

BRITISH COLUMBIA UTILITIES COMMISSION

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

and

FortisBC 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

November 27, 2018

William J. Andrews, Barrister & Solicitor
1958 Parkside Lane, North Vancouver, BC, Canada, V7G 1X5
Phone: 604-924-0921, Fax: 604-924-0918, Email: wjandrews@shaw.ca

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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 Inc.'s (FBC's) Demand Side Management (DSM) 2019 to 2022 Expenditures Plan (DSM Plan)¹ filed for acceptance by the Commission under section 44.2 of the *Utilities Commission Act*. This argument is filed pursuant to Order G-179-18.
2. This argument responds to FBC's November 13, 2018 final argument (FBC Final Argument).

B. BCSEA and SCBC

3. 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
4. Tom Hackney of BCSEA-SCBC participates on FBC's Energy Efficiency and Conservation Advisory Group.
5. 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

¹ Exhibit B-1-1, Appendix A.

² Exhibit C1-1.

across the province. Virtually all of SCBC's members are ratepayers of one or more of BC's public energy utilities.³

C. Remedies sought by FBC

6. FBC seeks acceptance of the 2019-2022 DSM Plan in Table 1-1 of the Application, as amended in the Errata⁴ The expenditures proposed for 2019 to 2022 respectively are \$10.9 million, \$10.5 million, \$10.8 million, and \$11.1 million, for a four-year total of \$43.3 million.⁵
7. In addition, FBC seeks approval to move to a 15-year amortization period for DSM expenditures, and approval of rules regarding flexibility in the timing of expenditures within the proposed program areas.

D. Outline and Summary

8. For convenience, this argument generally follows the headings used in FBC's Final Argument. Part 2 addresses the background and related Commission processes. Part 3 addresses the legal and regulatory framework. Part 4 examines the 2019-2022 DSM expenditure portfolio. Part 5 addresses DSM program areas. Part 6 addresses amortization, funding transfers rules, and prorating of DSM incentives for self-generating customers. Part 7 is a brief conclusion.
9. In summary, BCSEA-SCBC support Commission approval of the remedies requested by FBC in this proceeding, for the reasons set out below.

Part 2. Background and Related Processes

10. BCSEA-SCBC acknowledge that the 2019-2022 DSM Plan is based on the levels of spending and savings targeted in the "High" DSM scenario in FBC's 2016 Long Term Electric Resource Plan (2016 LTERP) and Long Term Demand-Side Management Plan (LT DSM Plan). The Commission accepted FBC's 2016 LTERP and LT DSM Plan in Decision and Order G-117-18.

³ Exhibit C1-1.

⁴ Exhibit B-1-1, Errata to Application, pdf p. 7.

⁵ FBC also refers to an inflation adjusted figure of \$44 million for the 2019-2022 period.

11. The 2019-2022 DSM Plan also reflects a change in circumstances since the LT DSM was filed: specifically, the emergence of potential new load associated with cannabis production facilities within FBC's service territory.
12. In the 2016 LTERP and LT DSM Plan, FBC's estimated Long Run Marginal Cost (LRMC) was \$100/MWh for the purpose of cost-effectiveness testing under the DSM Regulation.

Part 3. Legal and Regulatory Framework

13. BCSEA-SCBC do not disagree with paragraphs 17 to 19 of FBC's Final Argument describing the applicable statutory framework.
14. As FBC acknowledges in paragraph 20 of its Final Argument, in Decision and Order G-113-18 accepting FBC's 2018 DSM expenditure schedule, the Commission Panel "encourages FBC to provide a clear explanation of how the CPR [Conservation Potential Review] and market potential study results have been utilized in the development of the respective DSM plan."
15. BCSEA-SCBC do not disagree with paragraph 23 of FBC's Final Argument setting out the most relevant BC energy objectives for the Commission to consider in deciding whether to accept the 2019-2022 DSM Plan.
16. BCSEA-SCBC do not disagree with paragraphs 25 to 31 of FBC's Final Argument describing the cost-effectiveness analysis requirements of the DSM Regulation.
17. BCSEA-SCBC do not disagree with paragraphs 33 and 34 of FBC's Final Argument describing the "adequacy" requirements of the DSM Regulation.
18. BCSEA-SCBC submit that in considering whether the FBC 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,

