BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF THE *Utilities Commission Act*, RSBC 1996, c.473

and

BCUC Project No. 1598964

FortisBC Energy Inc.
Application for Acceptance of
2019-2022 Demand Side Management Expenditures Plan

FINAL ARGUMENT
OF INTERVENERS
B.C. SUSTAINABLE ENERGY ASSOCIATION and
SIERRA CLUB BRITISH COLUMBIA

October 25, 2018

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Part 1. Introduction

A. BCSEA-SCBC Final Argument

1. This is the final argument of the intervenors B.C. Sustainable Energy Association (BCSEA) and Sierra Club British Columbia (SCBC) concerning FortisBC Energy Inc. (FEI) Demand Side Management (DSM) 2019 to 2022 Expenditures Plan[1] filed for acceptance by the Commission under section 44.2 of the *Utilities Commission Act*.

2. This argument responds to FEI's October 11, 2018 final argument (FEI Final Argument).

3. For convenience, this argument generally follows the headings used in FEI's Final Argument. Part 2 addresses the 2019-2022 DSM expenditure schedule. Part 3 addresses funding transfers rules, deferral accounts and amortization period. Part 4 is a brief conclusion.

4. In summary, BCSEA-SCBC support Commission approval of the remedies requested by FEI in this proceeding, for the reasons set out below.

BCSEA and SCBC

5. BCSEA is a non-profit association of citizens, professionals and practitioners committed to promoting the understanding, development and adoption of sustainable energy, energy efficiency and energy conservation in British Columbia. BCSEA supports the province's transition to a lower carbon economy. BCSEA has five chapters across B.C. and approximately five hundred individual and corporate members. Virtually all of BCSEA's members are ratepayers of one or more of BC's public energy utilities. BCSEA represents individuals and corporations in BC who care about energy sustainability and climate change, and who want the energy they purchase and use to be sustainably produced and transported.[2]

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[1] Section 44.2 of the UCA references DSM "expenditure schedules." FEI describes the current application as a "DSM Plan" and seeks approval of "the DSM expenditure schedule from 2019 to 2022 shown in Table 6-1 of the Application, as reproduced below [as corrected in Exhibit B-1-1]" [final argument, paragraph 5]. BCSA-SCBC understand a reference to the "DSM Plan" as including the expenditure schedule.
[2] Exhibit C3-1.

6. Tom Hackney of BCSEA-SCBC participates on FEI's Energy Efficiency and Conservation Advisory Group.

7. SCBC is a non-profit organization of British Columbians from all walks of life. SCBC represents individuals in BC who care about a broad range of environmental issues, including climate change and clean energy, and who want the energy they purchase and use to be produced and transported in ways that minimize harm to the natural environment. SCBC has five local groups and over 12,000 members and supporters across the province. Virtually all of SCBC's members are ratepayers of one or more of BC's public energy utilities.[3]

B. Approvals sought by FEI

8. FEI seeks acceptance of the schedule of DSM expenditures in Table 6-1 of the Application, as amended in the Errata,[4] and reproduced in paragraph 5 of the FEI Final Argument. On an All Programs basis, the expenditures proposed for 2019 to 2022 respectively are $66.35 million; $72.577 million; $88.803 million; and $97.755 million. The four-year total is $324.505 million.

9. Also, FEI seeks approval of funding transfers rules, accounting treatment of forecast rate base additions, and a 16-year amortization period for DSM expenditures.

C. Legal framework for the Acceptance of DSM Expenditures

10. BCSEA-SCBC agree with FEI's description in paragraphs 11 to 14 of its Final Argument of the legal framework for the Commission's consideration of whether to accept a DSM expenditure schedule under s.44.2 of the UCA.

