



October 26, 2016

VIA E-FILING

Laurel Ross
Acting Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3

Re: FortisBC Inc. (“FortisBC”) Application for Approval of Demand Side Management (DSM) Expenditures for 2015 and 2016

1. We make the following submissions on behalf of our clients, the British Columbia Old Age Pensioners’ Organization, Disability Alliance BC, Council of Senior Citizens’ Organizations of BC, and the Tenant Resource and Advisory Centre, known collectively in regulatory processes as “BCOAPO *et al.*” The constituent groups of BCOAPO *et al.* represent the interests of low and fixed income energy consumers within BC and more specifically in this process, the interests of FortisBC’s (FortisBC) low and fixed income residential ratepayers.

I. Introduction

2. On August 8, 2016, FortisBC filed its Application for Acceptance of Demand Side Management (DSM) Expenditures for 2017 (“the Application”) with the BC Utilities Commission (the “Commission”). In the Application, and pursuant to s.44.2 of the *Utilities Commission Act* (“UCA”),¹ FortisBC is requesting acceptance of DSM expenditures of up to \$7.6 million for 2017 as set out in Appendix A to the Application.
3. FortisBC states that the Application is for approval of DSM expenditures for 2017 only because it is intended to bridge the gap between FortisBC’s 2015-2016 DSM Plan and the approval of a long term DSM Plan.² FortisBC will be including a long term DSM Plan in its 2016 LTERP which will be filed on or before November 30, 2016.³

¹ [RSBC 1996] c. 473.

² FBC Final Argument, para. 18.

³ Exhibit B-1, p. 1.

4. In the submission below, BCOAPO provides general comments on the Application and identifies and explains its areas of concern.
5. Despite the concerns identified, BCOAPO concludes that FortisBC's requested 2017 expenditures are in the public interest and looks forward to FortisBC's next multiyear DSM schedule to discuss long term planning around low income programs.

II. Context

A. Regulatory Background

6. The reason the Application is essentially a placeholder is that after the provincial government made amendments to the *Demand-Side Measures Regulation* ("*DSM Regulation*")⁴ in 2014, FortisBC withdrew a multiyear DSM schedule for 2015-2018.⁵ FortisBC subsequently sought and received approval of a 2015-2016 DSM Plan that was in compliance with the amendments. In the Commission's decision on FortisBC's 2015-2016 DSM Plan, it encouraged FortisBC to file its next multiyear DSM schedule after the Commission's decision on the 2016 LTRP.⁶ However, if FortisBC did not have sufficient time between the LTRP decision and the end of 2016 to obtain acceptance of a multiyear schedule, the Commission encouraged FortisBC to file for acceptance of a shorter DSM period (i.e. for 2017 only) in order to bridge the gap.⁷
7. According to FortisBC, the proposed 2017 DSM Plan is comparable to FortisBC's 2015-2016 DSM Plan with respect to programs, the cost effectiveness of programs, and the level of expenditures. FortisBC is proposing to continue most of its 2015 Conservation and Energy Management (C&EM) programs in 2017. BCOAPO agrees with FortisBC's assertion that the requested DSM expenditures in 2017 of \$7.6 million are in line with the approved expenditures in 2015 and 2016 of \$7.3 million and \$7.5 million, respectively.

B. Legislative Framework

8. Pursuant to section 44.2(3) and (4) of the *UCA*, the Commission must accept all (or a part of) the DSM expenditure schedule if it considers the schedule (or a part of it) to be in the public interest. Section 44.2(5) sets out the following considerations to determine whether an expenditure schedule is in the "public interest":
 - the applicable British Columbia's energy objectives;

⁴ B.C. Reg. 326/2008.

⁵ Exhibit B-1-9 in FBC's Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 .

⁶ Commission Decision, FBC Application for Approval of Demand Side Management (DSM) Expenditures for 2015 and 2016, p. 33.