- (b) FBC's 2016 LTERP and LT DSM Plan,
- (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 4. FBC's 2019-2022 DSM Expenditure Portfolio

A. Consideration of 2016 LTERP and LT DSM Plan

19. The spending and electricity savings in the 2019-2022 DSM Plan are higher than contemplated in the 2016 LT DSM Plan for the test period. This is due largely to DSM measures aimed at the newly anticipated cannabis production load.
20. The 2019-2022 DSM Plan total spending of \$43.3 million is approximately \$7.6 million, or 21 percent, higher than the \$35.7 million contemplated in the LT DSM Plan for the same four-year period.⁶
21. The 2019-2022 DSM Plan total expected electricity savings of 131 GWh are approximately 19 GWh, or 17 percent, higher than the 111.6 GWh of savings in the LT DSM Plan for the same period.⁷
22. In terms of pre-DSM forecast load growth expected to be off-set by DSM savings, the 2019-2022 DSM Plan contemplates a higher percentage than does the 2016 LT DSM Plan. The 2019-2022 DSM Plan indicates a load-growth offset of approximately 85% of forecast energy growth for 2019-2022.⁸ The 2016 LT DSM Plan contemplated an average off-set of 77% of FBC's load growth from DSM over the course of the 20-year planning horizon.⁹

⁶ Exhibit B-1-1, pdf p.6.

⁷ *Ibid.*

⁸ Figures of 79%, 85%, 98% and 79% for the years 2019 to 2022, respectively. Exhibit B-2, BCUC IR 1.1.

⁹ LTERP review, Exhibit B-1, Volume 2, 2016 LT DSM Plan, Table 3-1, page 14, pdf p. 500.

23. BCSEA-SCBC submit that consideration of FBC's 2016 LTRP and LT DSM Plan supports acceptance of the 2019-2022 DSM Plan under s.44.2 of the Act.

B. Cost-effectiveness of the 2019-2022 DSM Plan

24. FBC estimates a Total Resource Cost (TRC) benefit/cost ratio of 1.5 at the portfolio level for the 2019-2022 DSM Plan.¹⁰

25. In addition, as FBC notes in paragraph 47 of its Final Argument, sector and program level TRC results are all individually above unity as well. The measures included in the DSM Plan passed the TRC test, without requiring the use of the 15% benefits adder under the mTRC. The Utility Cost Test and the Participant Cost Test results are both greater than unity.

26. The Ratepayer Impact Measure is slightly below unity, at 0.8. However, the DSM Regulation, section 4(6) specifies that the commission may not determine that a proposed demand-side measure is not cost effective on the basis of the ratepayer impact measure.

27. BCSEA-SCBC submit that the Commission should conclude that the FBC 2019-2022 DSM Plan is cost-effective using the methodology required by the DSM Regulation.

28. The portfolio TRC of 1.5 is based on a Long Run Marginal Cost (LRMC) estimate of \$100/MWh and a Deferred Capital Expenditure (DCE) of approximately \$80/kW/year. BCSEA-SCBC accept that these figures are suitable for carrying out the benefit/cost analysis of the 2019-2022 DSM Plan, without prejudice to their evidence and argument regarding avoided cost figures in the Commission's proceeding regarding FBC's 2017 Cost of Service Analysis and Rate Design Application (decision awaited).

C. Adequacy of 2019-2022 DSM Plan

29. BCSEA-SCBC are satisfied that the 2019-2022 DSM Plan meets the adequacy requirements of the DSM Regulation section 3(1). These include measures and programs focused on low income customers, rental accommodations, education for

¹⁰ Exhibit B-1-1, Table 5-1.

high school and post-secondary students, Codes & Standards, and Supporting Initiatives.

