

25 June 2020

VIA E-FILING

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



Reply to: Leigha Worth
ED@bcpiac.org
Ph: 604-687-3034
Our File: 7400.821

Dear Ms. Tresoglavic,

**Re: Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. Application for Acceptance of 2019 Consolidated Resource Plan and for Acceptance of Energy Conservation and Innovation (ECI) Portfolio Funding for 2020 to 2022
BCOAPO Final Argument**

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 this regulatory process 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. Application for
Acceptance of 2019 Consolidated Resource Plan and for Acceptance of Energy
Conservation and Innovation (ECI) Portfolio Funding for 2020 to 2022**

BCOAPO Final Argument

June 25, 2020

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 residential energy consumers in British Columbia and, more specifically in this process, the interests of PNG's progressivist residential energy consumers.

INTRODUCTION

On October 31, 2019, Pacific Northern Gas Ltd. (PNG-West) and Pacific Northern Gas (N.E.) Ltd. (PNG(NE)) (collectively, PNG) filed an Application with the British Columbia Utilities Commission (BCUC) seeking approval for¹:

- The 2019 Consolidated Resource Plan for the PNG-West and PNG(NE) pipeline systems (2019 Consolidated Resource Plan) pursuant to section 44.1 of the *Utilities Commission Act (UCA)*;
- The expenditure schedule for PNG's Energy Conservation and Innovation (ECI) portfolio for the period from 2020 through 2022 (2020-2022 ECI Expenditure Schedule) pursuant to section 44.2 of the *UCA*;
- Flexibility in the reallocation of expenditures among Demand Side Management (DSM) programs and between program years, subject to the total amount not exceeding the total amount of \$2,278,000, as per the 2020-2022 ECI Expenditure Schedule;
- Recording all DSM expenditures in a rate base regulatory asset deferral account; and

¹ Exhibit B-1, pages 1 - 5

- Retaining the 5-year amortization period for DSM expenditures approved by BCUC Order G-121-19.

By Order G-322-19, the BCUC established a public hearing process for review of the Application. This process involved two rounds of information requests followed by written submissions. Set out below are BCOAPO's submissions regarding the PNG application.

Legal Framework

Section 44.1(2) of the *UCA* requires a public utility to file a long-term resource plan including all of the following:

- (a) an estimate of the demand for energy the public utility would expect to serve if the public utility does not take new demand-side measures during the period addressed by the plan;
- (b) a plan of how the public utility intends to reduce the demand referred to in paragraph (a) by taking cost-effective demand-side measures;
- (c) an estimate of the demand for energy that the public utility expects to serve after it has taken cost-effective demand-side measures;
- (d) a description of the facilities that the public utility intends to construct or extend in order to serve the estimated demand referred to in paragraph (c);
- (e) information regarding the energy purchases from other persons that the public utility intends to make in order to serve the estimated demand referred to in paragraph (c);
- (f) an explanation of why the demand for energy to be served by the facilities referred to in paragraph (d) and the purchases referred to in paragraph (e) are not planned to be replaced by demand-side measures;
- (g) any other information required by the commission.

According to section 44.1(6) of the *UCA*, after reviewing a long-term resource plan filed under subsection (2), the Commission must

- (a) accept the plan, if the Commission determines that carrying out the plan would be in the public interest, or
- (b) reject the plan.

Section 44.1(8) of the *UCA* requires the Commission to consider the following requirements:

- (a) the applicable of British Columbia's energy objectives,
- (b) the extent to which the plan is consistent with the applicable requirements under sections 6 and 19 of the *Clean Energy Act*,
- (c) whether the plan shows that the public utility intends to pursue adequate, cost-effective demand-side measures, and
- (d) the interests of persons in British Columbia who receive or may receive service from the public utility.

Regarding an expenditure schedule, section 44.2(3) of the *UCA* requires the Commission:

- (a) accept the schedule, if the commission considers that making the expenditures referred to in the schedule would be in the public interest, or
- (b) reject the schedule.

In determining whether to accept expenditure schedule, section 44.2(5) of the *UCA* requires the Commission to consider the following:

- (a) the applicable of British Columbia's energy objectives,
- (b) the most recent long-term resource plan filed by the public utility under section 44.1, if any,
- (c) the extent to which the schedule is consistent with the applicable requirements under sections 6 and 19 of the *Clean Energy Act*,
- (d) 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
- (e) the interests of persons in British Columbia who receive or may receive service from the public utility.

2019 Consolidated Resource Plan

Under 44.1(2)(a) of the *UCA* PNG's 2019 Consolidated Resource Plan should provide a gross demand forecast for the planning period.

