British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com
P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

FortisBC Inc.
Application for Acceptance of Demand-Side Management Expenditures Plan for the period covering from 2023 to 2027

Decision
and Order G-371-22

December 16, 2022

Before:
E. B. Lockhart, Panel Chair
B. A. Magnan, Commissioner
A. Pape-Salmon, Commissioner

TABLE OF CONTENTS

Page no.

Executive summary

On June 6, 2022, FortisBC Inc. (FBC) filed its Application for Acceptance of Demand Side Management (DSM) Expenditures for 2023 to 2027 (the Application) to the British Columbia Utilities Commission (BCUC) pursuant to section 44.2(1)(a) of the *Utilities Commission Act* (UCA). FBC is seeking acceptance of DSM expenditures of $82.583 million over the five-year term of the FBC 2023–2027 DSM Plan (DSM Plan). In addition, FBC is also seeking approval of:

- changes to its funding transfer and carryover rules that provide flexibility in the timing of expenditures between program areas and plan years;
- a new variance allowance rule on total portfolio expenditures in the final year of the DSM Plan; and
- a rate base deferral account to capture the regulatory costs associated with the review of this Application.[1]

Pursuant to section 44.2(3) of the UCA, the BCUC must either accept the schedule, if making the expenditures referred to in the schedule would be in the public interest, or reject the schedule, in whole or in part. In determining whether to accept FBC's expenditure schedule, the BCUC considers, among other requirements, British Columbia's energy objectives, the most recent long term resource plan filed by FBC, the Clean Energy Act, the cost-effectiveness of the DSM expenditures and the interests of persons in British Columbia who receive or may receive service from FBC.

Interveners support acceptance of the DSM Plan, subject to concerns raised about the overall differences between FBC's 2021 LTERP and the DSM Plan. The Panel finds that the DSM Plan is generally consistent with FBCs most recently filed LT DSM Plan, and is persuaded by FBCs explanation that the differences between the DSM Plan and the LT DSM Plan arise from the different methodologies and assumptions used to develop each plan. In addition, FBC identifies programs and expenditures in the DSM Plan that are not included in the LT DSM Plan. In our view, the $19 million increase in expenditures in the DSM Plan, compared to the LT DSM Plan, supports significant demand and capacity savings in the Residential and Commercial Program areas as well as Demand Response programs. Finally, the DSM Plan reflects the feedback that FBC gathered from its stakeholders.

Having considered the factors listed in section 44.2(5) of the UCA, the Panel accepts the DSM expenditure schedule outlined in Table 4-2 of the Application, which outlines expenditures of $82.583 million for 2023 through 2027.

The Panel approves FBC's requested changes to the transfer and funding carryover rules, and a new variance allowance rule for the final year of the DSM Plan. The Panel also makes recommendations regarding future funding transfer applications.

[1] Exhibit B-1, p. 3

1.0 Background and context

1.1 Application Overview

On June 6, 2022, FortisBC Inc. (FBC) filed its Application for Acceptance of Demand Side Management (DSM) Expenditures for 2023 to 2027 (the Application) to the British Columbia Utilities Commission (BCUC) pursuant to section 44.2(1)(a) of the *Utilities Commission Act* (UCA). FBC has offered DSM programs since 1989 to eligible customers served by FBC and its wholesale customers: the Cities of Grand Forks, Penticton, and Summerland, and Nelson Hydro.[2]

The expenditure schedule outlined in the Application shows proposed expenditures at a "program area" (or sector) level, and is supported by the 2023–2027 DSM Plan (DSM Plan), found in Appendix A of the Application. The DSM Plan provides more granular details on the individual programs that make up the expenditure schedule, including program level descriptions, anticipated expenditures, forecasted energy savings, cost-effectiveness results, and summaries of notable changes from previously approved programs.

1.2 Legislative Framework

Pursuant to section 44.2(3) of the UCA, after reviewing an expenditure schedule, the BCUC must accept the schedule if it considers that making the expenditures referred to in the schedule is in the public interest, or it must reject the schedule. Pursuant to section 44.2(4), the BCUC may also accept or reject part of an expenditure schedule.

Pursuant to section 44.2(5), in considering whether to accept an expenditure schedule, the BCUC must consider:

a) the applicability 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.

Subsection 44.2(5)(c) of the UCA is not relevant to this Application in the context of a DSM expenditure schedule. Section 6 of the *Clean Energy Act* (CEA) states that a public utility must consider BC's energy objective to achieve electricity self-sufficiency when planning in accordance with section 44.1 of the UCA for a) the construction or extension of generation facilities, and b) energy purchases. Section 19 of the CEA applies only to prescribed utilities with respect to targets in relation to clean or renewable resources and FBC is not a prescribed utility.

Section 2 of the CEA outlines BC's energy objectives, with respect to subsection 44.2(5)(a) of the UCA.

Section 4 of the Demand-Side Measures Regulation (DSM Regulation)[3] outlines the process by which the BCUC determines cost-effectiveness of demand-side measures for the purposes of section 44.2(5)(d) of the UCA.