11. Specifically, in considering whether the FEI 2019-2022 DSM expenditure schedule is in the public interest and should be accepted, the Commission will consider the following factors:

    (a) the B.C. energy objectives to promote energy conservation and efficiency, to reduce GHG emissions, and to promote community development and innovative technologies,

[3] Exhibit C3-1.
[4] Exhibit B-1-1, Errata to Application, pdf p. 8.

(b) FEI's 2017 Long Term Gas Resource Plan, currently under review by the Commission in BCUC Project No.1598946,

(c) the cost-effectiveness of the proposed DSM spending as defined in the DSM Regulation,

(d) whether the DSM spending is consistent with the adequacy requirements of the DSM Regulation, and

(e) the interests of current and future ratepayers.

Part 2. FEI's 2019-2022 DSM Plan and Expenditures

A. Introduction

12. BCSEA-SCBC consider that FEI's 2019-2022 DSM Plan and expenditure schedule are in the public interest and should be accepted by the Commission under s.44.2. The Plan provides for a very substantial increase in DSM spending and energy savings compared to pre-test period levels. The spending levels rise from approximately $66 million per year to $99 million per year over the four years, for a total of approximately $324 million. The spending is cost-effective under the appropriate benefit/cost measures. Implementation of the proposed DSM expenditures will provide considerable net benefit to the Province. By reducing natural gas usage, the DSM Plan reduces GHG emissions. The Plan includes robust programs aimed at conservation and efficiency savings for low income customers and customers in rental premises. The evaluation, monitoring and verification component of the Plan is suitable and reasonably budgeted.

13. If the Commission accepts the 2019-2022 DSM expenditure schedule, then BCSEA-SCBC recommend that the Commission confirm in its reasons for decision that FEI is encouraged to identify and develop new DSM opportunities as they become available, and to apply to Commission if additional funding is necessary.

14. BCSEA-SCBC look forward to FEI developing and implementing carbon reduction fuel switching measures in collaboration with FBC and BC Hydro. Low carbon electrification is a major element of BC's Climate Leadership Plan for meeting BC's GHG emissions reduction targets. While low carbon electrification measures are

outside the realm of DSM (unless they also result in net energy savings), they are very similar in manner ways to DSM measures.

B. Development of the 2019-2022 DSM Plan

(a) Guiding Principles

15. BCSEA-SCBC agree generally with the 11 principles set out by FEI for guiding development of the 2019-2022 DSM expenditure schedule.[5]

16. However, in BCSEA-SCBC's view the guiding principles should also include:

    (a) achieving all cost-effective DSM savings,

    (b) pursuing fuel switching (e.g., low carbon electrification) to reduce GHG emissions, and

    (c) reducing infrastructure costs to FEI.

(b) Expert Input from ICF and Third Parties

17. BCSEA-SCBC support FEI's approach in developing the 2019-2022 DSM Plan, described in paragraphs 21-24 of the FEI Final Argument.

(c) In-depth Consultation

18. BCSEA-SCBC have been a part of FEI's DSM stakeholder consultations and commend FEI for that part of its consultations. BCSEA-SCBC support the directional feedback that FEI cites in paragraph 25 of its Final Argument. In particular, BCSEA-SCBC emphasize the following:

    - Support BC Energy Step Code for new construction;
    - Support deeper retrofits;
    - Provide building envelope support; and
    - Support Energy Advisors.

[5] FEI Final Argument, para.19.

19. BCSEA-SCBC acknowledge that acceptance of the 2019-2022 DSM expenditure schedule is supported by the Ministry of Energy, Mines and Petroleum Resources, numerous cities, municipalities and regional districts, the BC Advanced Conservation & Efficiency Association, the Home Performance Stakeholder Council and the Hearth, Patio & Barbecue Association of Canada.[6] These endorsements support a conclusion that the Plan is in the public interest.

(d) Collaboration with Other Utilities and Other Parties

20. BCSEA-SCBC acknowledge and support FEI's cooperation and collaboration with FortisBC Inc. (FBC – electricity), BC Hydro, and Pacific Northern Gas (PNG) in developing and implementing the 2019-2022 DSM Plan. Over the years, BCSEA-SCBC have consistently encouraged cooperation and collaboration between the BC public utilities in developing and implementing demand-side measures.

