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Via Web Upload

April 1, 2019

B.C. Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

File No.: 4.2.7 (2019)

Attention: Patrick Wruck
Commission Secretary and Manager, Regulatory Services

Dear Mr. Wruck:

**Re: Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd.
Application for Approval of Energy Conservation and Innovation
Program Funding for 2019 and 2020
Reply Submission**

Accompanying, please find the Reply Submission of Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. on the matter of the Application for Approval of Energy Conservation and Innovation Program Funding for 2019 and 2020.

Printed copies of the Final Submission are available upon request.

Please direct any questions regarding the application to my attention.

Yours truly,

A handwritten signature in black ink that reads 'Janet Kennedy'. The signature is written in a cursive style with a long, sweeping underline.

J.P. Kennedy

Encl.

**PACIFIC NORTHERN GAS LTD. and
PACIFIC NORTHERN GAS (N.E.) LTD.**

**ENERGY CONSERVATION AND
INNOVATION PROGRAM**

2019 – 2020 FUNDING APPLICATION

REPLY SUBMISSION

April 1, 2019

PACIFIC NORTHERN GAS LTD. and PACIFIC NORTHERN GAS (N.E.) LTD.

ENERGY CONSERVATION AND

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Table of Contents

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Introduction	1
ECI Programs.....	1
Adequacy Requirements.....	3
Cost Effectiveness.....	4
Spending to Date and Marketing.....	4
Program Design and Partnerships	5
Conclusion.....	5

Introduction

1. Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. (PNG(N.E.)) (collectively, PNG) provide the following Reply Submission in respect to the Final Submission in this proceeding of the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC and the Tenant Resource and Advisory Centre (collectively, BCOAPO) dated March 26, 2019.
2. The BCOAPO have expressed their support for Commission acceptance of PNG's ECI Program Funding Application (Application), agreeing that it is in the public interest.¹ Comments offered by the BCOAPO express support for specific programs and initiatives that PNG is, or intends to carry out within its ECI program. In addition, BCOAPO expresses concern regarding the historical level of activity within the ECI programs and encourages PNG to pay close attention to ensure that the expenditures proposed for 2019 to 2020 are achieved.²
3. PNG does not disagree with any comments offered by the BCOAPO and offers further comments addressing areas of support and concern identified by the BCOAPO in the remainder of this submission.

ECI Programs

4. The BCOAPO supports PNG's continuation of its existing commercial programs, conservation education and outreach program, and the proposed Residential Furnace and Boiler Replacement Program.³ More specifically, PNG notes that the BCOAPO is pleased that PNG is finalizing a funding agreement with BC Hydro in regard to its Energy Conservation Assistance Program (ECAP).
5. In response to the BCOAPO's comment, PNG commits to communicating the completion of the ECAP funding agreement to the BCOAPO and to groups that assist the target demographic within

¹ BCOAPO Final Argument, p. 2

² *ibid*, pp. 6-7

³ *ibid*, p. 2

- PNG's service areas.⁴ In addition, PNG points out that the BC Hydro ECAP program is currently, and always has been, offered to low income customers of BC Hydro who reside in PNG's service areas. Therefore, establishing the cost sharing agreement alters nothing in the delivery of this program, save for creating an opportunity for PNG to brand some of the materials provided by the program.⁵
6. PNG acknowledges the BCOAPO's support of PNG's partnership and cost-sharing agreement with BC Hydro for the delivery of Energy Savings Kits (ESK's) to low-income customers.⁶ The BCOAPO has also urged PNG to develop a mechanism to track the installation of the ESK's measures.⁷
 7. PNG could consider processes to verify the installation of ESK measures as part of PNG's Evaluation, Measurement and Verification (EM&V) framework. PNG submits that such processes would add further costs and that the benefit - improved accuracy of the quantities of energy saved and GHG emissions reduced - is de minimis, especially once PNG's other ECI programs begin to achieve energy and GHG reductions.
 8. The BCOAPO strongly support marketing and expansion of the ESK program until market saturation for ESK has been achieved.⁸ PNG does not disagree with the BCOAPO that increasing the participation in the ESK program is desirable. However, as with BC Hydro's ECAP program that PNG will support, BC Hydro continues to operate and market the ESK program. PNG does promote the ESK program through its outreach activities, and the ESK program will benefit from the additional marketing activities that PNG intends to conduct over the 2019 to 2020 period.⁹
 9. PNG notes that the BCOAPO support PNG's proposed Residential Furnace and Boiler Replacement Program.¹⁰

⁴ BCOAPO Final Argument, p. 4

⁵ Exhibit B-2, PNG response to BCUC IR 10.2

⁶ BCOAPO Final Argument, p. 4

⁷ *ibid*, p. 5

⁸ *ibid*, p. 5

⁹ Exhibit B-2, PNG response to BCUC IR 9.1

¹⁰ BCOAPO Final Argument, p. 6

10. PNG acknowledges that the BCOAPO does not view PNG's proposed Residential Furnace and Boiler Replacement Program as an appropriate alternative to a new construction program similar to that offered by FortisBC Energy Inc. (FEI).¹¹ PNG agrees with the BCOAPO that the construction of more energy efficient homes for all of PNG's residential customers, including low- and fixed-income customers, should be encouraged. During the 2019 to 2020 period, PNG will commit to actively investigate opportunities to support and promote the construction of homes meeting the BC Energy Step Code and, if appropriate, to request Commission approval for a new construction program or programs.
11. PNG further notes that in its Application, it proposes to allocate funds to support the development of standards related to energy efficiency and to promote the adoption of the Energy Step Code by local governments and First Nations.¹²