[2] Exhibit B-1, Appendix A, p. 3
[3] BC Reg. 326/2008

1.3 Approvals sought

In its Application, FBC seeks acceptance of DSM expenditures of $82.583 million over the five-year term of the DSM Plan. In addition, FBC is also seeking approval of:

- proposed changes to its existing funding transfer and carryover rules that provide flexibility in the timing of expenditures within the proposed program areas;
- a new variance allowance rule on total portfolio expenditures in the final year of the DSM Plan; and
- a rate base deferral account to capture the regulatory costs associated with the review of this Application.[4]

Most of the programs in the DSM Plan are part of FBC's existing DSM portfolio previously accepted in the 2019 – 2022 DSM Expenditure Plan, and the following table shows the forecast expenditure schedule for the energy efficiency program areas and supporting initiatives, along with the associated forecast energy savings from 2023 to 2027.

Table 1: 2023-2027 DSM Plan Proposed 1 Expenditures (inflation adjusted)[5]

Program Area (Sector)	2019-22 Plan	Expenditures ($000's)						Energy Savings (GWh)						TRC 2023-2027
	Approved 2022	2023	2024	2025	2026	2027	Total	2023	2024	2025	2026	2027	Total	Ratio
Residential	$3,795	$2,946	$3,258	$3,566	$4,015	$4,548	$18,334	5.7	6.2	6.9	7.6	8.6	35.0	1.4
Commercial	$930	$3,129	$3,416	$3,643	$3,850	$4,012	$18,050	10.8	11.1	11.5	11.8	12.2	57.4	1.4
Industrial	$3,047	$2,119	$2,130	$2,187	$2,196	$2,206	$10,837	8.4	8.4	8.6	8.6	8.6	42.5	2.1
Low Income	$1,815	$1,743	$1,730	$1,790	$1,844	$1,934	$9,043	1.6	1.6	1.7	1.8	1.9	8.5	1.1
Program sub-total	*$8,587*	*$9,938*	*$10,543*	*$11,186*	*$11,905*	*$12,700*	*$56,264*	*26.5*	*27.3*	*28.7*	*29.8*	*31.3*	*143.4*	*1.5*
Conservation Education and Outreach	$666	$897	$978	$1,002	$1,028	$1,163	$5,067							
Enabling Activities*	$1,044	$1,550	$1,600	$1,960	$1,846	$2,046	$9,001							
Innovative Technologies*		$485	$685	$255	$318	$276	$2,019							
Demand Response	$133	$773	$803	$1,316	$1,443	$1,626	$5,962							1.0
Portfolio	$956	$813	$836	$853	$872	$896	$4,270							
Total	**$11,400**	**$14,455**	**$15,436**	**$16,572**	**$17,412**	**$18,707**	**$82,583**	**27.4**	**27.4**	**28.6**	**29.7**	**31.3**	**143.4**	**1.3**
LT DSM Plan	**$10,600**	**$11,249**	**$11,907**	**$13,139**	**$12,951**	**$14,014**	**$63,259**	**27**	**27.3**	**29.3**	**28.6**	**27.6**	**139.8**	

* Innovative Technologies 2022 budget was included within the Supporting Initiatives Program Area of the approved 2019-22 DSM Plan. Supporting Initatives is now named to Enabling Activities, to align with FEI

The DSM Plan increases the level of expenditures and number of cost-effective programs compared to the previously accepted 2019-2022 DSM Plan and the pro-forma expenditures in FBC's Long-Term DSM Plan (LT DSM Plan), filed as part of its 2021 Long-Term Electric Resource Plan (LTERP) on August 24, 2021, which is still being reviewed by the BCUC. The comparison with the 2021 LTERP is discussed in more detail in Section 2.2 below.

FBC submits that the DSM Plan continues many of the cost-effective programs previously accepted in the 2019-2022 DSM Plan, with some additions and modifications to simplify offers for customers, align programs with provincial partners, and comply with changes to applicable legislation.[6] FBC provides a table comparing the programs and activities in the DSM Plan to the 2021 Annual DSM Report, showing where previously approved programs have been consolidated, moved between program areas or renamed. FBC requests funding for two new program activities for 2023-2027:[7]

- Industrial Strategic Energy Management program
- Customer Research within Enabling Activities

[4] Exhibit B-1, p. 3
[5] Exhibit B-1, Table 4-2, p. 15
[6] Exhibit B-1, p. 1
[7] Exhibit B-1, Table 4-1, pp. 10-11

1.4 Regulatory Process

The BCUC established a regulatory timetable in Order G-182-22, providing for intervener registration, one round of information requests (IRs) to FBC, and final and reply arguments.

Five interveners registered in the proceeding, namely:

- Residential Consumer Intervener Association (RCIA)
- BC Sustainable Energy Association (BCSEA)
- Commercial Energy Consumers Association of BC (CEC)
- DMG Blockchain (DMG)
- British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC and Tenants Resource and Advisory Centre (BCOAPO)

Nine letters of comment were received from municipalities and other organisations in support of the Application.

