer.<sup>110</sup>

FEI explains that cost has a number of influencers and each customer has their own unique and subjective set of circumstances when it comes to making a spending decision such as connecting to the gas system, including the combined cost of the installation of new or replacement equipment in the home.<sup>111</sup>

As such, based on the assumptions above, under the proposed 95 percent funding rule, the SEF program is likely to use all of the \$1 million available funding each year.<sup>112</sup>

### *Positions of the Parties*

#### **BCSEA**

BCSEA submits that if the SEF is continued, the funding should be kept at 50 percent of the CIAC.<sup>113</sup> BCSEA argues that increasing the funding provided by the SEF to 95 percent of the CIAC would substantially eliminate the customers contribution to costs<sup>114</sup> and provides a financial benefit to customers who would have participated at 50 percent funding with no benefit to ratepayers.<sup>115</sup>

BCSEA states increasing distribution of funds from the SEF is not a goal of the program, in that unspent funds are not wasted. BCSEA submits that a more reasonable funding cap for the SEF would be \$500,000 since less than \$400,000 of the funds have been distributed annually during the pilot program.<sup>116</sup>

#### **BCOAPO**

BCOAPO supports the continuation of the SEF program, but not increasing the funding level to 95 percent of the CIAC.<sup>117</sup> BCOAPO indicates that FEI could apply to the BCUC for an increase in funding after more time passes and compelling data is gathered.<sup>118</sup>

BCOAPO urges the BCUC to either approve the program using a more conservative SEF subsidy level than FEI has proposed or using an incremental or scaled approach like the one it proposed.<sup>119</sup>

#### **CEC**

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<sup>108</sup> FEI Revised Final Argument, p. 21; Exhibit B-3, BCUC IR 7.2.

<sup>109</sup> An average CIAC of \$4300 per applicant, 270 applicants, 95% SEF funding provided = \$1.1M total funding utilization

<sup>110</sup> Exhibit B-3, BCUC IR 7.5.

<sup>111</sup> Ibid., BCUC IR 6.1.1.

<sup>112</sup> FEI Revised Final Argument, para. 39.

<sup>113</sup> BCSEA Final Argument, p. 6.

<sup>114</sup> Ibid., p. 5.

<sup>115</sup> Ibid., p. 5.

<sup>116</sup> Ibid., p. 6.

<sup>117</sup> BCOAPO Final Argument, p. 2.

<sup>118</sup> Ibid.

<sup>119</sup> BCOAPO Final Argument, p. 6.

The CEC states it supports the SEF and would not object to the BCUC approving the 95 percent funding level. However, CEC prefers a lower percentage such as 80 or 85 percent for the next two years and increase the funding level to 95 percent in future, if needed. The CEC states it would support the extension of the Pilot under this graduated percentage scenario.<sup>120</sup>

In the CEC's view the analysis of the best percentage of funding is less than well supported.<sup>121</sup> The CEC also expresses concern that "if there is consistently more demand than the \$1 million available, it will ultimately develop into a backlog."<sup>122</sup>

### **FEI Reply**

In response to BCSEA's concerns FEI states:

- At a 95 percent funding level, potential customers still have a portion of the CIAC to pay as well as the other costs required to connect to the gas system, making the customer contribution not immaterial;<sup>123</sup>
- Regarding the argument that unspent SEF funds are not a problem for FEI or for FEI's overall ratepayers, FEI submits the interests of potential ratepayers must be also be considered and balanced;<sup>124</sup>
- Prior BCUC decisions, including the Revelstoke Decision and the interconnection rate constructs such as the MX Test, make it clear that the interests of potential ratepayers must be considered; and
- There is little ratepayer impact from increasing the funding level to 95 percent.<sup>125</sup>

Regarding BCOPAO's suggestion related to a scaled funding model, FEI states such an approach would not be successful. First, such a model would result in a higher customer contribution for a lower level of total CIAC, leading to implementation of a progressive taxation approach for fairness. Secondly, the inherent complexity in such an approach would be difficult for customers to understand and is needlessly complicated for the delivery of a small program.<sup>126</sup> Further, FEI submits that "the outcome of the pilot shows that there are many households outside of Vancouver that want natural gas service, but for whom the 50 percent contribution level is insufficient to overcome the financial barrier."<sup>127</sup>