Adequacy Requirements

12. The BCOPAO acknowledges that PNG is facing challenges in implementing a program that specifically targets PNG's rental accommodation sector but remains unsure whether extending the existing programs for commercial and residential sectors is actually meeting the rental adequacy requirement.¹³
13. PNG agrees with the BCOAPO that whether PNG's approach satisfactorily addresses the rental adequacy requirement remains a matter for the Commission to determine. PNG restates that, in light of the small size of its rental accommodation market segment, extending its existing commercial programs to the rental segment is an appropriate step at this stage of the development of PNG's ECI programs.¹⁴

¹¹ BCOAPO Final Argument, p. 5

¹² Exhibit B-1, p. 27

¹³ *ibid*, p. 3

¹⁴ Exhibit B-2, PNG response to BCUC IR 1.1

Cost Effectiveness

14. PNG notes that the BCOPA has reviewed PNG's evidence on its cost effectiveness and have not expressed any concerns with PNG's free ridership and spillover methodologies, nor with the results of its cost effectiveness tests, specifically the TRC/mTRC results.¹⁵

Spending to Date and Marketing

15. PNG notes the BCOAPO concern with PNG's past underspending on ECI programs and the BCOAPO's opinion that PNG is engaging in too tentative a DSM program.¹⁶
16. PNG acknowledges that its spending on ECI programs has been significantly below that projected in the 2015 CEM Application. In previous submissions, PNG identifies two factors responsible for actual expenditures on many of PNG's ECI programs being lower than originally forecast.¹⁷ PNG has begun activities that address both of these factors through marketing efforts, and further consideration on the design of its commercial programs.
17. PNG has described how it is promoting its ECI programs through its website, social media, bill inserts and outreach activities involving municipalities and local contractors in its submissions in this proceeding.^{18,19} The results from PNG's customer attitudes survey that are now available will help PNG re-evaluate the design of its commercial rebate programs and make adjustments, if appropriate.
18. PNG now has some experience with implementing its ECI programs and with its marketing activities, and has identified additional activities for 2019 that will help to promote its existing and proposed programs to a wider audience. PNG is confident that its efforts to improve both the awareness of its ECI programs amongst its customers, and the impact of the programs themselves, will be successful.

¹⁵ BCOAPO Final Argument, p. 6

¹⁶ *ibid*, p. 2

¹⁷ PNG Final Argument, para. 32

¹⁸ *ibid*, para. 33 - 38

¹⁹ Exhibit B-2, PNG response to BCUC IR 9.1

19. PNG notes that the BCOAPO supports PNG's marketing and outreach efforts.²⁰

Program Design and Partnerships

20. PNG notes that the BCOAPO is confident in PNG's capacity to develop meaningful ECI programs and that the BCOAPO supports PNG's efforts to develop partnerships to lower the costs of delivering those programs.^{21,22} More specifically, PNG notes that the BCOAPO expresses support for PNG's existing partnership with BC Hydro in regard to the delivery of ESK's in PNG's service areas, and for PNG's planned-for cost sharing arrangement with BC Hydro for the delivery of the ECAP program to low income customers in PNG's service areas.²³
21. PNG assures the BCOAPO that identifying potential partnerships is always the first consideration when designing new programs. In its submissions, PNG has identified a number of partnerships that it has either entered into, or is in the processing of establishing.²⁴ PNG notes that its experience with developing its partnerships for the delivery of the ESK and ECAP program, and with its discussions it has had in regards to delivering the Residential Furnace and Boiler Replacement Program, has shown that a partnership is not always easily implemented. Depending on the anticipated demand of programs, PNG determines whether a partnership is the most cost-effective approach and solution. However, regardless of whether PNG ultimately establishes a partnership, PNG also looks first to similar programs operated by FEI for guidance when developing its programs. PNG also wishes to comment that FEI has been very supportive of PNG's efforts to establish its own portfolio of demand-side measures.

Conclusion

22. PNG respectfully submits that, for the reasons described in its submissions and in the evidence on record in this proceeding, acceptance by the BCUC of the Application is in the public interest, and in

²⁰ BCOAPO Final Argument, p. 7

²¹ *ibid*, p. 3

²² *ibid*, p. 7

²³ *ibid*, pp. 3-4

²⁴ PNG Final Argument, para. 41 - 46

the interest of persons who receive or may receive service from PNG, and that the approvals requested should be granted as sought.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

DATED at Vancouver, British Columbia this 1st day of April 2019.

PACIFIC NORTHERN GAS LTD.

A handwritten signature in cursive script that reads "Janet Kennedy". The signature is written in black ink and is positioned above a horizontal line.

Janet P. Kennedy

Vice President, Regulatory Affairs and Gas Supply