21. Regarding FEI's integrated DSM work with FBC, BCSEA-SCBC strongly support low carbon electrification and they would certainly not support any fuel switching from electricity to natural gas. They are satisfied that the FEI DSM Plan does not involve fuel switching to gas. However, they encourage FEI and FBC to move forward with development and implementation of low carbon electrification measures.

22. BCSEA-SCBC commend FEI's participation with BC Hydro and FBC in providing the Home Renovation Program as a single customer-facing program.

23. Regarding FEI's provision of unbiased information to customers regarding fuel choice, FEI stated:

> "FEI will provide practical information to help builders and new home buyers make the most appropriate choices for their individual circumstances. FEI will provide information relevant to building envelope, air tightness, energy-efficient natural gas technologies, while FBC will do the same with respect to energy efficient electric technologies. For more in-depth information on the climate impacts of different technologies and fuel choices, builders and new home buyers can speak to their FEI Energy Solutions Manager, FBC Energy Efficiency Representative or an energy advisor."[7]

24. BCSEA-SCBC encourage FEI to treat GHG reduction information as part of the basic information regarding DSM measures, rather than as "more in-depth information."

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[6] Exhibits E1 to E14; FEI Final Argument, para.3.
[7] Exhibit B-4, BCSEA IR 12.1.2.

(e) Four Year Term of DSM Expenditure Schedule

25. BCSEA-SCBC agree with FEI that four years is an appropriate length for the 2019-2022 expenditure schedule and DSM Plan. A four-year timeframe, as opposed to a shorter timeframe, is important for program designers, contractors, and customers. It is also better for regulatory efficiency. The 2019-2022 timeframe aligns with FEI's long term gas resource planning cycle, with FBC's long term electric resource planning cycle, and with FBC's recently filed 2019-2022 DSM expenditure schedule.

26. With a four-year timeframe, flexibility to transfer funds between program areas and fiscal years is important. This is addressed further, below.

27. Also, with a four-year timeframe it is important that FEI be encouraged to identify and develop new DSM opportunities as they become available, and to apply to Commission if additional funding is necessary.

C. Spending Envelope and Policy Drivers

28. BCSEA-SCBC agree with FEI that the 2019-2022 DSM Plan includes a significant increase in DSM expenditures and conservation and efficiency savings.

(a) Policy Drivers

29. Government policy is a significant driver of the increase in DSM activity in FEI's DSM plan. BC's 2016 Climate Leadership Plan set a direction to FEI to increase incentives by at least 100 percent.[8] This was reflected in 2017 amendments to the DSM Regulation that enable increased activity in support of the BC Energy Step Code, Low Income programs, codes and standards, and programs that require use of the Modified Total Resource Cost test (MTRC).[9]

30. BCSEA-SCBC agree with FEI that other federal and provincial government policies have continued to support an increase in energy efficient gas appliances to reduce GHG emissions. FEI provides a useful summary in paragraph 42 of its Final Argument:

> "With the introduction of the Pan Canadian Framework on Clean Growth and Climate Change in 2016, Federal Government policy has a focus on

[8] 2016 Climate Leadership Plan, p. 32, Exhibit B-4, FEI response to BCSEA IRs, Attachment 1.1, pdf 106.
[9] Exhibit B-1, p.3; Exhibit B-4, BCSEA IR 1.2.1, pdf p.4.