1.5 Structure of the Decision

Section 2 addresses the public interest of FBC's proposed expenditure schedule relating to Section 44.2(5) of the UCA, while Section 3 addresses the additional approvals sought related to the funding transfer rule amendments and requested deferral account.

2.0 Is Acceptance of the 2023-2027 DSM Expenditure Schedule in the Public Interest?

In reviewing whether the expenditure schedule is in the public interest, the Panel examines the evidence and submissions pertaining to each of the relevant considerations outlined in section 44.2(5) of the UCA in turn below. Following this, the Panel's overall determination on the acceptance of FBC's 2023–2027 DSM expenditure schedule is addressed in section 2.5.

2.1 The Applicability of BC's Energy Objectives

Pursuant to section 44.2(5)(a) of the UCA, the BCUC must consider the applicability of BC's energy objectives in its review of the Application.

FBC lays out its compliance with the appropriate elements of the CEA and describes how the Expenditure Schedule and supporting DSM Plan meet these following energy objectives in Section 2 of the CEA: [8]

- **2(b) to take demand side measures and to conserve energy:** The DSM Plan will allow FBC to implement cost-effective demand-side measures, as defined by the DSM Regulation, which are estimated to result in 143.4 GWh of cumulative energy savings over the five years of the plan (Cost-effectiveness is discussed further in Section 3.3 below);

[8] Exhibit B-1, Table 3-1, p. 5; FBC Final Argument, pp. 5-6

- **2(d) to use and foster the development of innovative technologies that support energy conservation and efficiency:** The DSM Plan includes expenditures of $1.953 million[9] on Innovative Technologies with increased expenditures to support a residential deep energy retrofit pilot in electrical heated homes in Indigenous communities;[10] and
- **2(i) to encourage communities to reduce greenhouse gas emissions and use energy efficiently:** Two notable examples to demonstrate this include: FBC's Community Education and Outreach initiatives to provide education about energy conservation and incentive programs, and FBC's Enabling Activities to support local government and institutional strategic energy planning and support development of codes and standards, including the BC Energy Step Code.

FBC submits that consideration of British Columbia's energy objectives supports acceptance of the 2023 to 2027 DSM Plan.[11]

Intervener Positions

Interveners agree that the DSM Plan supports BCs energy objectives. BCSEA, for example, submits that the DSM Plan furthers the BC energy objectives.[12]

Panel discussion

The Panel finds that the proposed DSM Plan will allow FBC to implement cost-effective demand-side measures (as discussed below), foster the development of innovative technologies through expenditures of almost $2 million on a residential deep energy retrofit pilot, and implement various initiatives to encourage communities to reduce greenhouse gas emissions and use energy efficiently. The Panel agrees with FBC that the energy objectives relevant to the Application are those listed as items (b), (d) and (i) in section 2 of the CEA, and that the remaining objectives listed in section 2 of the CEA do not apply in this case. In addition, no intervener has challenged this analysis.

2.2 Long Term Electricity Resource Plan

Pursuant to section 44.2(5)(b) of the UCA, the BCUC must consider the utility's most recently filed long-term resource plan. In this case, that is the 2021 Long Term Electric Resource Plan (2021 LTERP) which includes the Long Term Demand Side Management Plan (LT DSM Plan). FBC filed the 2021 LTERP on August 24, 2021, and both the 2021 LTERP and the LT DSM Plan are currently under review by the BCUC.

FBC explains that the LT DSM Plan contemplates total DSM expenditures between 2023 and 2027 of $63.3 million and total DSM savings of 139.8 GWh.[13] The DSM Plan in this Application builds on the target savings contemplated in the LT DSM Plan. FBC notes that the $82.583 million requested in the Application exceeds the amount contemplated in the LT DSM Plan by $19.3 million and is expected to achieve additional energy savings of 3.6 GWh and capacity savings of 42.2 MW, as shown in the following two tables.[14]

---

[9] Exhibit B-1, Appendix A, p.31
[10] FBC Final Argument, p.13
[11] FBC Final Argument, p. 5
[12] BCSEA Final Argument, p. 4.
[13] FBC Final Argument, p. 8
[14] Exhibit B-2, BCUC IR 3.1, Table 3-2; Exhibit B-1, p. 6, Table 1

Table 2: 2023-2027 DSM Plan Compared with the LT DSM Plan:

Plan	2023	2024	2025	2026	2027	Total
Expenditures ($000s)						
2023-2027 DSM Plan	$14,455	$15,436	$16,572	$17,412	$18,707	**$82,583**
LT DSM Plan	$11,249	$11,907	$13,139	$12,951	$14,014	**$63,260**
Difference	*$3,206*	*$3,529*	*$3,433*	*$4,461*	*$4,693*	***$19,323***
Energy savings (GWh)						
2023-2027 DSM Plan	26.4	27.4	28.6	29.7	31.3	**143.4**
LT DSM Plan	27	27.3	29.3	28.6	27.6	**139.8**
Difference	*-0.6*	*0.1*	*-0.7*	1.1	*3.7*	***3.6***

