

March 26, 2019

VIA E-FILING

Patrick Wruck
Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3



Reply to: Leigha Worth
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Ph: 604-687-3034
Our File: 7400.820B

Dear Mr. Wruck,

**Re: Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. Energy
Conservation and Innovation Program Funding Application
Project No. 1598979**

We represent the BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre, known collectively in regulatory processes as "BCOAPO et al." ("BCOAPO").

Enclosed please find the BCOAPO's Final Argument with respect to the above-noted matter.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,
BC PUBLIC INTEREST ADVOCACY CENTRE

Original on file signed by

Leigha Worth
Executive Director | General Counsel

Encl.

**BC OLD AGE PENSIONERS' ORGANIZATION, ACTIVE SUPPORT AGAINST POVERTY,
COUNCIL OF SENIOR CITIZENS' ORGANIZATIONS OF BC,
DISABILITY ALLIANCE BC, AND TENANT RESOURCE AND ADVISORY CENTRE
("BCOAPO")**

**PACIFIC NORTHERN GAS LTD. AND PACIFIC NORTHERN GAS (N.E.) LTD. ENERGY
CONSERVATION AND INNOVATION PROGRAM FUNDING APPLICATION
PROJECT NO. 1598979**

Intervener Final Argument

March 26, 2019

Please be advised that we provide the following final argument regarding the above noted application on behalf of our client groups known in this and other regulatory processes as BCOAPO or 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 PNG and PNG NE's low- and fixed-income residential ratepayers. As such, BCOAPO's member organizations have a direct and material interest in the outcome of this application.

On December 21, 2018, Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. (hereinafter collectively known as "PNG") filed an application for its Energy Conservation and Innovation Program Funding programs (hereinafter "ECI") for a totally of \$827,000 to be spent in the years 2019 and 2020 pursuant to section 44.2 of the *Utilities Commission Act*¹ (hereinafter "UCA").

The Application

In this matter, PNG is seeking this Commission Panel's approval to spend \$427,000 in 2019 and 400,000 in 2020 on ECI, with a request that it be granted the ability to reallocate those dollars amongst its various DSM programs and years according to the program funding transfer rules approved in G-203-15 and that all expenditures be recorded in a rate base regulatory asset deferral account². BCOAPO notes that the proposal to spend \$827,000 during this period of time represents the amount approved but not spent under the 2015-18 plan.

¹ R.S.B.C. 1996, Chapter 473

² Exhibit B-1, page 2

Pacific Northern Gas has, in compliance with Commission Directives found in Order G-203-15:

- a. included estimates of free ridership and spillover effects for each of its proposed DSM programs;
- b. presented how the portfolio meets the cost-effectiveness test found in section 4 of the DSM Regulation;
- c. presented its estimate of the GHG reductions associated with the portfolio it is seeking to implement;
- d. proposed the addition of a residential furnace and boiler rebate program, albeit without proposing any additional funding aimed at residential ratepayers in this application; and
- e. indicated that starting in 2019, PNG will allocate the costs incurred to design, develop, negotiate, and manage program partnerships and ongoing administration to the programs benefitting from these activities as well as the marketing and outreach associated with each program³.

PNG's submission is that, pursuant to sections 44.2(3) and (4) of the *UCA*, this Panel must approve this application if it finds this expenditure schedule to be "in the public interest", noting that the criteria in section 44.2(4) of the Act must be a part of that consideration. While BCOAPO does not take issue with the Utility's position that this application is in the public interest, we do note that the amount applied for is, in essence, simply to extend the CEM 2015-18 spending plan by two years.

DSM Activities Generally

BCOAPO's client groups generally support PNG's proposal that it continue its existing commercial programs, conservation, education, and outreach program with the additional residential furnace and boiler rebate program⁴

However, BCOAPO does wish to register its concern with PNG's significant past underspending on ECI programs. BCOAPO also submits that PNG is engaging in too tentative a DSM program: its DSM Expenditures percentage of Total Revenues in 2018 was only 0.17%.