D. Furtherance of BC Energy Objectives

30. FBC's 2019-2022 DSM Plan fosters the BC energy objective to take DSM measures and conserve energy.
31. Regarding the 'innovative technologies' energy objective, the 2019-2022 DSM Plan includes \$550,000 on Innovative Technologies within the Portfolio Expenditures program area. This includes a Smart Learning Thermostat Pilot and the Kelowna Area Demand Response Pilot project.
32. In relation assistance to communities, FBC cites local government and institutional strategic energy planning, as well as community education and outreach enabled through FBC's Supporting Initiatives.
33. BCSEA-SCBC acknowledge and support FBC's cooperation and collaboration with FortisBC Energy Inc. (FEI – natural gas) and BC Hydro 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.
34. Regarding FBC's integrated DSM work with FEI, BCSEA-SCBC strongly support low carbon electrification and they certainly do not support any fuel switching from electricity to natural gas. They are satisfied that the FBC DSM Plan does not involve fuel switching to gas. However, they encourage FBC and FEI to move forward with development and implementation of low carbon electrification measures.
35. BCSEA-SCBC commend FBC's participation with BC Hydro and FEI in providing the Home Renovation Program as a single customer-facing program.

E. Interests of Present and Future FBC Ratepayers

36. BCSEA-SCBC consider that the 2019-2022 DSM Plan is in the interests of present and future FBC ratepayers.

37. BCSEA-SCBC acknowledge that acceptance of the 2019-2022 DSM expenditure schedule is supported by the City of Kelowna¹¹ and Nelson Hydro.¹²

Part 5. DSM Program Areas

38. In this Part, BCSEA-SCBC will address the following selected topics: heat pumps, the BC Energy Step Code, Demand Response, the Low Income program area, and EfficiencyBC.

A. Heat Pumps

39. BCSEA-SCBC commend FBC's approach to Air Source Heat Pumps (ASHP) in the 2019-2022 DSM Plan.

40. FBC proposes a substantial increase in support for ASHP in the 2019-2022 DSM Plan. This seen in the following table:¹³

Consolidated Air Source Heat Pump Forecast Expenditures 2018-2022 (\$000s)				
2018 Projected	2019 Plan	2020 Plan	2021 Plan	2022 Plan
\$337	\$684	\$749	\$820	\$898

41. These figures include incentives for ductless and central air source heat pumps, heat pump tune-ups, and communications expenditures. FBC says the substantial increase in ASHP expenditures is due to increased incentives, increased participation and higher market activity through partnerships with the Home Renovation Program and EfficiencyBC.¹⁴

42. Notably, FBC's heat pump support is being diversified beyond central heat pumps (e.g., to ductless heat pumps) and will also include heat pump water heaters. Rebate levels for central and ductless heat pumps were increased and structured into tiers to reward customers who install more efficient equipment.¹⁵ BCSEA-SCBC welcome these improvements.

¹¹ Exhibit E-1.

¹² Exhibit E-2.

¹³ Exhibit B-2, BCUC IR 10.4, pdf p.54.

¹⁴ *Ibid.*

¹⁵ Exhibit B-3, BCSEA IR 8.1, page 28.

43. As an alternative to direct financial incentives, FBC may continue to offer heat pump loans for qualifying customers at a below market interest rate.”¹⁶

44. FBC expects that expanded ASHP promotional activities in 2019-22 will lead to increased uptake of ASHP. It states:

“...Communication activities commencing November 2018, will focus on the benefits (financial and non-energy) of heat pump technology. The digital and social media ads, and conventional print ads. Results of the campaign will be monitored and, if necessary, adjusted to achieve desired results for subsequent campaigns.”¹⁷

45. Again, BCSEA-SCBC support FBC’s expanded support for air source heat pumps in the 2019-2022 DSM Plan.

B. BC Energy Step Code

46. The 2019-2022 DSM Plan includes a significant ramp-up of expenditures in the New Home Program in response to the March 2017 the amendments to the DSM Regulation requiring a public utility’s DSM portfolio to include measures in support of the BC Energy Step Code.