⁷ *Ibid.*

- the most recent long-term resource plan filed by the public utility under section 44.1, if any;
- if the schedule includes expenditures on demand-side measures, whether the demand-side measures are cost-effective within the meaning prescribed by regulation, if any; and
- the interests of persons in British Columbia who receive or may receive service from the public utility.

C. FortisBC's most recent Long Term Resource Plan (LTRP)

9. FortisBC's most recent LTRP is its 2012 LTRP, which was accepted by the Commission in August 2012.⁸
10. FortisBC asserts that both the measures included in the 2017 DSM Plan and the methodology used to assess them are reasonably consistent with the measures and the methodology used in the 2012 LTRP (and also what was approved in the 2015-2016 DSM Plan).⁹
11. In its Application and Final Argument, FortisBC notes the following areas of consistency between the 2012 LTRP and the 2017 DSM Plan:
 - The current Application uses a Long Run Marginal Cost (LRMC) of \$112/MWh as compared to the LRMC of \$111.96/MWh used in the 2012 LTRP¹⁰;
 - The 2012 LTRP projected that electricity savings in 2017 would be 28 GWh¹¹ as compared to the 25.7 GWh of electricity savings anticipated in this application for 2017¹²;
 - The requested 2017 expenditures of \$7.6 M is reasonably in line with the medium DSM funding scenario of \$9 M presented in the 2012 LTRP¹³;
 - The 2012 LTRP was designed to offset 50% of FortisBC's load growth until 2030. In comparison, the savings anticipated from the 2017 DSM Plan will offset 48% of the forecast load growth for 2017.¹⁴ Furthermore, it is anticipated that for the period 2012-2017, actual and forecast DSM savings will offset 90% of the load growth for the period.¹⁵

⁸ Commission Order G-110-12.

⁹ Exhibit B-1, p. 4.

¹⁰ Exhibit B-1, p.1.

¹¹ FBC Final Argument, p. 12.

¹² Exhibit B-1, p. 9.

¹³ Exhibit B-2, BCUC 1.1.2.

¹⁴ Exhibit B-4, BCSEA 1.10.1.

¹⁵ Exhibit B-4, BCSEA 1.10.5.

D. Long Run Marginal Cost (LRMC)

12. As noted above, the 2017 DSM Plan uses a LRMC of \$112/MWh,¹⁶ inclusive of generation capacity. This value is taken from the 2012 LTRP and is consistent with the value used in its 2015-2016 DSM Plan.¹⁷
13. In addition, the Plan uses a deferred capital expenditure value (for transmission and distribution) of \$79.85/kW/year, updated from the previous value of \$35.60/kW/year.¹⁸ This update was done pursuant to Commission directives arising from the 2015-2016 DSM Plan Decision.¹⁹
14. FortisBC claims that the \$112/MWh LRMC used in its Application is comparable to BC Hydro's recently updated LRMC (based on the renewal of clean/renewable IPP generation) of \$106/MWh.²⁰ However, BCOAPO submits that the two values are not comparable: BC Hydro's LRMC has been adjusted for transmission and distribution losses,²¹ while FortisBC's LRMC has not.²² Furthermore, the \$111.96/MWh value initially used by FortisBC in its 2015-2016 DSM Plan was expressed in 2011\$ and was not updated for purposes of that Plan,²³ while the BC Hydro value of \$106/MWh is expressed in 2017\$.²⁴ As a result, the difference between the two LRMC values is much greater than the \$6 difference derived by simple subtraction, and FortisBC's estimate is likely materially higher than that currently used by BC Hydro.
15. BCOAPO also notes that BC Hydro's LRMC is based on its estimated cost of renewing current IPP contracts, which is expected to be less than the cost of greenfield IPP projects.²⁵ In contrast, FortisBC does not have any existing IPP contracts subject to renewal. Also, it is unclear whether the \$112/MWh value that FortisBC uses was assumed to be in 2017\$ or 2011\$. BCOAPO asks that FortisBC clarify this point in its Reply Argument, and clarify the overall actual comparability of its LRMC value to that used by BC Hydro.