FBC states its proposed DSM Plan is consistent with the 2021 LTERP because it is built on the targeted savings in the LT DSM Plan included as part of the 2021 LTERP and is based on the same Market Potential from FBC's latest Conservation Potential Review (CPR) on which the LT DSM Plan was also based.[15]

However, FBC notes key deviations in the proposed DSM Plan from the LT DSM Plan, including reduced cost-effectiveness ratios (as measured by the blended TRC/mTRC) of its DSM portfolio from 2.0 to 1.3, a $19.3 million increase in portfolio expenditures, and incremental energy and capacity savings of 3.6 GWh and 42.2 MW respectively. The table below provides a summary of these differences, including increases in non-incentive and incentive expenditures. [16]

Table 3: Comparison of LT DSM Plan and 2023-2027 DSM Plan:

	Incentives ($M)	Non-Incentive Expenditures ($M)	Total Expenditures ($M)	Energy Savings (GWh/y)	Demand and Capacity Savings (MW)	TRC
DSM Expenditures Plan (2023-2027)	$49.1	$33.5	$82.6	143.4	62.1	1.3
LT DSM Plan (2023-2027)	$45.2	$18.1	$63.3	139.8	19.9	2.0
Difference	**$3.9**	**$15.4**	**$19.3**	**3.6**	**42.2**	**-0.7**

FBC notes that differences between the two plans are due to the use of different forecast methodologies and assumptions.[17] These differences include:

- The proposed DSM Plan considered granularity of the budget and savings at a program level. In contrast, the LT DSM Plan was an outcome of a simple payback demand curve reflecting cost, estimated operational savings, and DSM incentives.[18]
- FBC has increased expenditures in the Residential and Commercial Program Areas to support demand and capacity savings measures, and included a Demand Response Program Area, all of which were not included within the scope of the CPR and therefore not included in the LT DSM Plan.[19]

[15] FBC Final Argument, p. 7
[16] Exhibit B-2, BCUC IR 3.1
[17] FBC Final Argument, p.12
[18] Exhibit B-2, BCUC IR 3.1
[19] FBC Final Argument, p.13

- Based on feedback from stakeholders in the Energy Efficiency and Conservation Advisory Group (EECAG) group, FBC is increasing expenditures in the Low-Income Program and Innovative Technologies program areas to support projects in Indigenous and low-income communities.[20]
- As seen in Table 3 above,[21] non-incentive expenditures comprise a greater proportion of the DSM Plan compared to the LT DSM Plan, which FBC explains is to align with recent program experiences and reflect incremental incentives considered in the proposed DSM Plan.[22] In contrast, the LT DSM Plan assumed a lower proportion of non-incentive expenditures [23] and included flat assumptions for non-incentive expenditures like labour, administration, communications, and the Conservation, Education, and Outreach (CEO), Innovative Technologies, Enabling Activities and Portfolio program areas.[24]

FBC submits that it has thoroughly explained the variances between the two DSM Plans and that increases in expenditures based on feedback from the EECAG stakeholder group are in the public interest.[25] FBC also submits that changes to the DSM Plan will provide important benefits, such as demand and capacity savings.[26]

Intervener Positions

RCIA and BCSEA submit that FBC has adequately explained the deviations of the Plan from the LTERP and do not have concerns with this area.[27] The CEC indicates that the proposed DSM Plan for 2023-2027 is superior to that provided in the LTERP.[28]

BCOAPO submits that FBC has not adequately explained the overall differences between the LTERP and the DSM Plan.[29] BCOAPO raises four aspects. First, it points to the disproportionate difference between the incremental increase in expenditures (31 percent) and forecasted energy savings (three percent). BCOAPO finds FBC's explanation, that the expenditures and savings in the LTERP were for planning purposes only and do not reflect actual program design and stakeholder feedback, inadequate because of the disproportionate difference between the incremental increase in expenditures and energy savings.[30] In reply, however, FBC submits that it has explained the difference more fully than BCOAPO acknowledges: "FBC provided a detailed account of the differences between the [DSM Plan] and the [LT DSM Plan], including expenditures and energy savings. In short … the incremental programs and measures in the DSM Plan that were not reflected in the LT DSM Plan have minimal or no energy savings, but do have other benefits to customers such as demand and capacity savings."[31]

Second, BCOAPO notes that of the $19.3 million forecast increase in DSM expenditures, only 20% of that increase is related to customer incentives and the remaining 80% is related to non-incentive expenditures. In response to IRs, FBC indicated that a recent study of expenditure metrics of a variety of North American DSM programs found that the average split of incentives versus non-incentive expenditures was 60% and 40%

