



June 17, 2025

Sent via email

Letter L-11-25

Ms. Sarah Walsh
Director, Regulatory Affairs
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
gas.regulatory.affairs@fortisbc.com

Re: FortisBC Energy Inc. – Gas Mains Extension Test

Dear Ms. Walsh:

On March 20, 2024, the BCUC issued Decision and Order G-78-24 in FortisBC Energy Inc.'s (FEI) 2022 Long-term Gas Resource Plan in which the BCUC recommended a review of FEI's mains extension policy.¹ **As such, the BCUC directs FEI to file an application for the review of its terms and conditions, extension policies and the parts of the tariff governing customer connections on or before November 15, 2025.**

The BCUC notes that it has been almost ten years since approval of the current mains extension policies² and almost five years since the 2020 rate impact analysis report for the system extension fund. On September 16, 2016, by Order G-147-16, the BCUC approved changes to FEI's mains extension test, customer connection policies, and related reporting requirements. The changes to the mains extension test included extending the discount cash flow term from 20 to 40 years, adding a sliding scale overhead rate for connections over \$25,000 and updating the service line cost allowance. The BCUC also approved a system extension fund pilot to provide funding to offset a maximum of 50 per cent of the Contribution in Aid of Construction (CIAC) for prospective residential customers, capped at \$1 million per year in aggregate. On December 18, 2020, by Order G-338-20, the BCUC approved the system extension fund on a permanent basis, including an amendment to the system extension fund to offset a maximum of 95 percent of the CIAC for prospective residential customers.

The application should include the following topics:

1. Jurisdictional Scan

For similar gas utilities in North America, a jurisdictional scan of:

- system extension policies;
- connection fees; and
- connection cost allowances.

¹ Order G-78-24, p. 55.

² Order G-147-16 dated September 16, 2016.

2. System Extension Test

- An assessment of the variability and trends of each of the inputs to the profitability index calculation for each year from 2014 to 2024;
- Minimum and average profitability index values for each year from 2014 to 2024;
- An analysis of alternative approaches to calculating the customer contribution to a mains extensions including, but not limited to:
 - alternate discounted cash flow terms;
 - minimum profitability index of 1.0 for each mains extension;
 - a mechanism where FEI contributes a set amount towards each mains extension, either in dollars or metres of pipe, with the balance recovered from the customer;
 - inclusion of the marginal cost of serving all new load from renewable gases (e.g. Renewable Natural Gas, Hydrogen) compared to conventional natural gas to meet government low-carbon policies; and
 - including for each alternative: rate impact, expected average Contribution in Aid of Construction (CIAC), percentage of projects requiring a CIAC, number of projects requiring a CIAC.

3. System Extension Fund

- An analysis of the benefits and costs of the system extension fund; and
- An updated system extension fund rate impact analysis dated 2024 or later.

4. Connection Charges

- An explanation of FEI's current connection/application charges; and
- An analysis of alternate approaches to determining the connection charges, such as a connection fee based on a connection pipe length, e.g. Pacific Northern Gas' connection fee of \$450 for the first 21 metres of underground pipe, or a connection fee based on service capacity.

5. Service Line Cost Allowance

An analysis of the Service Line Cost Allowance (SLCA), including:

- SLCA changes for the period 2019 to 2024 and a discussion of the reasons driving these changes;
- an analysis of actual costs to connect new residential customers for the period 2019 to 2024; and
- a discussion of the rationale for an SLCA.

6. Customer Demand

- An updated Residential End Use Survey, if available;
- For new customer connections in 2024, an analysis of the range of anticipated annual customer consumption, explaining all assumptions made regarding customer uses, appliance efficiencies, building codes and other relevant factors, such as city bylaws; and

- An analysis of the actual annual consumption of new customer connections for each connection year from 2014 to 2024, including a breakdown of the number of new customers who consume the following quantity of gas annually: 0-20GJ; 20-60GJ; 60-70GJ; 70-90GJ; greater than 90GJ.

7. Proposed System Extension Policy

A proposal for general terms and conditions, system extension policies and tariff parts governing customer connections, with rationale, and including a blackline version where applicable.

8. Regulatory Review

A proposal for the appropriate regulatory process for review of the application.

Sincerely,

Electronically signed by Sara Hardgrave

Sara Hardgrave
Acting Commission Secretary

AJ/dg