E. Compliance with *DSM Regulation*

Section 3

16. Section 3 of the *DSM Regulation* stipulates that a utility's DSM plan is adequate only if it includes:

¹⁶ Exhibit B-1, p. 14.

¹⁷ Exhibit B-1, p. 13.

¹⁸ Exhibit B-1, p. 13.

¹⁹ Exhibit B-1, p. 7.

²⁰ Exhibit B-1, p. 5.

²¹ BC Hydro 2015 Rate Design Application ("RDA"), Exhibit B-17, p. 9.

²² Exhibit B-3, BCOAPO 1.3.1.

²³ FortisBC 2015-2016 DSM Application, Exhibit B-6, BCOAPO 1.1.1.

²⁴ BC Hydro 2015 RDA, Exhibit B-17, p. 9.

²⁵ BC Hydro 2015 RDA, Exhibit B-17, p. 6.

- a. a demand-side measure intended specifically to assist residents of low-income households to reduce their energy consumption;
- b. a demand-side measure intended specifically to improve the energy efficiency of rental accommodations;
- c. an education program for students enrolled in schools in the public utility's service area; and
- d. an education program for students enrolled in post-secondary institutions in the public utility's service area.

17. BCOAPO notes that FortisBC's Application specifically includes programming that addresses all of these areas.²⁶

Section 4(1.1)

18. Section 4(1.1)(b)(i) of the DSM Regulation also requires that in the case of a demand-side measure of FortisBC, the Total Resource Cost ("TRC") test must be based on an amount that represents FortisBC's LRMC of acquiring electricity generated from clean or renewable resources in British Columbia. See section D above regarding BCOAPO's concerns about the LRMC FortisBC uses in the Application.

19. The DSM Regulation requires that at least 90% of the DSM funding be evaluated using the TRC test²⁷ and that the remainder be evaluated using the modified TRC (mTRC) test. FortisBC notes that none of the measures in its 2017 DSM Plan require the mTRC test in order to pass.

20. BCOAPO notes that despite the favourable economics of its proposed 2017 DSM Plan,²⁸ FortisBC did not revisit its 2013 Conservation Potential Review ("CPR") Update to determine if there were other DSM measures that could be included in the 2017 DSM Plan or if there were enhancements that could be made to the measures included in the 2015-2016 Plan.²⁹ BCOAPO considers this to be a shortcoming which will be discussed further in section 4 below.

F. Commission Directives

²⁶ Exhibit B-1, pp. 5-6.

²⁷ This includes increasing the benefit of low income programs by 140% per the *DSM Regulation*, s. 4(2).

²⁸ Due in part to the increase in the DCE value and the decrease in the DR value used in the TRC calculations – see Exhibit B-1, p. 13.

²⁹ Exhibit B-3, BCOAPO 1.5.1, 1.5.2 and 1.5.3.

21. As part of the Commission’s Decision regarding FortisBC’s 2015-2016 DSM Plan, the Commission provided a number of directives to FortisBC³⁰ – five of which were to be addressed in FortisBC’s next DSM plan. BCOAPO agrees that FortisBC has addressed all five directives in its current Application.³¹

III. 2015-2016 DSM Plan and Results

22. FortisBC provided the following table, which sets out the actual results for 2015, the projected results for 2016, and compares each with the approved 2015-2016 DSM Plan³²:

Program Area	2015				2016			
	Approved		Actual		Approved		Projected	
	Savings	Cost	Savings	Cost	Savings	Cost	Savings	Cost
	MWh	(\$000s)	MWh	(\$000s)	MWh	(\$000s)	MWh	(\$000s)
1 Programs by Sector								
2 Residential	12,096	3,160	5,639	1,050	12,909	3,349	7,098	2,607
3 Commercial	12,526	2,530	5,882	1,324	12,695	2,564	11,734	2,547
4 Industrial	1,537	202	1,087	226	1,585	209	2,327	330
5 Subtotal Programs	26,159	5,892	12,608	2,600	27,189	6,122	21,160	5,484
6 Supporting Initiatives		725		585		675		678
7 Planning & Evaluation		675		346		737		675
8 Total incl. Portfolio spend		7,292		3,531		7,534		6,838

23. BCOAPO notes that the actual/projected spending and savings for both 2015 and 2016 (but particularly 2015) are materially less than planned.