---

[20] FBC Final Argument, p.13
[21] Staff note that based on Table 3 provided by FBC, the proportion of non-incentive expenditure in the DSM Plan amounts to 40.6% ($33.5/$82.6) of plan expenditures, compared to 28.6% ($18.1m/$63.3m) non-incentive expenditures in the LT DSM Plan. This is higher than the figure of 21% provided by FBC in response to BCUC IR 3.1, and results in a smaller discrepancy between the DSM Plan and the LT DSM Plan.
[22] FBC Final Argument, pp.11-12
[23] Exhibit B-2, BCUC IR 3.1
[24] FBC Final Argument, p.11
[25] FBC Final Argument, p.13
[26] FBC Final Argument, p.16
[27] RCIA Final Argument, p. 8; BCSEA Final Argument, p. 7
[28] CEC Final Argument, p. 17
[29] BCOAPO Final Argument, p. 3
[30] BCOAPO Final Argument, p. 4
[31] FBC Reply Argument, p. 3

respectively, and that this ratio in the DSM Plan is 61% and 39%.[32] BCOAPO observes that the DSM Plan means that FBC is "at the upper bound of the average level of non-incentive spending" and that the BCUC should carefully monitor this.[33] In reply, FBC states that its ratio of incentive to non-incentive spending is aligned with other North American DSM programs and that it monitors all aspects of its DSM programs.[34]

Third, BCOAPO notes that the Other Program Areas (collectively, Conservation Education and Outreach, Enabling Activities, Innovative Technologies, Demand Response, and Portfolio) are forecast to increase by $10 million (61%) in the DSM Plan. BCOAPO's concern is there is limited visibility into the benefits that customers are receiving from this spending which represents about 52% of the additional spending.[35] In reply, FBC points out that it has described these components of the DSM Plan and that it reports to the BCUC on these areas as part of its Annual Reports. Therefore, FBC submits, there will be ample visibility into these areas.[36]

Fourth, BCOAPO submits that FBC's response to its question whether FBC was concerned that the cumulative difference in incremental savings is forecast to occur in the last year of the DSM Plan (2027) was unresponsive: "FBC provided a generic response that the savings are distributed through each year of the DSM Plan."[37] In reply, FBC submits that FBC's energy savings are quite evenly distributed over each of the years, rising from 26.4 GWh in 2023 to 31.3 GWh in 2027. Further, FBC emphasizes that the LT DSM Plan is not expected to precisely match the more detailed DSM expenditures plans.[38]

Panel discussion

The Panel finds that the DSM Plan is generally consistent with FBC's most recently filed LT DSM Plan. The Panel is persuaded by FBC's explanation that the differences between the DSM Plan and the LT DSM Plan arise from the different methodologies and assumptions used to develop each plan. In addition, FBC identifies programs and expenditures in the DSM Plan that are not included in the LT DSM Plan. Of note, the $19 million increase in expenditures in the DSM Plan, compared to the LT DSM Plan, supports significant demand and capacity savings in the Residential and Commercial Program areas as well as Demand Response programs. Finally, the DSM Plan reflects the feedback that FBC gathered from its stakeholders.

The Panel does not share the concerns that BCOAPO raises. The information in the DSM Annual Reports provides adequate transparency regarding the split between incentive and non-incentive expenditures. For example, the 2021 DSM Annual Report in Appendix B[39] of the Application indicates the breakdown between incentive and non-incentive expenditures for the Residential, Commercial, Low Income and Industrial program areas. In addition, the Annual Reports provide sufficient visibility into the benefits from Other Program Areas.

2.3 Cost effectiveness of the DSM Plan

Pursuant to UCA section 44.2(5)(d), the BCUC must consider whether the demand-side measures are cost-effective within the meaning prescribed by regulation. Section 4 of the DSM Regulation sets out the cost-effectiveness criteria; the primary test for DSM being the Total Resource Cost (TRC) test [40]. The TRC is the ratio that results when the value of the benefits of DSM activity, as measured by avoided energy and capacity costs as applicable, is divided by the sum of the utility and customer costs for that DSM activity. A TRC ratio of 1.0 or more

[32] Exhibit B-4, BCOAPO IR 4.4
[33] BCOAPO Final Argument, pp. 4 – 5
[34] FBC Reply Argument, p. 3
[35] BCOAPO Final Argument, p. 5
[36] FBC Final Argument, p. 3
[37] BCOAPO Final Argument, p. 5
[38] FBC Final Argument, pp. 3 – 4
[39] See for example Table A-1 in Appendix A of the 2021 Annual DSM Report included in Appendix B of the Application
[40] TRC = avoided energy and capacity costs/ incremental cost of measure to customer and utility.

indicates that a DSM activity equals or exceeds its total costs. Pursuant to section 4(1.5)(b)(ii) of the DSM Regulation, FBC may use the modified Total Resource Cost (mTRC) test for up to 10 percent of its portfolio expenditures, which includes an adder for non-energy benefits. The BCUC may determine cost effectiveness at a program or portfolio level. Typically the BCUC has used the portfolio approach.[41]