47. FBC explains:

“Typically building code is the baseline for claimed energy savings for new home measures. In the past, if a municipality adopted a higher energy performance code, a new baseline would have to be considered, resulting in reduced energy savings and potentially an adjustment of incentive levels.

The 2017 amendment to the DSM Regulation allowed the building code baseline to be used regardless of the step code level a municipality has adopted, and thus has enabled FBC and FEI to offer a province-wide Step Code program offer and streamline the program for energy advisors, builders and local governments. Municipal adoption of the Step Code will drive program participation as builders/developers become educated about the benefits of high performance homes and how they can attain these new standards.”¹⁸

48. BCSEA-SCBC support the 2019-2022 DSM Plan’s measures to support the Step Code.

¹⁶ Exhibit B-3, BCSEA IR 8.1, page 28.

¹⁷ Exhibit B-2, BCUC IR 10.1, pp. 53 & 54.

¹⁸ Exhibit B-2 BCUC IR 10.3, pp. 51-52.

C. Demand Response

49. BCSEA-SCBC support FBC's exploration and development of "demand response" (DR) opportunities.

50. FBC commissioned studies on demand response from both Enbala¹⁹ and Navigant.²⁰

FBC explains their different orientations and purposes:

"The Navigant DR study, a copy of which is provided in the response to BCSEA IR 1.10.1, shows a DR potential assessment of residential and small commercial customers. FBC notes the Navigant DR study was at a high-level, focused on winter peak mitigation and encompassed FBC's entire service area. Whereas the Enbala DR assessment was a detailed characterization of large Institutional, Commercial, and Industrial (ICI) customer base, including mapping the top 50 customers' detailed usage profiles against the backdrop of three years of the Kelowna area load profile. Furthermore, the Enbala study focused on summer peak mitigation as the Kelowna area bulk transformers' summer reliability threshold will be breached first."²¹

51. To BCSEA-SCBC's question of whether FBC considered including an assessment of potential for residential or small commercial DR, such as direct load control of air conditioning, FBC responded:

... FBC intends to take a hands-on approach with the successful proponent for its proposed DR pilot, from recruiting ICI customers to learning all aspects of operating the DR pilot.

Typically, Residential and Small Commercial DR programs use the services of a third-party aggregator, which would restrict the Company's learning from a DR pilot focused on such mass market customers."²²

52. BCSEA-SCBC understand FBC's response to mean that the focus of the Enbala DR assessment on Institutional, Commercial and Industrial customers does not imply that FBC intends to exclude residential and small commercial customers from consideration as potential sources for DR. However, FBC has no definite proposal to assess the DR potential of residential and small commercial customers, either in the Kelowna area or in other constrained parts of its service territory.²³

¹⁹ Exhibit B-1, Appendix A-1, pdf 61, *et seq.*

²⁰ Exhibit B-3, attachment to BCSEA IR 10.1, pdf 48, *et seq.*

²¹ Exhibit B-3, BCSEA IR 11.1, page 33.

²² Exhibit B-3, BCSEA IR 11.1, page 33.

²³ Exhibit B-3, BCSEA IR responses 11.2 and 11.3, p. 34.

53. BCSEA-SCBC support Enbala’s recommendation, arising from its key findings as follows:

“Comparing the load forecasts in the Kelowna area against the existing network’s reliability limits show that the projected summer load will surpass the current summer reliability limit in 2023 and the projected winter load is not expected to exceed the winter reliability limit in the next 20 years. Therefore, the focus of this study is on analyzing the summer peak periods.