24. FortisBC explains that the 2015 variance in both DSM spending and savings was due to the fact that the 2015 Plan called for a significant increase in spending over 2014 levels (\$7.3 M over \$3 M) and the BCUC Decision regarding the 2015-2016 Plan was not received under December 2014, such that there was insufficient lead time to increase the DSM programming to the approved levels. FortisBC states that another factor was the withdrawal of partners from the LiveSmartBC and EcoEnergy program that led to lower rebates and lower participation.³³

25. FortisBC explains that with respect to 2016, the Residential sector accounted for the majority of the variance in both DSM spending and savings. FortisBC notes that the withdrawal of partners in these two programs is also a factor contributing to the lower projected results for 2016.³⁴ In response to BCOAPO 1.4.3, FortisBC has provided a detailed explanation of the other reasons for the variance in by program

³⁰ Commission Decision, FBC Application for Approval of Demand Side Management (DSM) Expenditures for 2015 and 2016, p. 34-35.

³¹ Exhibit B-1, p. 7.

³² Exhibit B-3, BCOAPO 1.4.1.

³³ Exhibit B-1, Appendix B, p. 3.

³⁴ Exhibit B-4, BCSEA 1.5.3 & 1.5.4.

area. In many instances the underperformance was attributed to a need to build/rebuild market awareness and interest.

26. The Company has indicated that these factors have been taken into account in the development of its 2017 DSM Plan.³⁵

IV. 2017 Planned Results and Expenditures

27. FortisBC provided the following table, which contrasts the 2017 DSM Plan with the planned and actual/projected results for 2015-2016.³⁶

Program Area	2015				2016				2017 Plan		
	Approved		Actual		Approved		Projected		Savings	Cost	TRC B/C ratio
	Savings	Cost	Savings	Cost	Savings	Cost	Savings	Cost			
MWh	(\$000s)	MWh	(\$000s)	MWh	(\$000s)	MWh	(\$000s)	MWh	(\$000s)		
1 Programs by Sector											
2 Residential	12,096	3,160	5,639	1,050	12,909	3,349	7,098	2,607	10,493	2,718	2.5
3 Commercial	12,526	2,530	5,882	1,324	12,695	2,564	11,734	2,547	13,666	3,131	2.2
4 Industrial	1,537	202	1,087	226	1,585	209	2,327	330	1,556	309	1.9
5 Subtotal Programs	26,159	5,892	12,608	2,600	27,189	6,122	21,160	5,484	25,715	6,158	2.3
6 Supporting Initiatives		725		585		675		678		674	
7 Planning & Evaluation		675		346		737		675		777	
8 Total incl. Portfolio spend		7,292		3,531		7,534		6,838		7,610	2.0

28. BCOAPO notes that the total 2017 planned spending and savings are less than the approved spending and savings for either 2015 or 2016. In response to BCUC 1.2.1, FortisBC indicated that it had “evaluated all potentially cost effective measures to develop the 2017 DSM Plan.” However, this response is at odds with the responses to BCOAPO 1.5.1, 1.5.2 and 1.5.2, wherein FortisBC confirmed that it did not revisit the 2013 CRP Update to determine if there were other DSM measures that could be included in the 2017 DSM Plan or if there were enhancements that could be made to the measures included in the 2015-2016 DSM Plan.

