November 1, 2019

VIA E-FILING

BCPIAC
Public Interest Advocacy Centre

Reply to: Leigha Worth
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Ph: 604-687-3034
Our File: 7310-830

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

Dear Mr. Wruck,

Re: FortisBC Energy Inc. 2019-2022 Demand Side Management Industrial Expenditure Budget Transfer
BCOAPO Letter of Comment

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

Enclosed please find the BCOAPO's Letter of Comment 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")

FortisBC Energy Inc. 2019-2022 Demand Side Management Industrial Expenditure Budget Transfer

BCOAPO Letter of Comment

November 1, 2019

Please be advised that we provide the following letter of comment regarding the above noted application on behalf of our client groups known in 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 FortisBC Energy Inc.'s ("FEI" or "Fortis") low and fixed income residential ratepayers.

FEI has made this Application to transfer funds from a variety of programs within its 2019-2022 Demand Side Management (DSM) Plan to its Industrial DSM programs. The Utility is projecting its 2019 industrial DSM expenditures will exceed the accepted level by greater than 25 percent and is requesting BCUC approval to transfer into the Industrial DSM program additional funds from other DSM portfolios to cover that overage.

In the original Application, the Utility presented it 2019 projected expenditures for each program area with a comarison to the approved Plan amounts (below):[1]

[1] Exhibit B-1, page 2

Table 1: 2019 Program Area Spending – Projection versus Plan as at August 31, 2019

Program Area	2019 DSM Plan Expenditures[1] ($000s)	2019 Year-end Expenditure Projection[2] ($000s)	Plan vs Projection ($000s)	Projection as a Percent of Plan
Residential	23,521	20,547	-2,974	87%
Commercial	13,837	11,435	-2,402	83%
Industrial	3,103	6,543	+3,440	211%
Low Income	6,630	6,563	-67	99%
Conservation, Education & Outreach	7,155	7,096	-59	99%
Innovative Technologies	2,043	2,043	0	100%
Enabling Activities	8,426	9,272	+1,446	117%
Portfolio Level Activities	1,635	1,500	-135	92%
All Programs	**66,350**	**64,999**	**-669**	**98%**

[1] Source: FEI 2019-2022 DSM Expenditure Plan Application, Errata dated September 20, 2018
[2] Projections shown are an estimate of year-end expenditures based on program activity to the end of August 2019 and will change to some degree through the remainder of 2019.

However, in response to the first question of the BCUC's IR1, FEI generated Table 1.1 updating these figures:

Table 1.1: Program Area Spending Projections at October 28 compared to Projections at August 31 vs 2019-2022 DSM Plan.

		August 31				October 28			
Program Area	2019 DSM Plan Expenditures[1] ($000s)	2019 Year-end Expenditure Projection[2] ($000s)	Plan vs Projection ($000s)	Projection as a Percent of Plan	Variance from Plan as a Percent of Approved Portfolio	2019 Year-end Expenditure Projection[2] ($000s)	Plan vs Projection ($000s)	Projection as a Percent of Plan	Variance from Plan as a Percent of Approved Portfolio
Residential	23,521	20,547	-2,974	87%	-4%	21,490	-2,031	91%	-3%
Home Renovation Rebate Program	16,300					17,613	1,313	108%	
New Home Program	6,094					3,166	-2,928	52%	
Rental Apartment Efficiency Program	432					401	-31	93%	
Non-Program Specific Expenses	696					310	-386	45%	
Commercial	13,837	11,435	-2,402	83%	-4%	11,250	-2,587	81%	-4%
Prescriptive Program	8,418					6,193	-2,225	74%	
Performance - Existing Buildings	2,429					2,372	-57	98%	
Performance - New Buildings	1,028					939	-89	91%	
Rental Apartment Efficiency Program	1,256					840	-416	67%	
Non-Program Specific Expenses	706					907	201	128%	
Industrial	3,103	6,543	3,440	211%	5%	7,278	4,175	235%	6%
Low Income	6,630	6,563	-67	99%	0%	6,461	-169	97%	0%
Conservation, Education & Outreach	7,155	7,096	-59	99%	0%	6,928	-227	97%	0%
Innovative Technologies	2,043	2,043	0	100%	0%	2,043	0	100%	0%
Enabling Activities	8,426	9,272	1,446	117%	2%	8,891	465	106%	1%
Portfolio Level Activities	1,635	1,500	-135	92%	0%	1,500	-135	92%	0%
All Programs	**66,350**	**64,999**	**-669**	**98%**	**-1%**	**65,841**	**-509**	**99%**	**-1%**

Note: Minor differences due to rounding.