The table below shows the standard cost-effectiveness test results at the portfolio level and demonstrates that the DSM Plan is cost effective under the standard TRC and mTRC as per the DSM Regulation, in addition to the Utilities Cost Test (UCT), and the Participant Cost Test (PCT) results. (Although the DSM Plan does not pass the ratepayer impact (RIM) test, the DSM Regulation states that BCUC may not determine that a proposed DSM measure is not cost effective based on the result of the RIM test).[42]

Table 4: Portfolio Level Cost Effectiveness Results:

	TRC	mTRC	UCT	PCT	RIM
Total Portfolio	1.3	1.4	1.8	3.2	0.5

[43]

FBC submits that the DSM measures included in the DSM Plan are consistent with the measures assessed and the benefit/cost methodology used in the LT DSM Plan. More specifically, the measures included within programs in the DSM Plan pass the TRC test. The benefits of the TRC test are FBC's "avoided costs", calculated as the DSM measures' present value over the effective measure life of energy savings and demand savings, represented by the long run marginal cost (LRMC) and deferred capital expenditure (DCE) values. FBC's assessment provides a LRMC of $90 per MWh from clean or renewable BC resources, developed in the 2021 LTERP, for the purposes of cost-effectiveness testing in this Application.[44] For DSM measures with only capacity savings and no energy savings (such as the demand response program), FBC used the capacity-only LRMC of $145 per kW-year ($2020), rather than the blended energy and capacity LRMC of $90 per MWh.[45]

FBC has provided individual program cost-effectiveness estimates in the DSM Plan and will continue to report on individual DSM program cost-effectiveness results in its DSM Annual Reports.[46]

FBC acknowledges that the TRC ratio of the proposed DSM Plan is lower than the TRC ratio of the LT DSM Plan.[47] The TRC ratio is 2.05 in the LT DSM Plan.[48] FBC notes that additional programs and measures included in the proposed DSM Plan impose additional costs but have minimal or no energy savings resulting in a lower overall cost-effectiveness score. [49]

FBC submits the DSM Plan is cost-effective, with a TRC score of 1.3, and the approach to determining the cost-effectiveness of its DSM programs as described in the Application is comprehensive, aligned with the DSM Regulation, and consistent with past practice as previously approved by the BCUC.[50]

[41] Exhibit B-1, p. 20
[42] Exhibit B-1, p. 22
[43] FBC Final Argument. p. 17
[44] Exhibit B-1, p. 7
[45] Exhibit B-1, p.21
[46] Exhibit B-1, p. 20.
[47] Exhibit B-1, BCUC IR 3.1
[48] FBC 2021 LTERP Proceeding, Exhibit B-1, Part II, Appendix A, p. 54
[49] FBC Final Argument, p. 15
[50] FBC Final Argument, p. 17

FBC notes, however, that while the overall portfolio has a TRC score of 1.3, two programs have TRC scores of less than one, namely the Rental Apartment Program (RAP), and the Commercial and Industrial demand response program. A brief summary of each program is provided below:

Rental Apartment Efficiency Program (RAP)
FBC provides a TRC value of 0.4[51] for the Rental Apartment Program (RAP) and notes a lower cost effectiveness in the DSM Plan as compared to previous plans. This is due to the following:[52]

- Increased non-incentive costs, primarily due to increasing administration costs for planned program development activities for RAP;
- Increased number of energy assessments that do not convert to measure implementation;
- Anticipation of higher costs for the direct install component of RAP, which is labour-intensive;
- Conservation estimates for achievable electricity savings due to diminishing returns for opportunities associated with lighting upgrades; and
- Limited capacity to increase participation in FBC's RAP program between 2023-2027, since there are fewer market rental apartment buildings left in the region that have not already utilized the program.

While the cost-effectiveness of RAP is decreasing, the DSM Regulation requires "a demand-side measure intended specifically to improve the energy efficiency of rental accommodations". FBC includes RAP specifically for the purposes of meeting this requirement and submits that continuation of the program is in the public interest as it provides opportunities for tenants to improve efficiency and reduce electricity bills.[53]

Demand Response Pilots
Demand response (DR) initiatives consist of interventions that focus on reducing peak demand impacts. FBC has forecast $6.0 million in expenditures for both the Residential, and the Commercial and Industrial DR Programs with estimated demand and capacity savings of 30.6 MW over the five year period. The ability to shed load through DR programs will reduce FBC's need for additional transmission, distribution, and capacity resources, and improve reliability during future adverse weather events. FBC plans to roll out the permanent DR programs for its commercial and residential sectors and anticipates that both residential and commercial demand response programs will be permanent fixtures of FBC's DSM portfolio past 2027.[54]

While the combined TRC for both DR programs is 1.0, FBC estimates a TRC of 0.8 for the Commercial and Industrial Demand Response Program area, and a TRC of 1.1 for the Residential DR program.[55] The residential program is expected to launch in 2023 and the commercial and industrial program is expected to launch in 2025. [56]

