

FortisBC Inc.
2016 Long Term Electric Resource Plan & Long Term Demand Side Management Plan

ICG Responses to BCUC Information Requests (Exhibit A-9)

1. Reference: DEMAND SIDE MANAGEMENT PROGRAMS
Exhibit C7-4, p. 1; Decision on FortisBC Inc.'s (FBC) Application for Acceptance of Demand Side Management Expenditures for 2015 and 2016 dated December 3, 2014, pp. 19–20
Self-generator eligibility

Mr. Switlshoff states on page 1 of Exhibit C7-4: "This report documents the incentives available from FortisBC for an industrial Demand Side Management (DSM) opportunity at Zellstoff Celgar's pulp mill in Castlegar, BC ..."

The Commission stated on pages 19 and 20 of the December 3, 2014 Decision on FBC's Application for Acceptance of Demand Side Management Expenditures for 2015 and 2016 (G-186-14):

In considering the interests of persons in BC who receive or may receive service from the public utility, the Commission Panel considered the balance of DSM programs, specifically whether the DSM proposal provides broad opportunities for customers to participate, in particular for 'hard to reach' customers such as low-income groups and renters. The portfolio level review of the balance in access to DSM programs includes: (i) a review of DSM funding levels by customer class, and (ii) DSM programs targeted to 'hard to reach' customers.

Review of DSM funding levels by customer class

FBC provided the following analysis of DSM spending by customer class:

Table 5. FBC DSM Expenditures as a Percentage of Sector Revenue⁷⁶

	2012	2013	2015	2016
DSM expenditure % of sector revenue (excluding wholesale)				
Residential	1.6%	2.4%	1.9%	2.0%
Commercial	4.1%	3.0%	3.3%	3.3%
Industrial	0.6%	1.5%	0.7%	0.7%
Total	2.8%	3.1%	2.7%	2.7%
Total (including wholesale)	2.8%	2.4%	2.3%	2.4%

- 1.1. Please estimate the (i) total revenues FBC received from Celgar over the last 10 years and (ii) total DSM incentives provided by FBC to Celgar over the last 10 years. Please calculate the total DSM incentives as a percentage of total revenues.

RESPONSE: Payments for the purchase of electricity from FortisBC by Zellstoff Celgar since 2008 and DSM incentives received from FortisBC are summarized in the table below.

	Electricity Purchases from FortisBC	Refund from FortisBC pursuant to Order G-214-15	DSM Incentive Received from FortisBC
2008	\$ 1,108,164.62		
2009	\$ 1,345,911.93		\$19,425
2010	\$ 1,097,621.76		
2011	\$ 4,133,416.62		
2012	\$ 3,699,544.59		
2013	\$ 4,430,439.91		
2014	\$ 4,532,891.09		
2015	\$ 3,868,639.65		
2016	\$ 2,394,370.10	\$ 8,313,850.96	
2017	\$ 811,647.07		
Sub-Total	\$ 27,422,647.33	\$ 8,313,850.96	\$ 19,425.00
	\$ 19,108,796.37	= Net Payments to FortisBC for electricity purchases	
	0.10%	= DSM Incentives as a percentage of total revenues	

1.1.1. Please estimate a 10-year DSM incentive cap, assuming it was set at (i) 1% and (ii) 2.5 % of the revenues paid to FBC over the past 10 years.

RESPONSE: The 10-year DSM incentive cap based on net payments of \$19,108,796.37 would amount to:

- (i) \$191,087.96 at a rate of 1%
- (ii) \$477,719.91 at a rate of 2.5%

1.1.2. Please discuss the advantages/disadvantages of a DSM incentive cap (linked to a percentage of revenues) as a way to address the ‘effectiveness and balance’ considerations of offering DSM programs to partial service customers.

RESPONSE: The ICG believes FortisBC has not described its mechanism for adjusting incentives for partial service customers with sufficient clarity to be approved by the Commission. Moreover, even if its mechanism has been described sufficiently clearly, FortisBC has failed to adequately justify its mechanism. In any event, the ICG does not believe that partial service customers should be treated differently than any other customers. And until FortisBC justifies such treatment, the ICG believes the Commission should treat partial service customers the same as all other customers.

The ICG does not recognize there are “effectiveness and balance” considerations relevant to partial service customers, and certainly not so as to justify a DSM incentive cap linked to a percentage of revenues. Nevertheless, the ICG will offer the following comment about such a DSM incentive cap.

A DSM incentive cap linked to a percentage of revenues will have the advantage of ensuring the same incentives as all other customers provided the cap does not reduce the incentive. It will also have the advantage of being easy to administer. However, it has at least three significant disadvantages. First, under such a cap large energy efficiency measures may not be adopted because the incentive under the cap may not be sufficient for the measure to be adopted, and yet such projects may provide the most significant energy savings. Second, such a cap based on revenues would reduce incentives when energy savings may be achieved that have societal benefits unrelated to utility revenues. Third, such a cap is not contemplated in provincial government legislation, regulations or policies relevant to DSM incentives.