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January 11, 2019

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

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)
Application for Approval of a Change to the System Extension Fund (SEF) Pilot Program (the Application)
Supplemental Information

On October 15, 2018, FEI filed the Application referenced above. On December 13, 2018, the British Columbia Utilities Commission (BCUC) issued Exhibit A-2 requesting supplemental information pertaining to the Application. FEI respectfully submits the following response to BCUC's request for Supplemental Information.

Q1: The total number of SEF applications received in 2018 year to date, including the breakdown of approved and denied requests;

A1: In 2018 FEI encouraged 274 homeowners who met the criteria for eligibility to apply for funding. Of these, 167 applied to the SEF for assistance and all were approved. The remaining 107 were interested in accessing the funds but declined to proceed with the SEF, the reasons for which are detailed in the response to questions 3 to 6.

Q2: Dollar values of the approved requests in 2018 year to date;

A2: In 2018 the SEF awarded a total of \$392,715 to the 167 participating homeowners. In other words, this is the funding provided by the SEF to all those homeowners that were approved and that decided to participate as the funding levels met their needs.

Had the other 107 homeowners who were approved to participate done so, the awarded funding would have reached \$857,483. These 107 homeowners elected not participate, however, primarily because the cost barrier remained too high.

Q3: Reasons why the funding was denied;

A3: The only reason for denying funding assistance to an eligible homeowner would be exhaustion of the available funding in a given year. FEI has not yet encountered this situation since the pilot began in 2017.

There were no homeowners in 2017 or 2018 who applied to the SEF and were denied their funding request. Of the 274 who were encouraged to participate in 2018, 167 accessed funding from the SEF (as discussed in the responses to questions 1 and 2). The remaining 107 were offered funding but declined to proceed of their own accord, as discussed in the response to question 4.

Q4: The total number of homeowners that were offered the opportunity to participate in 2017 and 2018 year to date, but declined the offer;

A4: The table provides the number of homeowners who were eligible to participate in the SEF in 2017 and 2018 and moved forward, followed by the number of homeowners who declined the funding from the SEF:

SEF Funding	2018	2017
Homeowners who accessed	167	218
% of Total who accessed	61%	58%
Homeowners who declined	107	157
% of Total who declined	39%	42%

Q5: Dollar values of offers that were declined by homeowners in 2017 and 2018 year to date; and

A5: Please refer to the following table:

Year	2018	2017
Total value declined by eligible homeowners	\$ 464,767	\$ 704,636
Average SEF Funding declined	\$ 4,344	\$ 4,488

Q6: Reasons why homeowners declined the opportunity to participate.

A6: The primary reason why homeowners declined to participate in the SEF and pursue the funding that was offered to them is that the cost to connect remains too high for many homeowners even after the SEF would have provided assistance. The cost of the CIAC can, in and of itself, represent a significant barrier to many homeowners who could potentially benefit from access to the gas system. In other cases, homeowners find the cost to be a barrier when a significant CIAC is added to the cost of replacing appliances with natural gas burning equipment.

Furthermore, the way the contributory main model works it appears to compete with SEF, instead of working in harmony with it. As discussed in the Application, this forces potential customers to make a difficult decision between the SEF and the contributory main model. If the initial homeowner to connect participates in the SEF he or she effectively subsidizes, at significant personal cost, access to the gas system for their neighbours. On the other hand, participating in the contributory main model possibly eliminates the subsidization issue allowing the homeowner to recoup some costs if neighbours choose to connect in the first five years. However, FEI must limit its forecast of subsequent attachments in the MX test, because of the contribution required to connect, resulting in a higher CIAC than under the SEF approach.

FEI believes that the fundamental reason that many homeowners decide not to access the funds available to them from the SEF is that the current funding model, offering a 50 percent reduction in the CIAC, does not sufficiently address the high cost of the CIACs. FEI believes that this barrier to participation can be effectively addressed by modifying the SEF funding rules to allow it to cover 100 percent of the CIAC to a maximum of \$10 thousand per customer. FEI believes that this will improve the SEF's performance for the following reasons:

1. Paying 100 percent of the CIAC (up to a maximum of \$10 thousand per customer) most effectively overcomes the financial barrier presented by a CIAC. This is especially true in the case of those homeowners with higher cost CIACs who have typically declined to participate as the financial support provided under the current program is not found to be sufficient. This becomes apparent when reviewing the funding received by those who participated, versus those who did not. Participating homeowners in 2018 received on average \$2,351 from the SEF while those who chose not to participate would have received on average \$4,344, suggesting that they faced a much higher average CIAC.
2. With the SEF paying 100 percent of the CIAC then all potential customers who may connect to the new main extension are provided equal support and access to natural

gas. In other words, the first customer no longer subsidizes their neighbours' access to the gas system.

3. By paying 100 percent of the CIAC at the outset, it becomes much more likely that additional homeowners will choose to connect to the natural gas system within the first five years. As such, FEI can more reasonably forecast future customer additions to any new main, which would be reflected in the MX test result, reducing the CIAC, and ensuring more equitable and fair access to natural gas for customers.

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

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

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