³ Exhibit B-2, pp 8-10

⁴ Exhibit B-1, pp 9,

PNG identified two factors responsible for past underspending which include a later than expected launching PNG's commercial programs and a lower than expected uptake on PNG's commercial incentive programs. While BCOAPO does not dispute these facts, BCOAPO submit that the close attention should be paid by the Utility, Intervenors and the Commission to ensure that the DSM expenditure proposed for 2019 - 2020 is achieved.

Our clients are the most economically vulnerable of PNG's residential customer base, so we wish to go on the record that we are not encouraging the utility to undertake spending for its own sake, simply to meet a target. BCOAPO expects that PNG is sophisticated enough to engage in thoughtful and creative planning and implementation of programs, perhaps in partnership with or modelled after more experienced DSM players like BC Hydro and Fortis' two British Columbia utilities.

In this respect, BCOAPO supports PNG's marketing and outreach efforts to increase conservation awareness and the efforts to partner with other providers to lower costs of delivering programs. BCOAPO strongly supports a cost-sharing agreement between PNG and BC Hydro for the delivery of the Energy Conservation Assistance Program to low income customers who reside in PNG's service areas.

BCOAPO looks forward to receiving evidence as to the effectiveness of PNG's efforts put forward towards achieving the proposed DSM expenditure.

Residential DSM

BCOAPO has reviewed PNG's application and interrogatory responses like, for example, BCUC IR 1.1 in Exhibit B-2, regarding the adequacy of its DSM measures targeting rental accommodations as required by section 3(1)(b) the applicable DSM Regulation. While we acknowledge that PNG is facing challenges in this regard due to the small size of its rental accommodation market share, BCOAPO is unsure whether extending the existing programs for commercial and residential sectors is actually meeting this rental adequacy requirement. However, we are content that the Commission turn its mind to whether PNG's practical actions in the face of the barriers cited are sufficient.

Energy Savings Kits & Energy Conservation Assistance Program

BCOAPO wishes to expressly support PNG's stated intention to continue its partnership and cost-sharing agreement with BC Hydro in regard to its low-income targeted Energy Savings Kits (hereinafter "ESK") program for BC Hydro's customers within PNG's services areas⁵. Given that the two utilities share ratepayers, this makes sense and allows for the potential of maximal dissemination of these kits to those who qualify. Our clients are also pleased to hear that PNG is finalizing a funding agreement with BC Hydro in regard to its Energy Conservation Assistance Program (hereinafter "ECAP")⁶. We trust the utility will not only communicate the approval of that agreement to the Commission but to groups like ours that assist the target demographic within PNG's service areas.

BCOAPO understands that PNG has not yet applied its Evaluation, Measurement and Verification (EM&V) framework to the results from PNG's existing ECI programs and plans to complete its EM&V at the appropriate time in the life cycle of the ECI programs to properly assess the effectiveness of the programs.⁷ BCOAPO looks forward to seeing these programs develop so that EM&V can be implemented.

In its Application, PNG noted higher than forecast deliveries of ESK's⁸:

Deliveries of ESK's to PNG's customers have exceeded expectations. As of the end of June 2018, 687 ESK's have been delivered to applicants in PNG's service areas, compared to a forecast of 247 (Table 6).

Table 6

Kits Shipped	Low Income Program Energy Savings Kits (ESK)			
	2016*	2017	H1 - 2018	Total
Actual	145	376	166	687
Forecast	83	109	55	247
Variance (Act - F/C)	62	267	112	441

* Program Inception: Oct 1, 2016

⁵ Exhibit B-1, page 13

⁶ Exhibit B-1, page 16

⁷ Exhibit B-3, BCOAPO IR 6.1

⁸ Exhibit B-1, page 15

PNG calculated associated annual GHG reductions and energy savings, based on actual and forecast numbers of ESK's:⁹