> improving building energy efficiency and increasing space and water heating equipment efficiency to reduce GHG emissions.
>
> In December 2017, the Government of Canada announced a partnership with the Government of BC for energy efficiency and climate action in the province. This includes funding toward a Building Energy Retrofit Partnership that will provide financial incentives to households and businesses to undertake retrofits that reduce greenhouse gas emissions and energy bills. FEI is currently in discussion with the Ministry of Energy, Mines, and Petroleum Resources regarding the integration of the Retrofit Partnership with the current FEI program portfolio.
>
> In May 2018, the BC Government announced the replacement of the 2007 Greenhouse Gas Reduction Targets Act with the Climate Change Accountability Act. It set new carbon emission reduction targets from 2007 levels of 40 percent by 2030, 60 percent by 2040 and retained the target of 80 percent by 2050."[10]

31. BCSEA-SCBC strongly support FEI's increased DSM spending and savings projections, and the efficiency objectives. However, BCSEA-SCBC also believe that government policy should be interpreted to have a strong weighting on GHG reductions, as well as efficiency. FEI resists this interpretation in its responses to certain information requests.[11]

32. FEI acknowledges that "it does not propose any measures in the 2019-2022 DSM Plan to encourage program participants to switch from gas appliances or equipment to electric appliances or equipment or vice versa"[12] FEI does not prioritize DSM measures that achieve GHG reductions in the Plan. BCSEA-SCBC submit that FEI should pursue low carbon electrification measures in conjunction with FBC and BC Hydro, outside of the DSM Plan if the measures do not produce net energy savings.

33. BCSEA-SCBC commend FEI for providing GHG emissions reductions estimates associated with the proposed DSM measures, both in the Application[13] and in more detail in response to BCSEA-SCBC's information request.[14] BCSEA-SCBC see reporting on planned and actual GHG emissions reductions associated with DSM

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[10] Footnote references removed.
[11] Exhibit B-4, BCSEA IRs 1.1.1, 1.3.2, 1.6.
[12] Exhibit B-4, BCSEA IR 1.2.1, pdf p.4; BCSEA IR 1.3.3, p.6.
[13] Exhibit B-1-1, Table 3-4, pdf p.7.
[14] Exhibit B-4, Attachment 2.1, pdf p.213, *et seq.*

savings as an important new element in work toward meeting BC's GHG reduction targets.

34. The GHG reductions figures FEI uses are at the burner tip, as distinct from lifecycle GHG emissions reductions.[15] BCSEA-SCBC recommend that lifecycle GHG emissions reductions be included in future analyses.

35. BCSEA-SCBC also recommend that a suitable metric for the cost-effectiveness of GHG emissions reduction through demand-side measures be developed. They accept FEI's point that incentive costs alone compared to GHG emissions reductions are not a suitable metric. FEI states:

> "Incentive costs alone compared to energy and/or GHG reduction do not represent a suitable metric for assessing natural gas DSM programs because this metric is too narrow. Using incentive costs by themselves ignores other cost-effectiveness inputs, such as non-incentive costs and avoided fuel supply costs which are represented in the well-established cost effectiveness tests implemented by FEI in accordance with the California Standard Practice Manual and as stipulated in the DSM Regulation..."[16]

36. BCSEA-SCBC agree with FEI's summary statement that "FEI's DSM Plan supports federal and provincial government policy to reduce carbon emissions through increasing the use of higher efficiency natural gas equipment and encouraging improved overall building energy efficiency."[17] Government direction and policy weighs heavily in favour of FEI's proposal to increase its investment in cost-effective DSM programs.[18] That said, BCSEA-SCBC believe that in the future higher levels of GHG reductions due to natural gas efficiency and conservation measures will be required in order for BC to meet its GHG emissions reduction targets, and in particular the new 40% reduction by 2030 and 60% reduction by 2040 targets.

(b) BC Conservation Potential Review

37. BCSEA-SCBC acknowledge the value of the BC CPR completed in 2017 by FEI, FBC, BC Hydro and PNG. BCSEA-SCBC agree in general that the CPR provides a solid foundation for the DSM Plan.