BCOAPO notes that the spending FEI is projecting as a percent of plan for the residential class DSM has increased between August and October: from 87% to 91%. Obviously, we feel that is positive news for the residential class in general and, in particular the information found regarding the Rental Apartment Efficiency Program is especially welcome news. Renters are quite often

responsible for the cost of their energy use, whether directly or indirectly through their rent, but they cannot reasonable be expected to invest the significant monies necessary to upgrade their landlords' natural gas equipment to more energy efficient models (furnaces, water heaters, etc.).

Prior to filing the Budget Transfer Application, FEI provided to the Energy Efficiency and Conservation Advisory Group (EECAG) a Review of Anticipated DSM Funding Transfer between Program Area, dates September 3, 2019 (the "Review"). Exhibit B of the Review showed estimated energy savings as compared to the projected year end energy savings by Program Area for 2019, as follows:

Exhibit B – Program Area Energy Savings Estimates: 2019 DSM Plan Compared to Year-end Projections

Program Area	2019 DSM Plan Estimated Annual Energy Savings[A] (GJ)	2019 Projected Year-End Annual Energy Savings[B] (GJ)
Residential	238,946	196,000
Commercial	280,314	255,000
Industrial*	280,651	325,000
Low Income**	76,022	68,000
Portfolio Total	875,933	844,000

* Note that while the increased uptake in industrial energy saving measures are cost-effective, the measures that have increased the most have lower energy savings than the average of those estimated in the DSM Plan – the result being that although industrial expenditures are expected to approximately double, industrial savings are not expected to increase as much.

**Low Income Program Area is not impacted by the Transfer Request but shown for completeness.

A: Source - FortisBC 2019-2022 DSM Expenditures Plan for Natural Gas Programs, Errata dated September 20, 2018 – Exhibit 6.

B: Projections shown are an estimate of year-end energy savings based on program activity to the end of July, 2019 and will change to some degree through the remainder of 2019.

We have done some calculations based on the above-noted figures and we note that, according to Table 1 of the Application and Exhibit B of the Review, the Utility had projected to spend:

- 87% of its budgeted amount for the Residential Program Area to achieve 82% of the anticipated energy savings;
- 83% of its budgeted amount for the Commercial Program Area to achieve 90.9% of the anticipated energy savings;
- 211% of its budgeted amount for the Industrial Program Area to achieve only 115% of the anticipated energy savings;
- 99% of its budgeted amount for the Low Income Program Area to achieve 89% of the anticipated energy savings.

We would have liked to provide an updated calculation based on the figures found in the Utility's response to the BCUC IR's in this process, but the comparable data necessary to do so was not provided. As a result, we are forced to make our submissions on this subject on the understanding

that, while the root figures may vary somewhat, that variation is slight and does not, in our view, materially affect the concerns we will now identify.

BCOAPO notes that, based on our calculations, the Utility's proposal to significantly bump industrial DSM expenditures is going to have a very limited impact on energy savings, especially when compared to other program areas where higher savings will be achieved with less spending. In its Application, FEI states that the $3.440 million projected overspend for the Industrial Program Area "can be achieved by moving funds from a combination of the Residential and Commercial Program Areas without impacting projected 2019 program activity in those areas".[2] However, in its responses to the BCUC IR1, FEI indicated that as of October 28, the Utility plans to transfer $4,175, an increase of 21% compare to initially proposed $3,440.[3] In those same IR responses, the Utility is stated that "it is not requesting approval for a specific amount of funding to be transferred, but rather is requesting approval to transfer funds into the Industrial program area that exceed 25 percent of the Industrial program area approved funding."[4], creating significant uncertainty regarding the specific amount that will be transferred into the Industrial Program Area. In our submission, the specific quantum of funds the Utility is seeking to transfer is a material fact necessary to inform not only our submissions, but the Commission's decision.

Section 43(1)(b)(i) of the Utilities Commission Act requires a public utility to "provide to the commission the information the commission requires." In our opinion, FEI has not complied with this requirement by failing to include in its Application Program Area Energy Savings Estimates, as provided in Exhibit B of the Review to EECAG and it could be argued that the information regarding the amount to be transferred as conveyed in the Application was potentially misleading. The Application and the Draft Order discuss specific amounts for transfer using the following phrases "$3.440 million above Plan", "the approximately $3 million projected overspend", and "$3.400 million", without disclosing that this amount could be higher at year-end. However, given the Utility's statement that it is not committing to any one figure, BCOAPO cannot now rely on any of its representations of the quantum of the funds it will transfer with any degree of confidence.