In response to IRs, FBC explains the lower initial cost effectiveness for the Commercial and Industrial DR program is due to higher costs for setup in the earlier years, and declining expenditures in future years. The table below shows the cost effectiveness (TRC) result for the Commercial and Industrial DR program in each year of the proposed DSM Plan. [57]

---

[51] Exhibit B-11, Appendix A, p.16
[52] FBC Final Argument, p.17
[53] FBC Final Argument, p.18
[54] FBC Final Argument, pp.14-15
[55] Exhibit B-1, Appendix A, p.33
[56] Exhibit B-2, BCUC IR 8.3
[57] Exhibit B-2, BCUC IR 8.2

Table 5: Cost Effectiveness for Commercial and Industrial DR Programs by Year:

Year	Total Resource Cost
2023	0.00
2024	0.00
2025	0.69
2026	1.03
2027	1.38
2023-2027	**0.82**

FBC notes that while the commercial and industrial program is not immediately cost effective, it quickly scales up and becomes cost effective. [58]

FBC explains that the TRC of the residential DR program is greater than the TRC of the commercial and industrial DR program because the residential program has an earlier start date of 2023, allowing for a longer time to ramp up participants. A longer timeline also permits the residential program to realize greater demand savings benefits to offset the initial capital cost of the program and software setup. If the programs were run for a similar time frame, with the forecast participant growth trending with similar year-over-year growth, FBC would expect the commercial and industrial DR programs to have a higher cost effectiveness than the residential DR program.[59]

Intervener Positions

RCIA states that it is satisfied that FBC has demonstrated the cost-effectiveness of the DSM Plan.[60]

BCSEA submits that consideration of the cost-effectiveness of the DSM Plan supports a determination that the DSM Plan is in the public interest. In addition, BCSEA accepts inclusion of the Rental Apartment Program in the DSM Plan despite the TRC being lower than in previous plans. The Rental Apartment Program is required by the adequacy requirements of the DSM Regulation. Finally, BCSEA also supports including the demand response program arising from the commercial demand response program pilot, i.e. to manually dispatch loads as a low-cost alternative to automated demand response.[61]

The CEC recommends that the BCUC find the level of cost effectiveness to be adequate.[62] Although the portfolio cost-effectiveness is lower than the LT DSM Plan, the CEC submits that the change in cost-effectiveness is acceptable. It adds it also considers the reporting on individual DSM program cost-effectiveness in the DSM Annual Reports to be valuable in ensuring the portfolio remains cost-effective over the established timeframe.[63]

The CEC submits that the Rental Apartment Program is a necessary part of FBC's DSM plans as required by the adequacy requirements of the DSM Regulation and it accepts the program as being necessary.[64] Finally, the CEC submits that the additional demand response programming is important in managing costs for FBC as well as for customers, and that this is an improvement over the LT DSM Plan.[65]

---

[58] Exhibit B-2, BCUC IR 8.2
[59] Exhibit B-2, BCUC IR 8.3
[60] RCIA Final Argument, p. 10.
[61] BCSEA Final Argument, p. 8
[62] CEC Final Argument, p. 10
[63] CEC Final Argument, p. 21
[64] CEC Final Argument, p. 5
[65] CEC Final Argument, pp. 5 and 18

Panel discussion

For the reasons set out below, the Panel finds that the DSM Plan is cost-effective within the meaning prescribed by the DSM Regulation. At the overall portfolio level, the DSM Plan has a TRC test value of 1.3 and an mTRC test value of 1.4. In other words, using either test of cost-effectiveness, the benefits of the DSM portfolio outweigh the costs.

In terms of Section 4(1) of the DSM Regulation, the BCUC has the option to assess cost-effectiveness of demand side measures individually, relative to other demand side measures, or at the portfolio level as a whole. The BCUC has opted in the past to apply this test on a portfolio basis. This provides FBC with the flexibility to undertake programs that are expected to provide a net BC benefit but where energy savings are difficult to measure or may be low in the short term, provided there are other programs in its portfolio that provide offsetting benefits and/or savings.

Although the cost-effectiveness of the Rental Apartment Program is less than one, and therefore its costs exceed the benefits, we accept that the program is required by the DSM Regulation, which requires 'a demand-side measure intended specifically to improve the energy efficiency of rental accommodations.'

Similarly, although the cost-effectiveness of the Commercial and Industrial Demand Response program is also less than one, we are persuaded by FBC that the program will scale up as projected and become cost effective in the later years of the program.

We also note that interveners support the cost-effectiveness of the overall portfolio, notwithstanding there are some individual programs that are not yet cost effective.

2.4 Interest of persons in BC who receive or may receive services

Pursuant to UCA section 44.2(5)(e), the BCUC must consider the interests of persons in British Columbia who receive or may receive service from the public utility.