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[15] Exhibit B-4, BCSEA IR 2.1., pdf p.10.
[16] Exhibit B-4, BCSEA IR 2.1., pdf p.10.
[17] FEI Final Argument, para.43.
[18] FEI Final Argument, para.44.

38. However, while FEI says that all cost-effective measures identified by the BC CPR are included in the DSM Plan,[19] BCSEA-SCBC have reservations about how the BC CPR determines the level of cost-effective measures that are available. This is being addressed in the Commission's proceeding regarding FEI's 2017 Long Term Gas Resource Plan.

(c) Bottom-Up Development of Plan

39. BCSEA-SCBC do not disagree with FEI's "bottom-up" approach to development of the 2019-2022 DSM Plan.

(d) New Initiatives Driving DSM Activity

40. The 2019-2022 DSM Plan includes one new program, one new enabling activity, and some 40 new initiatives.[20] BCSEA-SCBC support these initiatives.

41. BCSEA-SCBC support the Industrial Strategic Energy Management Program (SEM) that FEI will run jointly with BC Hydro.[21] The program addresses past under-performance of the industrial DSM opportunities. BCSEA-SCBC look forward to seeing the results of the SEM program.

42. BCSEA-SCBC support the new enabling activity called the "Community Energy Specialist Program." This program allows FEI to engage with communities and municipalities in support the Step Code for Buildings. BCSEA-SCBC are confident that many municipalities are becoming increasingly interested in GHG reductions, driving a desire to reduce usage of fossil fuels. Local governments such as the City of Vancouver, the City of Victoria, the District of Saanich, and various municipalities in the BC Kootenays have set goals to supply 100 percent of their energy needs via clean and renewable sources by 2050.[22]

43. BCSEA-SCBC agree with FEI that the Industrial Strategic Energy Management Program and the Community Energy Specialist Program are "specified demand-side measures" and must be evaluated on a portfolio basis pursuant to the DSM Regulation.

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[19] FEI Final Argument, para.47.
[20] Listed in Exhibit B-5, CEC IR 1.19.1, pdf p.43, *et seq.*
[21] Exhibit B-4, BCSEA IR 23.2, pdf p.62.
[22] FEI 2017 LTGRP Proceeding, Exhibit B-1, pp. 48-49, pdf pp. 73-74.

44. In paragraphs 57-61 of its Final Argument, FEI summarizes new activities driving growth in the DSM portfolio. FEI states:

> "In total, new measures are projected to provide an additional 236,380 GJ of gas savings in 2019, which alone would lead to a 44 percent increase in savings between 2017 and 2019."[23]

45. BCSEA-SCBC agree that these are significant drivers of growth in the DSM Plan.

D. Cost-effectiveness Pursuant to the DSM Regulation

(a) Cost Effectiveness Tests and Results

46. BCSEA-SCBC accept that FEI has used the appropriate cost-effectiveness tests in evaluating the DSM programs, activities and portfolio.

47. FEI provides the results of the cost-effectiveness analyses in Exhibit 6 - Gas Savings and Cost-Effectiveness Results for Each of the Program Areas and the Total DSM Portfolio.[24] The All Programs TRC is 1.0, which is satisfactory. The Portfolio TRC is 1.9, which indicates that the total benefits of the portfolio are almost double the total costs. The MTRC of the Low Income program area is 4.5, which suggests to BCSEA-SCBC that there is room for expansion. The TRC of the Industrial program area is 3.5, which also suggests room for expansion.

(b) Portfolio Approach

48. BCSEA-SCBC support continuation of the portfolio approach to analyzing the cost-effectiveness of the DSM Plan. This is supported by the DSM Regulation as well as by good practice.

(c) Prescribed Use of TRC/MTRC

49. BCSEA-SCBC accept that FEI has appropriately interpreted and applied the TRC and Modified TRC metrics pursuant to the DSM Regulation.