BCOAPO would like to draw everyone's attention to another issue: if Residential and Commercial Program Areas expected to spend under the approved plan amount in 2019, FEI's 2019-2022 DSM Plan allows the Utility to rollover unspent monies in a program area to the same program area into the following year. FEI's choice of words in its Application and IR's is accurate: the

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[2] *Ibid*
[3] *Ibid*
[4] Exhibit B-2, BCUC IR1.1.1. & 1.1.2.

transfer would not impact any *projected 2019 program activity in the residential rate class* but the choice to not rollover the funds to a later year within the same portfolio is an impact, albeit one that manifests in a different fiscal since those rollover monies will not be available to fund residential programs in future.

In our final argument in FEI's 2019-2022 DSM Expenditures Plan proceeding, BCOAPO raised a concern regarding "the possibility of FEI choosing to transfer any of its funding for any given year out of the Low Income and Residential DSM Programs". We also put on the record our clients' position that these two programs must remain a priority and urged the Utility "to resist any urge that may arise to transfer funds out of the residential or low income programs".[5]

We acknowledge that the proposed transfer request does not directly impact the Low Income Program Area *in this fiscal year* based on FEI's original or updated spending projections. However, considering very limited industrial energy savings expected to be achieved with the funding transfer, in our submission it would be more in public interest to rollover any underspent monies in the Residential Program Area to the same portfolio where the cost benefit ratio is more favourable rather than transferring these funds to the Industrial Program Area. We also note that FEI's plan to increase expenditures in the residential sector over the remainder of the time period, as discussed in response to the BCUC Information Request No.1 (IR1), could result in spending all or nearly all budgeted amounts for the Residential Program Area towards year-end.[6]

We agree with the Utility that "the Industrial Program Area is a relatively small portion of the Utility's overall DSM Portfolio plan for 2019"[7], and that "the projected transfer amount is a small portion of the overall approved portfolio expenditure"[8]. However, we are reluctant to accept this argument as an adequate justification for the proposed transfer.

Overall, BCOAPO submits that the transfer should not be approved for the following reasons:

1) If it is indeed "optimal" given the situation as at 28 October 2019 to cut 2019 DSM spending on the Residential Program to 91% of Plan and Commercial Program to 81% of Plan, it does not necessarily follow that it is optimal to increase DSM spending on the Industrial Program to 235% of Plan: the proposed/projected increased spending on the Industrial Program should be compared to alternatives such as allocating some or all of the proposed/projected Industrial spending increase (a) to other programs in 2019, (b) to approved DSM programs in 2020,

[5] FEI 2019-2022 Demand Side Management Expenditures Plan, BCOAPO Final Argument, pages 6 - 7
[6] Exhibit B-2, BCUC IR3.1
[7] Exhibit B-1, page 2
[8] Exhibit B-2, BCUC IR 1.1.1 & 1.1.2

2021, or 2022, or (c) to DSM programs in years beyond 2022 (i.e., to be available for future DSM Plans).

2) In BCOAPO's view, only if it can be determined that there is more social welfare "bang for the buck" by the proposal versus all possible alternatives should such a massive increase in one program (to 239% of approved) in the first year of a four-year DSM Plan be approved. BCOAPO submits that FEI has not provided evidence that the proposal is superior to these other alternatives and, until it does so, FEI has not justified the massive transfer in our view.

3) It is appropriate to look at the increase/decrease in spending on particular programs in terms of the approved spending on those programs. However, using total portfolio spending instead has the effect of making the increase appear smaller by increasing the denominator: 235% versus plan in industrial spending is 235% versus plan in industrial spending.

4) BCOAPO notes that it appears that without any further regulatory approvals or review, FEI would be able to decrease 2019 Residential DSM spending by $5.880M (25% of 2019 Plan) and 2019 Commercial DSM spending by $3.459M (25% of 2019 Plan) as long as the reductions were distributed among approved programs such that the impact on each program was limited to 25%, regardless of the optimality of such a reallocation. In the light of the instant proposal and in retrospect, BCOAPO questions whether this flexibility is required or even desirable.

BCOAPO submits that FEI has not adequately supported the proposed reallocation of 2019 spending versus reallocating the 2019 surplus (Plan – Actual) to future DSM spending in future years or plans. Based on the evidentiary record to date, the transfer should not be approved.

All of which is respectfully submitted.

Sincerely,
BC PUBLIC INTEREST ADVOCACY CENTRE

Original on file signed by
Leigha Worth

Executive Director | General Counsel

Original on file signed by:
Irina Mis

Barrister & Solicitor