IN THE MATTER OF THE

Utilities Commission Act, R.S.B.C. 1996, Chapter 473

AND

IN THE MATTER OF AN APPLICATION BY FORTISBC INC. FOR ITS 2017 DSM Expenditure Plan

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Final Submissions of the ICG

October 26, 2016

A. Introduction

1. FortisBC is requesting approval for this 2017 DSM expenditures, pursuant to section 44.2 of the *Utilities Commission Act (UCA).* The DSM expenditures must support the applicable British Columbia energy objectives as defined in section 2 of the *Clean Energy Act (CEA).* And the DSM measures must be cost-effective as required by the Amendment and DSM Regulation enacted under the *UCA.*
2. FortisBC characterizes 2017 as a "bridge" year pending the Commission's review of the Company's 2016 LTERP and associated LT DSM Plan.[1] FortisBC then advances its position that significant departures from current DSM programs or spending levels are appropriately deferred until after the BC CPR process is completed and the LTERP and the LT DSM Plan are reviewed.[2] This request to delay a review of DSM programs for industrial customers follows many similar requests for delays.
3. In the proceeding to review the 2015-16 DSM Plan, FortisBC submitted that a review of program design in the industrial sector be delayed until 2016 and that such changes not be reflected until 2017.[3] The evidence in that proceeding supported the conclusion that FortisBC should enhance its program design in the industrial sector by increasing program incentives and providing more funding for energy efficiency studies.
4. The ICG has advocated[4] and will continue to advocate for enhancements to program design in the industrial sector, including increases to program incentives and funding for efficiency studies. In this Application, FortisBC has finally acknowledged the merits of many outstanding requests by its industrial customers to increase program incentives. However, the enhancements are inadequate and do not meet the reasonable expectations of industrial customers.
5. FortisBC claims that identifying new DSM programs is resource intensive and duplicates efforts that are contemplated in the scope of the BC CPR. However, given

[1] FBC Final Submission, para. 19
[2] FBC Final Submission, para. 20
[3] 2015-2016 DSM Expenditure Proceeding, ICG 4.3 and 4.4
[4] ICG advocated for increased industrial incentives comparable to those in the 2012-2013 RRA proceeding and in the 2015-2016 DSM Expenditure proceeding

the customized nature of the programs in the industrial sector there is little or no program design changes that are necessary that might justify waiting for the BC CPR before program incentives are increased.

6. A decision about whether increased program incentives will increase program participation need not wait. Even FortisBC acknowledges that increase program incentives will increase program savings.[5] And the objective evidence is that such energy savings will be cost-effective.[6]
7. The ICG supports a BC CPR and the recently amended regulation that requires the use of the same LRMC by both BC Hydro and FortisBC. Programs that have as design criteria the same CPR and LRMC should be similar, if not identical. In time, it is reasonable to expect that ForitsBC will begin to offer programs similar to those offered by BC Hydro in the industrial sector.[7] The ICG believes that it is for that reason that the DSM Regulation has been amended to ensure that both BC Hydro and FortisBC use the same LRMC.
8. The ICG agrees with FBC that the proposed budget and targeted energy savings in the 2017 DSM Plan are achievable.

B. Increase to Nominal Incentive for Industrial Customers

9. FortisBC now proposes to increase industrial sector program incentives, but only from $0.10/kWh to $0.15/kWh. In response to an ICG information request[8], it became clear that FortisBC did not consult with industrial customers about the increase before seeking approval for the increase. The ICG would not have supported an increase of only $0.05/kWh. The increase to the program incentives that would have resulted in incentives comparable to BC Hydro's incentives was $0.20 kWh [9]. That is, an increase was long overdue and should have been four times the incentive increase proposed by FortisBC. The ICG believes that the appropriate incentive level for FBC DSM programs is $0.30/kWh and requests that the Commission in this Decision

[5] Exhibit B-6, ICG 2.10
[6] 2015-2016 DSM Plan Review, ICG Final Submission, para. 7
[7] 2015-2016 DSM Plan Review, ICG Final Submission, para. 14
[8] Exhibit B-6, ICG 2.16
[9] Ibid., ICG 2.13

determine that the appropriate increase is from $0.10/kWh to $0.30 kWh, not from $0.10/kWh to $0.15/kWh.