50. FEI describes its application of the Total Resource Cost (TRC) test and where appropriate the Modified Total Resource Cost (MTRC) test, including components of the MTRC: the 40% MTRC cap, the use of ZEEA (zero-emissions energy supply

[23] Exhibit B-6, MoveUP IR 1.1.1.
[24] Exhibit B-1-1, Appendix A, DSM Plan, pdf p.12.

alternative) and NEBs (non-energy benefits).[25] This summarizes the application of the Demand-Side Measures Regulation (B.C. Reg. 326/008) of the *UCA*. BCSEA-SCBC agree with FEI's description of the MTRC and agree with FEI's description of how it is to be applied to achieve the purposes of the Regulation.

51. BCSEA-SCBC agree with FEI that "[the] use of the ZEEA recognizes that avoiding natural gas use has similar GHG emission reduction benefits to that of employing clean electricity to meet that energy need [i.e. to acquire incremental energy resources]."[26]

52. Further, recent amendments to the DSM Regulation to (a) support BC Energy Step Code adoption by municipalities and to (b) increase the MTRC cap from 33.3% to 40%[27] indicate government policy direction.

53. BCSEA is particularly encouraged to see that FEI has used the MTRC to increase its Low Income program area, from planned spending and incremental annual gas savings for 2007 of $2.644 million and 27,768 GJ/yr[28] to from $6.630 to $7.096 million and 76,022 GJ to 77,707 GJ for 2019 through 2022.[29] In BCSEA-SCBC's view, there is a particular need in the Low Income sector to overcome barriers to investment in cost-effective DSM.

54. BCSEA-SCBC generally agree with FEI's discussion of free riders and spillover, on the understanding that the "reduction to the energy savings" and "increase [to] energy savings" cited in paragraph 82 of the FEI's Final Argument refers to the *attribution* of energy savings to the DSM programs, as opposed to *actual* energy savings physically achieved. Both free ridership and spillover refer to situations where utility customers make investments to save energy – and this is a social benefit – although in the case of free ridership, there is the assessment that a utility incentive need not have been provided to achieve the investment.

55. BCSEA-SCBC agree with FEI that the measurement of free ridership and spillover are subject to much uncertainty and subjective judgment. BCSEA-SCBC further note

[25] FEI Final argument, paragraphs 75 – 81.
[26] FEI Final argument, paragraph 79.
[27] Exhibit B-4, BCSEA IR 1.2.1
[28] Exhibit B-1, DSM Programs 2017 Annual Report, pdf p. 150.
[29] Exhibit B-1, Exhibits 5 & 6, expenditures and gas savings, pdf p. 54.

that it appears to be easier for FEI (and other utilities) to estimate free ridership than to estimate spillover. This would tend to create a negative bias in the estimation of the cost-effectiveness of DSM programs. In BCSEA-SCBC's view, these metrics have some merit as a general gauge of the effectiveness of design of DSM programs, but they should not be given undue weight.

56. BCSEA-SCBC agree with FEI's approach to attribute benefits of savings from the introduction of codes and standards on a case-by-case basis, where such attribution can be supported.[30]

(d) Utility Cost Test

57. FEI states that after applying the TRC/MTRC test at the portfolio level it considered the results of the Utility Cost test and made "modest improvements to the UCT by reducing program administration costs and, in some cases, incentive levels."[31]

58. FEI notes that "portfolio has an overall UCT of 0.9, with only three programs with a UCT below 1.0: the New Home Program in the Residential Program Area, and the Low Income Direct Install Program and the Low Income Prescriptive Program." BCSEA-SCBC agree that the DSM Plan should not be changed to increase the UCT result. They agree with FEI that:

> "As the programs with a low UCT are in the residential and low income areas, attempts to increase the UCT results will decrease the reach and breadth of the DSM Plan and result in lost opportunities in low income and residential sectors. FEI has also taken a conservative approach to estimating its benefit/cost ratios, and as such the UCT of the portfolio may very well be 1.0 or higher."[32]

E. Adequacy Pursuant to the DSM Regulation

59. In Table 3-2, FEI summarizes the adequacy requirements in the DSM Regulation and how the 2019-2022 meets these requirements. BCSEA-SCBC are satisfied that the Plan does meet the adequacy requirements of the DSM Regulation.