FEI submits that the CEC's concern regarding a potential backlog of customers attempting to access the SEF is unwarranted. FEI states its analysis shows funding requirements would have exceeded the \$1 million only if every potential customer accepted the SEF funding and some potential customers will always decline.<sup>128</sup> Regarding the CEC's concerns that there will be future upward pressure on the \$1 million spending cap, FEI submits that the BCUC should consider the application before it and not base its decision on a hypothetical scenario.<sup>129</sup>

### ***Panel Determination***

The Panel finds that setting the SEF funding level at 95 percent of the CIAC results in greater equity among residential ratepayers and based on an analysis of the pilot data, this funding level will enable FEI to manage the annual spending level within the annual \$1 million cap for a reasonable period.

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<sup>120</sup> CEC Final Argument, p. 1.

<sup>121</sup> Ibid., p. 11.

<sup>122</sup> Ibid., P. 13.

<sup>123</sup> FEI Reply Argument, p. 12.

<sup>124</sup> Ibid.

<sup>125</sup> Ibid.

<sup>126</sup> Ibid., p. 10.

<sup>127</sup> Ibid., p. 11.

<sup>128</sup> Ibid., pp. 11-12.

<sup>129</sup> Ibid, p. 11.

FEI demonstrates, on average, that at a 95 percent funding level, the homeowner's portion of the connection cost (\$335) in less dense service areas of the province is in close alignment with connections costs in the Vancouver area (\$nil). This meets the objective of promoting equity among ratepayers better than the current 50 percent funding level. While interveners prefer funding levels ranging from 50 percent to gradually increasing to 95 percent over time, they do not explain how lower funding levels are consistent with the objective of more equitable access to service.

Regarding the "incremental" approach, BCOAPO does not explain how this is more equitable. Further, the Panel also considers simplicity and understandability to be important principles in rate design. Basing funding on a percentage of the CIAC is easier to administer and understand.

The CEC's submissions related to the funding percentage appear focused on concerns about future upward pressure on the \$1 million spending cap. However, based on an analysis of the pilot data, FEI makes a reasonable case that even at a 95 percent funding level total annual funding would have been at or near the \$1 million spending cap. This is a reasonable conclusion considering that even at a 95 percent funding level, some ratepayers are still likely to decide not to participate due to other costs such as the cost of the installation of new or replacement equipment or other conversion considerations. In addition, other program parameters like the \$10,000 per customer limit and the annual limit on program funding provide additional safeguards.

BCSEA's preference for a lower funding level percentage and annual spending cap appears rooted in its concerns about the cost impact on non-participating ratepayers. As noted in Section 3.2 above, the evidence confirms that the costs associated with the SEF pilot have not been and are not expected to be an excessive or unreasonable burden on non-participating ratepayers. The Panel agrees with FEI that a lower percentage funding level will be less effective at achieving the SEF objective of improving equitable treatment and will bring minimal rate impact benefits.

## 5.0 Panel Determination on the Application

In Sections 3 and 4 of the Decision, the Panel makes the following key findings:

- The SEF program does promote equitable access among residential ratepayers;
- The rate impact on non-participating ratepayers related to the SEF is minimal and is not unduly discriminatory; and
- Setting the SEF funding level at 95 percent of the CIAC results in greater equity among residential ratepayers and based on an analysis of the pilot data this funding level will enable FEI to manage the annual spending level within the annual \$1 million cap for a reasonable period.

The Panel agrees with FEI that the pilot "proved out the value of the SEF" and the evidence demonstrates that the 95 percent funding level will enhance the effectiveness of the program, without unduly burdening non-participating ratepayers.<sup>130</sup> Considering the regulatory framework and rate design principles discussed in Section 2, the SEF represents an appropriate balance between competing rate design principles and is consistent with postage stamp rates. The SEF will not impose an excessive cost burden on non-participating ratepayers and there will likely be benefits from increased throughput on the FEI system. **Accordingly, pursuant to sections 29, 30 and 59 to 61 of the UCA the Panel orders the following:**

- **FEI's SEF is approved on a permanent basis, effective January 1, 2021.**

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<sup>130</sup> FEI Reply Argument, p. 13.