Table 7

Residential Low Income Programs: Energy Saving Kits						
Item	2016*	2017	2018	2019	2020	Total
	(Act)	(Act)	(F/C)	(F/C)	(F/C)	(F/C)
Actual/Forecast Expenditures	\$ 5,904	\$ 12,416	\$ 11,848	\$ 11,848	\$ 11,848	\$ 53,864
Approved Expenditures	\$ 7,968	\$ 5,554	\$ 5,554	\$ -	\$ -	\$ 19,076
Variance (Actual - Approved)	\$ (2,064)	\$ 6,862	\$ 6,294	\$ 11,848	\$ 11,848	\$ 34,788
Actual/Forecast Applicants	145	376	381	381	381	
Cumulative Annual Savings (GJ)**	98	899	1,921	2,950	3,978	
Annual GHG Reduction (Tonnes CO _{2e})	5	50	108	165	223	

* Program Inception: Oct 1, 2016

**Based on an estimated savings of 2.7 GJ per participant per year.

At the same time, PNG does not track whether delivered ESK's have been installed or partly installed¹⁰.

This is an issue because actual energy savings and GHG reductions should be calculated based on installed measures. BCOAPO urges PNG to develop a mechanism to track installation of the ESK's measures.

While the amount of kits shipped in 2018 increased as compared to 2016 and 2017, this number is not otherwise adequate, given that, only PNG's low income ESK program has achieved any energy savings.¹¹ BCOAPO strongly support marketing and expansion of this program until market saturation for ESK.

Commission Directive #7 from Order G-203-15 – New Housing Construction

During the course of this process, we have noted that PNG has not complied with Commission Directive #7 from Order G-203-15, the completion of a review of the costs and benefits of a 'new construction' program or programs for DSM. While BCOAPO supports the Utility's residential furnace and boiler rebate program, we do not believe that this is an appropriate offset to the purpose and focus of Directive #7. Concerns about affordability, GHG emissions and other issues are on the rise and while offsetting some costs when replacing furnaces and boilers is a

⁹ Exhibit B-1, page 15, and page 16, Table 7

¹⁰ Exhibit B-3, BCOAPO IR 7.1

¹¹ Exhibit B-2, BCUC IR 5.1

good start, it does not go far enough. BCOAPO is not advocating that PNG jump into this activity without doing appropriate investigations: our clients have no interest in shouldering unnecessary or imprudently incurred costs, but they do see value in the long term of looking at the opportunity to build cleaner, more efficient housing for our elders, and all other low- and fixed-income PNG ratepayers.

As a result, we ask that the Commission follow up on this Directive to ensure the Utility does actively investigate these opportunities, seeking information and investigating possible partnerships with our provincial government, municipalities, housing providers, advocacy groups, First Nations, and private developers to see what, if anything is in the public interest and meets the requirements of any such activity under the DSM regulations and *UCA* while remaining cost-effective.

Cost Effectiveness

We have reviewed PNG's evidence on its cost effectiveness and at this time we do not wish to register any concerns regarding the utility's TRC/mTRC, free ridership and spillover methodologies while acknowledging that PNGs specific market challenges have resulted in an mTRC of greater than 1.0¹².

As stated before, our clients are supportive of the Utility's new Residential Furnace and Boiler Replacement Program but over time and as the program matures, we do hope to see greater cost efficiencies.

Spending to Date and Forecast

BCOAPO is concerned with significant past underspending on ECI programs. BCOAPO also takes issue with a low DSM Expenditures percentage of Total Revenues, which in 2018 was only 0.17%.

PNG identified two factors responsible for past underspending which include a later than expected launching PNG's commercial programs and a lower than expected uptake on PNG's

¹² Exhibit B-2, BCUC 11.3

commercial incentive programs. While BCOAPO accepts these factors, BCOAPO submit that the close attention should be paid by the Utility to ensure that the DSM expenditure proposed for 2019 - 2020 is achieved.

In this respect, BCOAPO supports PNG's marketing and outreach efforts to increase conservation awareness and the efforts to partner with other providers to lower costs of delivering programs. As mentioned above, BCOAPO strongly supports a cost-sharing agreement between PNG and BC Hydro for the delivery of the ECAP to low income customers who reside in PNG's service areas.

BCOAPO looks forward to receiving evidence as to the effectiveness of PNG's efforts put forward towards achieving the proposed DSM expenditure.

All of which is respectfully submitted.

Sincerely,
BC PUBLIC INTEREST ADVOCACY CENTRE

Original on file signed by

Leigha Worth
Executive Director | General Counsel