The DR Potential Assessment, using a data-driven approach, shows that sufficient DR potential exists from the large ICI sector to provide a positive net benefit to the FBC system. Enbala estimates that a demand response program would provide a combined utility benefit of \$172/kW-year from Avoided Transmission, Distribution and Generation costs. An example financial analysis for using DR capacity to defer transmission or distribution capacity is provided in the report.

Recommendation. Enbala recommends that FortisBC proceed with an ICI Demand Response Pilot targeting 1.75 MW of capacity per year, and, at a minimum, maintain this level of DR capacity for a period of 3 years.”²⁴

54. BCSEA-SCBC also recommend that FBC should assess the DR potential of residential and small commercial customers in the Kelowna area.

D. Low Income Program Area

55. BCSEA-SCBC note that the 2019-2022 planned Low Income Program savings do not represent an increase over actual and planned savings in past years.

56. The following table compiles FBC’s Low Income DSM actual, approved, or planned savings estimates in MWh for the years 2012 to 2022.

Year	Actual, approved or planned savings (MWh)
2012	1,054
2013	2,000
2014	2,286
2015	282
2016 ²⁵	1,214

²⁴ Exhibit B-1, Appendix A-1, pdf p. 63.

2017	693
2018 ²⁶	1,229
2019	1,213
2020	1,214
2021	1,217
2022 ²⁷	1,255

57. BCSEA-SCBC recognize that achieving significant incremental DSM savings in the Low Income area will be challenging for FBC. However, they strongly encourage FBC to rise to the challenge.

58. In early 2018, the contractor who delivered FBC and FEI’s Energy Conservation Assistance Program (ECAP) entered creditor protection. FBC acknowledged that this affected implementation of its ECAP program and explained:

“FBC made best efforts to minimize impacts to the program and its participants. New contractors were engaged, trained on the program processes and specifications, and began scheduling jobs with program participants as quickly as possible. All customers that were mid-stream in program participation were preserved and the work is being completed by the new contractors. The initial vendor going into creditor protection was not expected and the main impact was a delay in customer project completions, which in turn has led to lower projected expenditures for the ECAP program in 2018.”²⁸

59. Looking forward, FBC states:

“Currently, FBC is focused on serving any customers that had projects mid-stream during the transition of program delivery vendors and also serving new customers that have recently applied to the ECAP. FBC has engaged two program delivery vendors to replace the one former vendor. This will reduce the wait times for customers that were mid-stream during the transition and also create greater capacity for future years. Both vendors are currently fully operational and actively scheduling work for ECAP participants.”²⁹

60. BCSEA-SCBC are satisfied that these are reasonable explanations.

²⁵ Exhibit B-1, Appendix E, Appendix B, pdf 192 – 194, showing Low Income DSM actual savings for 2012 through 2016.

²⁶ Exhibit B-1, Appendix E, Appendix A, pdf 190, showing Low Income DSM planned or approved savings for 2017 and 2018.

²⁷ Exhibit B-3, BCSEA IR 6.1, page 23, showing Low Income DSM planned savings for 2019-2022.

²⁸ Exhibit B-3, BCSEA IR 19.1.

²⁹ Exhibit B-3, BCSEA IR 19.2.

E. EfficiencyBC

61. While the proceeding was in progress, BCSEA-SCBC became aware of the EfficiencyBC program, announced by the BC Government on September 28, 2018. EfficiencyBC focuses on GHG reductions through energy efficiency and electrification. It is supported by federal and provincial funding.
62. FBC notes that EfficiencyBC is incremental to FBC's DSM spending, and is not a mechanism for FBC to reduce its DSM spending. In FBC's service territory, EfficiencyBC currently supports only electrification measures, and not any electric DSM measures.³⁰
63. FBC says that "EfficiencyBC offers are intended to integrate into FBC's existing DSM programs and will be administered through each program's existing application process." FBC adds that "In terms of effects on FBC's DSM activities, EfficiencyBC's promotional efforts may drive additional awareness and participation in FBC's existing programs."³¹
64. FBC says its participation in EfficiencyBC affected the design of the Residential Home Renovation Rebate program through added incentives for windows and doors, increased incentives for heat pump measures, and collaborated with BC Hydro, FEI, and the Province to restructure the program's bonus offers.³²
65. BCSEA-SCBC support FBC's coordination with EfficiencyBC. There appear to be no grounds to fear that FBC's DSM planning or programs were negatively affected in any way, or that opportunities for cost effective DSM are being missed.