10. In this proceeding, both FortisBC and the ICG are requesting that the Commission determine the appropriate increase to program incentives for industrial customers. The FBC proposed nominal incentive rate increase is not material, and will merely increase the industrial incentive to 50% of the BC Hydro rate from 33% of the BC Hydro rate. As noted by the Commission Panel in the 2015-2017 Decision:

    > The Panel considers that, while FortisBC industrial DSM proposal for 2015-2016 is accepted, there is concern over the adequacy in this category.10

11. The ICG submits that even if the Commission Panel does not accept the incentive levels offered by BC Hydro as being conclusive at to the appropriate FortisBC incentive levels, it is still open for the Commission to conclude that the increase proposed by FortisBC is inadequate. The adequacy of the increase proposed by FortisBC should continue be a concern of this Commission Panel just as the adequacy of the industrial programs was concern for the 2015-2016 DSM Expenditure Plan review Commission Panel. The small increase to incentive levels now proposed by FortisBC does not address those concerns.

12. Given FortisBC commitment to review program incentives and the objective evidence that such increases would be cost-effective, FortisBC should no longer delay an increase to the program incentives to levels that match BC Hydro incentives. That is, FortisBC proposes an increase to program incentives by an amount so small that it ought to have been supported by substantial evidence that justified such a small increase. Instead, FortisBC filed no evidence to support the increase. Moreover, it was not even clear in the Application that FortisBC was seeking approval for the increase. It was not until the ICG information request that it became clear that FortisBC was seeking approval for the increase with this Application.[11]

13. The increase is yet another attempt by FortisBC to delay a decision that will determine the appropriate industrial sector program incentive. The ICG submits that that is why FortisBC failed to file any evidence in this proceeding relevant to the increase let alone

[10] 2015-2016 DSM Expenditure Decision, p. 25
[11] Ibid., ICG 2.7 and 2.9

evidence relevant to the adequacy of the increase. The ICG submits that the Commission should conclude that the Application is deficient because it did not include evidence relevant to the appropriate program incentives for the industrial sector.

C. Energy Efficiency Studies

14. In the past, the ICG has been critical of FortisBC because FortisBC has failed to work collaboratively with BC Hydro and FEI to design industrial sector programs. With this Application, FortisBC proposes program design changes that should enhance opportunities for the industrial customers to participate in energy efficiency studies. However, the ICG is concerned that FortisBC has not adequately communicated these changes to industrial customers. In response to an ICG information request[12], FortisBC claims that it has advised all industrial customers of the changes. The ICG believes that FortisBC needs to more effectively communicate those changes to industrial customers.

D. Future Evaluation of FortisBC DSM Analysis

15. The ICG observes that the industrial program TRC Benefit/Cost ratio presented in this Application has changed relative to the TRC Benefit/Cost ratios of the residential and commercial programs. The ICG does not accept these TRC Benefit/Cost ratios[13]. However, the ICG submits that this proceeding has not provided an adequate opportunity to challenge those TRC Benefit/Cost ratios. Fortunately, it is not necessary to reach determinations about TRC values in order to consider this Application. In this regard, the ICG accepts that the FortisBC programs are cost

[12] Exhibit B-6, ICG 2.1

[13] ICG 6.1 and 7.1, the ICG believes that the attached DSM evaluation spreadsheet includes unreasonable assumptions. For instance, the industrial rate referenced in cell G7 is rate schedule 30, but the value is $0.0795/kW.h. Moreover, the recalculation of the TRC in Table 6.1 and Table 7.1 changes the relative TRC values for the sectors. FortisBC has also not provided in this proceeding adequate evidence as to why future significant transmission system upgrades, which are driving DCE forecasts, are necessary when the transmission system has been significantly upgraded during the past 15 years.

effective in accordance with the Demand Side Measures Regulation (Ministerial Order No. 271) and the Amendments to the Demand-Side Measures Regulation (Ministerial Order No. 335). However, the ICG believes that a detailed DSM technical evaluation, including a workshop, should be directed by the Commission in this Decision.

E. Conclusion

16. In this submission, the ICG requests that the Commission determine that the appropriate increase to the industrial program incentives is $0.30/kWh.