60. FEI's Rental Apartment Efficiency Program addresses one of the adequacy requirements. This program is divided between FEI's Residential and Commercial

[30] FEI Final Argument, paragraphs 85, 86.
[31] FEI Final Argument, para.87.
[32] *Ibid.*

Program Areas. In-suite expenses are included in the Residential Program Area. Common area expenses, including energy assessment, implementation support and common area upgrades, are included in the Commercial Program Area.[33]

61. FEI forecasts installing 24,450 water efficiency devices in 9,000 dwelling units each year of the program,[34] out of a potential eligible total of 575,500 dwelling units.[35]

62. Thus, assuming FEI successfully reaches 36,000 units in the four year test period, it would reach approximately 6% of the potentially eligible recipients for water efficiency devices. In BCSEA-SCBC's view, this suggests considerable potential upside to the program. They would like to see the program targeted to reach all eligible customers.

F. Furtherance of BC Energy Objectives

63. In Table 3-1, reproduced in paragraph 99 of the FEI Final Argument, FEI sets out the relevant BC energy objectives and summarizes how they are fostered by the 2019-2022 DSM Plan. In BCSEA-SCBC's view, the Plan does support the BC energy objectives.

64. BCSEA-SCBC agree with FEI that DSM investment has broad economic and employment benefits. FEI cites credible evidence of this point in paragraph 100 of its Final Argument:

> "A 2018 study commissioned by Clean Energy Canada estimated that every $1 spent on energy efficiency results in a net benefit of $4-7 in terms of GDP, and every $1 million of DSM program spending created 16-30 full-time equivalent jobs. The Illinois Energy Efficiency Stakeholder Advisory Group completed a review in 2015 that found that 'estimates for job creation for program spending range from 8 to over 200 jobs created per $1 million in DSM program spending.' The review also found that 'estimates for job creation for energy efficiency investments alone range from 12 to 20 jobs created per $1 million in energy efficiency investment.'"[36]

[33] Exhibit B-1, Appendix A, FEI DSM Plan 2019-2022, Section 3.4.3 (pdf p. 63) and Section 4.4.4 (pdf p. 72).
[34] Exhibit B-4, BCSEA IR 13.1.
[35] Exhibit B-4, BCSEA IR 13.2.
[36] FEI Final Argument, para.100, citing Exhibit B-2, BCUC IR 1.1.4.

G. Consideration of Long Term Gas Resource Plan

65. BCSEA-SCBC agree that the 2017 LTGRP is the most recently filed long term plan and that the current application is broadly aligned with the 2017 LTGRP.

66. BCSEA-SCBC note that the 2017 LTGRP proceeding is ongoing and they will not comment further on it in the current proceeding.

H. Program Evaluation, Measurement and Verification

67. FEI's 2019-2022 DSM Plan includes expenditures for evaluation, measurement and verification (EM&V). An Evaluation Plan is provided in Appendix G of the Application.

68. The Evaluation Plan is consistent with FEI's EM&V Framework approved by the Commission in 2014 with BCSEA-SCBC's support.[37]

69. FEI's 2019-2022 EM&V expenditures are 2.9% of overall planned expenditures. This is an increase compared to 2017. FEI explains:

> "The increase is due to more DSM programs maturing within the period, increased site visits to assess quality assurance and program compliance, expansion of existing programs, new measures added to existing programs, and the addition of new programs in market. While EM&V expenditures have increased along with the needed EM&V activities, FEI staff continually work to identify opportunities to streamline EM&V processes, improve the competitiveness of RFP bidding and increase the value of the studies conducted for program delivery to customers."[38]