Part 6. Additional Regulatory Issues

A. Amortization Period for DSM Expenditures

66. BCSEA-SCBC support Commission approval of FBC's proposal to move from a 10-year amortization period to a 15-year amortization period for DSM expenditures.

³⁰ Exhibit B-3, BCSEA IR 1.10, page 7.

³¹ Exhibit B-3, BCSEA IR 1.1, page 2.

³² Exhibit B-3, BCSEA IR 1.2, page 4.

67. In BCSEA-SCBC's view, the amortization period should match the benefits period. In this instance, this means the period over which customers will realize the benefits of the DSM activity. BCSEA-SCBC agree with FBC that an appropriate measure is the averaged weighted (by incentives) measure life of FBC's proposed DSM Plan.
68. FBC provides a figure of 15.6 years for the average weighted measure life of the 2019-2022 DSM Plan. FBC also provides a figure of 14 years for average measure life for DSM measures weighted by electricity savings.³³ FBC proposes a DSM amortization period of 15 years, being "the whole number that falls nearly in the middle of the 15.6 weighted average measure life using DSM incentives and the 14.0 year weighted average measure life using savings."³⁴
69. BCSEA-SCBC acknowledge that there are theoretical pros and cons as to whether the DSM amortization period should be based on expenditures or savings.³⁵ In their view, a DSM amortization period of 14, 15 or 16³⁶ years would be supportable.

B. Funding Transfers Between Program Areas

70. FBC asks the Commission for administrative approval for FBC to have the ability to "rollover" unspent DSM expenditures in a Program area to the same Program area in the following year. FBC's proposal is for a cumulative expenditure rollover, year-to-year, such that by the end of the four year period covered by the DSM Plan total actual DSM expenditures would be up to the \$44.0 million total for the DSM Plan as a whole.
71. BCSEA-SCBC support the proposed rollover rule. It would provide FBC with flexibility to respond to unplanned factors. The exact timing of the expenditure within the four-year period should not change the public interest in making the expenditures. The proposed rollover rule would reduce the risk of underspending, which has been a concern of BCSEA-SCBC at times in the past.

³³ Exhibit B-2, BCUC IR 8.1.1.

³⁴ Exhibit B-2, BCUC IR 8.2.1.

³⁵ Exhibit B-2, BCUC IR 8.2, 8.2.1.

³⁶ I.e., 15.6 years, rounded.

C. Prorating of DSM Incentives for Self-Generating Customers

72. FBC has a practice of prorating DSM incentives for self-generating customers³⁷ based on the amount of FBC's load that is actually reduced as a result of a particular conservation measure being adopted.
73. FBC cites BCUC Letter L-14-18, that "the end use efficiency [of a DSM project] has to contribute to reducing the demand for the utility's energy services."³⁸ BCSEA-SCBC agree. They do not support allocating FBC's ratepayer funded DSM expenditures to reducing the self-generation expenses of a large industrial customer.

Part 7. Conclusion

74. For the reasons set out above, BCSEA-SCBC support Commission acceptance of the FBC 2019-2022 DSM expenditure schedule under s.44.2 of the UCA, together the proposed 15-year amortization period for DSM expenditures and the proposed "rollover" rule.

ALL THE ABOVE IS RESPECTFULLY SUBMITTED



November 27, 2018

³⁷ The term "self-generating customers" does not include participants in FBC's Net Metering Program.

³⁸ Exhibit B-5, ICG IR 3.7.