- FEI is approved to increase the funding percentage to a maximum of 95 percent of the CIAC, to a maximum of \$10,000 per customer, effective January 1, 2021.
- FEI is directed to file black-line changes to its General Terms and Conditions that are consistent with this decision and to do so within 30 days of the date of this decision.

In addition, the Panel directs FEI to include the following in its annual Mains Extension (MX) report:

- Total number of SEF applications received, including the breakdown of approved and denied requests;
- Dollar values of the approved requests;
- Reasons for denied funding;
- Switches from higher greenhouse gas sources to natural gas (e.g. propane, heating oil, diesel, etc.); and
- Information on when the funding cap of \$1 million is reached in any given year.

DATED at the City of Vancouver, in the Province of British Columbia, this 18<sup>th</sup> day of December 2020.

*Original signed by:*

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K. A. Keilty  
Panel Chair / Commissioner

*Original signed by:*

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M. Kresivo, QC  
Commissioner

*Original signed by:*

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B. A. Magnan  
Commissioner



**ORDER NUMBER**  
**G-338-20**

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:**

K. A. Keilty, Panel Chair  
M. Kresivo, QC, Commissioner  
B. A. Magnan, Commissioner

on December 18, 2020

**ORDER**

**WHEREAS:**

- A. On June 29, 2020, FortisBC Energy Inc. (FEI) applied to the British Columbia Utilities Commission (BCUC) for approval of the System Extension Fund (SEF) on a permanent basis, pursuant to sections 29, 30 and 59 to 61 of the *Utilities Commission Act* (UCA), effective January 1, 2021, including an amendment to the SEF funding rules (Application);
- B. By Order G-147-16 dated September 16, 2016, and accompanying decision on FEI's 2015 System Extension Application, FEI established the SEF pilot program, providing funding of a maximum of 50 percent of the Contribution in Aid of Construction (CIAC) for prospective new residential customers, from January 1, 2017 until December 31, 2020;
- C. 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 CIAC for prospective new residential 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;
- D. By Order G-198-20 dated July 22, 2020, the BCUC established a public hearing and regulatory timetable for review of the Application, consisting of one round of BCUC and intervenor information requests, followed by final and reply arguments;
- E. On October 8, 2020, in accordance with the regulatory timetable, FEI submitted its Final Argument. On October 13, 2020, FEI submitted a revision to Exhibit B-5 and a revision to its Final Argument;
- F. By Order G-257-20 dated October 14, 2020, the BCUC amended the regulatory timetable to extend the deadline for Intervenor Final Argument and Reply Argument. On October 20, 2020, intervenors submitted Final Argument. On October 27, 2020, FEI submitted its Reply Argument; and

G. The Panel has reviewed the Application, evidence and submissions and considers approval is warranted.

**NOW THEREFORE**, pursuant to sections 29, 30 and 59 to 61 of the UCA and for the reasons contained in the decision issued concurrently with this order, the BCUC orders as follows:

1. FEI's SEF is approved on a permanent basis, effective January 1, 2021.
2. FEI is approved to increase the funding percentage to a maximum of 95 percent of the CIAC, to a maximum of \$10,000 per customer, effective January 1, 2021.
3. FEI is directed to file black-line changes to its General Terms and Conditions that are consistent with the decision accompanying this order and to do so within 30 days of the date of this order.
4. FEI is directed to include the following in its annual Mains Extension (MX) report:
  - Total number of SEF applications received, including the breakdown of approved and denied requests;
  - Dollar values of the approved requests;
  - Reasons for denied funding;
  - Switches from higher greenhouse gas sources to natural gas (e.g. propane, heating oil, diesel, etc.); and
  - Information on when the funding cap of \$1 million is reached in any given year.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 18<sup>th</sup> day of December 2020.