PNG has maintained the residential and commercial demand forecasting methodology approved for it by Orders G140-14 and G155-15, with some adjustments made to reflect PNG's expectation of changed capture rates for new loads with respect to the electrification of space heating loads per the CleanBC Plan's policies.² In its Final Argument, PNG submitted that demand forecasts for all customer classes remained at the same or higher level of rigour as that previously accepted by BCUC.³

In its Application, PNG proposes to continue using the 2013 Residential End Use Survey (2013 REUS) for its gross demand forecast. According to the Utility's analyses, residential use per account (UPA) forecasts for 2018 in 2014 PNG-West and 2015 PNG (NE) resource plans was within 5% of actual 2018 UPA in all divisions except Tumbler Ridge (TR), which has a small customer base and small number of dwellings, and where it was out by 8%. PNG's 2019 Customer Attitudes Survey on main drivers of residential demand, including space heating, domestic hot water, and housing mix, found no significant differences with respect to penetration rates from the 2013 REUS.⁴

PNG estimates that completing a new REUS would cost in the range of approximately \$125 - \$150 thousand,⁵ and submits that that "undertaking the additional effort and cost of updating the 2013 REUS at this time would not provide enough improvement to PNG's residential end-use model to be justified"⁶.

In general terms, BCOAPO has no issue with PNG's method of forecasting the demand as adopted in the Application. However, BCOAPO has concerns regarding using 2013 REUS for future applications. BCOAPO accepts PNG's evidence that the forecast UPAs from 2013 REUS were adequate for 2018 overall. But, BCOAPO notes that while it is possible that partially offsetting changes in the UPA drivers have occurred since then, keeping estimates close to actuals; there is no guarantee that they will offset in future. While BCOAPO is not, at this time, proposing an updated REUS, we submit that there should be some REUS update in the near future. It would certainly be beneficial to have a REUS update at least once every 10 years, even if only to confirm a past trend is continuing to inform projections with as accurate a picture as possible. BCOAPO also asks PNG to outline in its Reply what type of actual data results received

² PNG's Final Argument, paras 8 – 10

³ PNG's Final Argument, para 10

⁴ Exhibit B-3, BCUC IR 1.25.7 & PNG's Final Argument, paras 6 – 7

⁵ Exhibit B-3, BCUC IR 1.25.7; Exhibit B-7, BCUC IR 2.60.1

⁶ PNG's Final Argument, para 8

by the Utility that would, in its view, strongly suggest an update to the REUS was advisable. Our clients believe that they and this Commission Panel would benefit from a greater understanding of the threshold PNG is setting before it will, on its own motion, update its REUS.

BCOAPO agrees that PNG's 2019 Consolidated Resource Plan meets the remaining requirements of a long-term resource plan identified in section 44.1(2) of the *UCA*.

BCOAPO has no issue with PNG's deviation from four aspects of the resource planning process required by the BCUC's Resource Planning Guidelines (Guidelines). Specifically, those four points of deviation are that PNG has not engaged in⁷:

- identifying "measurement of supply and demand resources" versus resource planning objectives (section 4);
- development of multiple resource portfolios" (section 5);
- "evaluation and selection of resource portfolios (section 6); and
- development of an action plan (section 7).

BCOAPO agrees with PNG that the BCUC should "consider the unique operating circumstances of the utility" in applying the 2003 Guidelines.⁸

BCOAPO accepts that carrying out the 2019 Consolidated Resource Plan would be in the public interest as it meets the requirements of section 44.1(8) of the *UCA*. However, BCOAPO has some concerns regarding PNG's renewable natural gas (RNG) program, specifically relating to the Utility's intention to purchase the environmental attributes of RNG produced in other jurisdictions. During the discovery, BCOAPO asked PNG the following question⁹:

Given PNG's logic, would it not be possible for PNG to contract with a third party to have in purchase RNG anywhere in the world, e.g., in Southeast Asia, and set up the contractual paths so as to capture the emission reduction benefits on behalf of PNG and its customers? If not, please explain why not.

BCOAPO does not believe that the hypothetical possibility outlined in the IR above would be in the spirit of the current applicable BC environmental and regulatory standards or would achieve its environmental goals and invites PNG to comment on this in its Reply.

⁷ PNG's Final Argument, para 19-20

⁸ PNG's Final Argument, para 24

⁹Exhibit B-8, BCOAPO IR 2.11.1

Expenditure Schedule for ECI portfolio

In this Application, PNG seeks BCUC approval of expenditures related to the ECI portfolio for 2020 in addition to those previously accepted by way of Order G-121-19; and expenditures for two additional years (2021 and 2022) to fund an expanded ECI portfolio.