29. As noted previously, BCOAPO views the failure of FortisBC to revisit the 2013 CPR Update this as a significant shortcoming particularly in light of the fact that:

- The reduction in 2017 savings versus those planned for 2016 is the greatest in the Residential sector (almost 20%). However, much of the underperformance for 2016 (vs. the 2017 DSM Plan) was attributed to the need to build/rebuild market awareness and interest in programs launched/relaunched in 2015,³⁷ a matter which should be fully addressed by 2017.

³⁵ Exhibit B-4, BCSEA 1.5.3 & 1.5.4.

³⁶ Exhibit B-3, BCOAPO 1.4.1.

³⁷ Exhibit B-3, BCOAPO 1.4.3.

- The change in values used for both the Deferred Capital Expenditure (“DCE”) and the Discount Rate (“DR”) improve the economics of DSM programs relative to those used for the 2015-2016 Plan³⁸.
- The TRC and UTC test results for Residential Programs are higher for the 2017 Plan than for 2016 and both are significantly higher than 1.0.³⁹ It is also noted that the 2017 DSM Plan TRC and UTC test results are higher for the Residential Sector than for either of the other two sectors.⁴⁰ This suggests that, given additional opportunities for savings, there is scope for additional spending in the Residential sector
- Draft results from the BC CPR study indicate that robust potential remains in the FBC service area for Residential customers.⁴¹

30. FortisBC indicates that it plans to use an updated measure list as well as the revised Discount Rate and an updated LRMC in its Long Term DSM Plan (“LT DSM Plan”) to be filed later this year.⁴² FortisBC has also indicated that the BC CPR which will inform its LT DSM Plan shows an increased overall potential for DSM compared to 2013 CPR Update.⁴³ As a result, FortisBC’s 2017 DSM Plan, particularly as it applies to Residential customers, is inconsistent not only with the 2016 approved Plan but also with the improved economics for DSM for 2017 and the longer term direction that is likely to evolve with the upcoming LT DSM Plan to be filed with the next LTRP later this year.

31. Despite FortisBC’s proposed reduction in spending on Residential programs as a whole, BCOAPO notes that FortisBC is actually proposing increased expenditures on “Low-Income and Rentals” programs. BCOAPO is not advocating for increased funding to non-low income Residential DSM program spending at this time due to concerns about impact on residential rates.

V. BCOAPO’s Conclusions on the Application

32. Subject to the concerns outlined above, BCOAPO is generally not opposed to the Commission’s approval of FortisBC’s proposed DSM Expenditures Schedule as being in the public interest. However, BCOAPO asks that the Commission direct FortisBC to explore how savings in existing Low Income programs can be improved and/or what new Low Income programs might be introduced for the purposes of the upcoming LT DSM Plan. Anecdotally, we have been told that low income customers do not experience significant savings from Energy Savings Kits; the very few low income customers we have spoken to that have applied for and received Energy

³⁸ Exhibit B-1, p. 13.

³⁹ Exhibit B-2, BCUC 1.8.2.

⁴⁰ Exhibit B-1, Appendix A, p. A16, Table A6-1.

⁴¹ Exhibit B-2, BCUC 1.6.2.

⁴² Exhibit B-3, BCOAPO 1.5.1.

⁴³ Exhibit B-4, BCSEA 1.8.3.

Savings Kits have not experienced much savings, in part because they do not know how to install the items, and the majority of the kit ends up sitting on a shelf.

33. BCOAPO submits that there appears to be potential to expand the expected participation in the Low Income programs, given the current estimates for 2017 represent only a small fraction of the total households that would qualify.⁴⁴ This accords with BCOAPO's understanding that low income customer awareness of ECAP is quite limited – the majority of anti-poverty advocates and clients with whom we are in contact are unaware of the program. BCOAPO is of the view that outreach for the program should be improved to increase uptake – it is likely that a lot of “low hanging fruit” is being missed.

All of which is respectfully submitted.

BC Public Interest Advocacy Centre

Erin Pritchard & Kate Feeney
Staff Lawyers

c. Registered Parties

⁴⁴ Exhibit B-4, BCSEA 1.16.4 & 1.16.5