BY ORDER

*Original signed by:*

K. A. Keilty  
Commissioner

## GLOSSARY AND ACRONYMS

2015 System Extension Decision	2015 System Extension Application decision
Application	Application for approval of the System Extension Fund (SEF) on a permanent basis effective January 1, 2021, including an amendment to the SEF funding rules
BC Hydro	British Columbia Hydro and Power Authority
BCOAPO	British Columbia Old Age Pensioners' Organization <i>et al.</i>
BCSEA	BC Sustainable Energy Association
BCUC	British Columbia Utilities Commission
CEC	Commercial Energy Consumers Association of British Columbia
CIAC	Contribution In Aid of Construction
FEI	FortisBC Energy Inc.
GHG	Greenhouse Gas
GJ	Gigajoule
MX	Mains Extension
Revelstoke Decision	Decision on the Revelstoke Propane Portfolio Cost Amalgamation Application
RIA	Rate Impact Analysis
SEF	System Extension Fund
UCA	<i>Utilities Commission Act</i>

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.  
System Extension Fund Pilot Program Compliance Filing  
and Application for Approval of the SEF on a Permanent Basis

**EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
<i>COMMISSION DOCUMENTS</i>	
A-1	Letter dated July 9, 2020 –Appointing the Panel for the review of the FortisBC Energy Inc.’s Application for Approval of the System Extension Fund on a Permanent Basis dated June 29, 2020
A-2	Letter dated July 22, 2020 – BCUC Order G-198-20 establishing the Regulatory Timetable
A-3	Letter dated August 27, 2020 – BCUC Information Request No. 1 to FEI
A-4	Letter dated October 14, 2020 – BCUC Order G-257-20 amending the regulatory timetable
<i>COMMISSION STAFF DOCUMENTS</i>	
A2-1	Letter August 27, 2020 – BCUC staff filing the FEI Rate Impact Analysis Report dated June 29, 2020
<i>APPLICANT DOCUMENTS</i>	
B-1	<b>FORTISBC ENERGY INC. (FEI)</b> - System Extension Fund (SEF) Pilot Program Compliance Filing and Application for Approval of the SEF on a Permanent Basis dated June 29, 2020
B-2	Letter dated September 24, 2020 – FEI Submitting Evidentiary Update
B-3	Letter dated September 24, 2020 – FEI Submitting responses to BCUC Information Request No. 1
B-4	Letter dated September 24, 2020 – FEI Submitting responses to BCOAPO Information Request No. 1
B-5	Letter dated September 24, 2020 – FEI Submitting responses to BCSEA Information Request No. 1



- B-5-1 Letter dated October 13, 2020 – FEI Submitting Errata to responses to BCSEA Information Request No. 1, Question 2.3
- B-6 Letter dated September 24, 2020 – FEI Submitting responses to CEC Information Request No. 1

*INTERVENER DOCUMENTS*

- C1-1 **BC SUSTAINABLE ENERGY ASSOCIATION (BCSEA)** - Letter dated July 24, 2020 Request to Intervene by Thomas Hackney and William J. Andrews
- C1-2 Letter dated September 10, 2020 – BCSEA Submitting Information Request No. 1 to FEI
- C1-3 Letter dated October 14, 2020 – BCSEA Submitting extension request to file argument due to FEI revisions
- C2-1 **BRITISH COLUMBIA OLD AGE PENSIONERS’ ORGANIZATION, DISABILITY ALLIANCE BC, COUNCIL OF SENIOR CITIZENS’ ORGANIZATIONS OF BC, AND THE TENANT RESOURCE AND ADVISORY CENTRE (BCOAPO)** – Letter dated August 21, 2020 – Request for Intervener Status by Leigha Worth and Irina Mis
- C2-2 Letter dated September 10, 2020 – BCOAPO Submitting Information Request No. 1 to FEI
- C3-1 **COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA (CEC)** – Letter dated August 27, 2020 Request to Intervene by Christopher Weafer, Owen Bird law Corporation
- C3-2 Letter dated September 9, 2020 – CEC Submitting Information Request No. 1 to FEI