70. BCSEA-SCBC are satisfied that the proposed EM&V expenditures are reasonable.

Part 3. Funding Transfers and Regulatory Treatment

A. Addition to Funding Transfers Rules

71. In BCSEA-SCBC's view, the funding transfers rules should be oriented toward facilitating FEI's revision and updating of its DSM activities to improve overall effectiveness. As stated above, BCSEA-SCBC believe that this is particularly important with a four-year DSM expenditure schedule. BCSEA-SCBC have not had

[37] Decision and Order G-138-14.
[38] FEI Final Argument, para.112.

concerns with FEI's funding transfers in the past. Rather, BCSEA-SCBC's concerns have at times been focused on under-spending.

72. In addition to confirmation of the existing funding transfers rules, FEI proposes a new rule that would permit the rollover of unspent expenditures in a Program Area to the same Program Area in the following year. FEI describes the proposal as follows:

> "120. FEI proposes that starting with 2019 it be permitted to transfer or "rollover" unspent expenditures in a Program Area to the same Program Area in the following year. This proposal would allow FEI to rollover unspent amounts from year to year on a cumulative basis. FEI proposes that forecast amounts that are not expended by the end of the 4-year period would not be rolled over into FEI's next DSM application. FEI's proposed accounting treatment, as discussed in section 9.2 of the Application, would apply to the rolled-over amounts. As such, only actual expenditures would be placed in the non-rate base DSM deferral account and added to rate base at the beginning of the following year. FEI would continue reporting on funding transfers between program areas in its DSM program annual reports to the BCUC. FEI would report separately on unspent "rollover" values in its annual reports, so that all amounts rolled over within a program area and transferred between programs are transparently accounted for in the DSM program annual reports."

73. BCSEA-SCBC support the proposed rollover rule. It provides FEI with flexibility to respond to unplanned factors. BCSEA-SCBC agree with FEI that the exact timing of the expenditure within the four-year period should not change the public interest in making the expenditures. They also strongly agree with FEI that the proposed rollover rule would reduce the risk of underspending, which, as noted above, has been a concern of BCSEA-SCBC at times in the past.

B. DSM Deferral Accounts

74. FEI proposes to change the name of its rate base and non-rate base "Energy Efficiency and Conservation" deferral accounts to "DSM" deferral accounts, and to increase its forecast rate base additions to the DSM deferral account from $15 million to $30 million, for each of the years 2019 through 2022. BCSEA-SCBC support both proposals.

75. The change of name promotes clarity given that the accounts relate specifically to "DSM" as defined in UCA and the DSM Regulation, rather than to broader concepts that FEI may use internally.

76. The increase in the forecast rate base additions is warranted and in the interests of customers. BCSEA-SCBC agree with FEI that:

> "Improving the alignment between the amount forecast in the rate base DSM Deferral account each year and actual expenditures will reduce the financing costs added to the deferral account, and overall costs to rate payers on the non-rate base portion of the DSM Plan expenditures."[39]

C. Extension of Amortization Period

77. FEI proposes to extend the amortization period of its DSM expenditures from 10 to 16 years.

78. BCSEA-SCBC agree that the amortization period should match the benefits period, which in this instance means the period over which customers will realize the benefits of the DSM activity, based on the averaged weighted measure life of FEI's proposed DSM Plan.

79. FEI's Weighted Average Measure Life analysis is provided in Appendix J of the Application. BCSEA-SCBC have no reason to disagree with the results that support a 16-year amortization period.

Part 4. Conclusion

80. For the reasons set out above, BCSEA-SCBC support Commission acceptance of the FEI 2019-2022 DSM expenditure schedule under s.44.2 of the UCA, together with the remedies requested regarding fund transfers rules, DSM deferral accounts, and the proposed 16-year amortization period for DSM expenditures.

ALL THE ABOVE IS RESPECTFULLY SUBMITTED

October 25, 2018

[39] FEI Final Argument, para.128.