According to PNG's 2020-2022 DSM Expenditure Schedule, PNG is seeking¹⁰:

- an additional \$491,000 for 2020;
- \$880,000 for 2021; and
- \$907,000 for 2022.

In the past, BCOAPO raised concerns residential customers hold with respect to PNG's significant underspending on ECI programs.¹¹ PNG's plans for the future do nothing to allay those concerns. In fact, this remains a live residential ratepayer concern for the 2020 – 2022 ECI program. PNG has stated that, in order to increase participation in the ECI incentive programs, it intends to increase awareness of its ECI programs amongst its customers¹². However, the Utility admitted that it currently has no metrics to measure customer awareness or satisfaction,¹³ begging the question: how does PNG intend to track its success or failure in this regard? BCOAPO believes that these are key metrics and urges PNG to develop some economic and efficient ways to get an estimate of customer awareness and satisfaction so it can adjust its activities to maximize the effectiveness of its ECI portfolio spending and the accompanying environmental benefits.

Aside from this concern, BCOAPO does not oppose PNG's 2020-2022 DSM Expenditure Schedule.

Reallocation, Recording and Amortization Issues

In the Application, PNG also requests Commission approval granting it the flexibility to reallocate ECI expenditures among programs and program years subject to the total spending between the date of approval and 2022 not exceeding the \$2.278M sought in the DSM plan.¹⁴

¹⁰ Exhibit B-1, page 3 of 5

¹¹ 2019 PNG ECI Program Funding Application, Project No. 1598979; BCOAPO Final Argument, page 6

¹² Exhibit B-1, page 128; Exhibit B-5, BCSEA IR 1.37.1

¹³ Exhibit B-4, BCOAPO IR 1.6.2

¹⁴ PNG's Final Argument, para 38

BCOAPO notes that this proposal starting at the date of approval only works if, at the time of approval, PNG has not spent any of the \$491,000 incremental to Order G-121-19 sought for 2020 in this Application. Additionally, the limit of total spending not exceeding \$2.278M should start whenever the 2020 incremental spending began, not as of the date of approval (assuming such approval is forthcoming). For example, if this Application is approved in July 2020, PNG should not be allowed to spend \$2.278M from July 2020 to 2022 if the Utility has already exceeded the original 2020 approved amount and dipped into the incremental \$491,000 in 2020. Our clients see that detail in timing as a rather significant one.

The current flexibility of up to 25% of one program to another was granted in Order G-121-19¹⁵. The current request appears to be for flexibility limited only by the total amount spent over 2020-2022. BCOAPO believes that the previous Order granted generous flexibility to the Utility, especially if one accepts that PNG's plans and forecasts are, to any material extent, accurate. BCOAPO's concern is that the many programs could be adversely affected should PNG choose to exercise that significant "flexibility plus", particularly those few designed to assist low-income customers. In this respect, BCOAPO notes that in 2019, the revised forecast spending on ECAP was \$35,000 while the actual spend came to only \$22,795, or only 65.1% of the revised forecast¹⁶. BCOAPO also notes that PNG has already applied for 2020 funding incremental to that approved for 2020 in 2019 by Order G-121-19, rendering BCOAPO skeptical of PNG's submitted ECI forecasts and program plans. Accordingly, BCOAPO takes the position that for any material reallocation of ECI spending among ECI programs and program years, the utility should not only be able to show ex post that any material reallocation is in the public interest, but they should be required to do so. Absent such justification, not only are PNG's customers at risk in the manners described above but the Utility and its shareholders are at very real risk of the Commission determining those reallocated amounts are unrecoverable in PNG's rates.

¹⁵ Exhibit B-4, BCOAPO IR 1.8.1

¹⁶ Exhibit B-8, BCOAPO IR 2.16.1a (including table)

Subject to the comments and qualifiers discussed above, BCOAPO agrees that PNG's proposal to record ECI expenditures in a rate base deferral account, amortized over five years, is consistent with Order G-121-19.¹⁷

Conclusion

Overall, BCOAPO does not oppose PNG's 2019 Consolidated Resource Plan and 2020-2022 DSM Expenditure Schedule, subject to our comments and suggested modifications as outlined in this submission.

ALL OF WHICH IS RESPECTFULLY SUBMITTED:

Original on file signed by:

Leigha Worth, Executive Director

BC Public Interest Advocacy Centre

Irina Mis, Staff Lawyer

BC Public Interest Advocacy Centre

¹⁷ PNG's Final Argument, para 39