FBC explains that the development of the DSM Plan was informed by consultation with various program stakeholders and interested parties. FBC engaged in and documented over 40 interactions and consultations related to the DSM Plan. The range of entities consulted with included: communities, customers, contractors, manufacturers, government, First Nations, vendors, interest groups, and EECAG. Most of the key learning from these consultations was market data refinement, which was then considered and assessed within program plans and profiles within the DSM Plan.[66]

FBC submits that its DSM Plan is in the interests of persons in British Columbia who receive or may receive service from FBC.[67] FBC submits that the 15 letters of support received from a variety of stakeholders demonstrates that there is wide and substantial support for the DSM Plan.[68]

Intervener Positions

BCOAPO does not have significant concerns regarding whether the DSM Plan is generally in the interests of persons in British Columbia who receive or may receive service from FBC. With respect to residential ratepayers, BCOAPO submits that a reasonably high percentage of the forecast savings relates to the Residential and Low-

[66] Exhibit B-1, pp. 13-14
[67] FBC Final Argument, p. 18
[68] FBC Final Argument, p. 20-21

Income sectors and that the cumulative rate impacts are not unreasonable. It notes, however, that the estimated yearly bill savings, particularly for Self Install participants are fairly low. BCOAPO submits that more can be done to achieve deeper retrofits and deeper savings for residential ratepayers, particularly low-income residential ratepayers.[69]

In response to BCOAPO, FBC notes that it has included extensive programing for residential and low-income customers, with expenditures and energy savings increasing year-over-year under the 2023-2027 DSM Plan. Further, it submits that the energy savings estimates for the Self Install program are reasonable: these "are current program assumptions and are informed by evaluations from third-party consultants and equipment assumptions."[70]

The CEC recommends that the BCUC assign substantial weight to the input from stakeholders, which it describes as a diverse group, knowledgeable and vested in supporting the public interest.[71]

BCSEA submits that the DSM Plan is in the interests of persons in BC who receive or may receive service from the public utility. It notes that the DSM Plan results from a fair representation of stakeholder and customer interests and that it is cost-effective, will result in energy savings as well as demand and capacity savings, reduce customer bills and provide direct incentives to customers.[72]

Panel discussion

The Panel finds that the DSM Plan is in the interests of persons in British Columbia who receive or may receive service from FBC. We are persuaded by FBC's consultation efforts and the letters of support from a broad range of stakeholders as well as the general support from interveners that the DSM Plan is in the interests of the persons of British Columbia who receive or may receive service from FBC.

Although BCOAPO would like to see deeper retrofits and deeper savings for residential ratepayers, in particular low-income ratepayers, we note that such potential programs must nevertheless pass a cost-effectiveness test. The Panel encourages BCOAPO to work with FBC to identify cost-effective opportunities for deeper retrofits and deeper savings through the stakeholder groups.

2.5 Overall determination

Intervener Positions

Interveners generally support acceptance of the FBC 2023-2027 DSM Plan, subject to concerns and recommendations outlined throughout their submissions.[73]

Panel Determination

Having considered section 44.2 of the UCA, and for the reasons discussed above, **the Panel accepts the DSM expenditure schedule, outlined in Table 4-2 of the Application and setting out expenditures of $82.583 million for 2023 through 2027.**

[69] BCOAPO Final Argument, p. 2
[70] FBC Reply Argument, p. 2
[71] CEC Final Argument, p. 11
[72] BCSEA Final Argument, p. 9
[73] BCOAPO Final Argument, p. 7; BCSEA Final Argument, pp. 2, 11; CEC Final Argument, p. 21; RCIA Final Argument, p. 15

3.0 Additional Approvals Sought

In addition to acceptance of the DSM Expenditure Schedule, FBC also seeks approval of several related matters, which the Panel addresses in this section. First, the Panel addresses the three changes that FBC is requesting to the funding transfer rules that were previously approved as part of its 2019-22 DSM Expenditure Plan Application.[74] Then the Panel addresses FBC's request for a deferral account for the regulatory costs associated with the review of this Application.

3.1 Funding Transfers and Variances

BCUC Decision and Order G-47-19 laid out the following inter-program funding transfer rules for the duration of FBC's 2019-22 DSM Plan:

> The Panel approves transfers of up to 25 percent of accepted DSM expenditures from one existing program area to another existing program area without prior approval of the BCUC on the condition that FBC adds information regarding such transfers so that all amounts transferred from one existing program area to another existing program area are transparently accounted for in the DSM annual reports. In cases where a proposed transfer into or out of an approved program area is greater than twenty five percent of that program area's accepted expenditures for the year in question, prior BCUC approval is required.[75]

FBC observes that the BCUC noted that some discretion should be permitted to the utility in transferring funds, but within defined limits.

FBC is proposing changes to the funding transfer and carryover rules, and requesting a new allowed variance in the final year of the DSM Plan to overcome "some of the challenges of working within the transfer rules, while maintaining the necessary boundaries to ensure that the DSM portfolio still aligns with the approved portfolio deemed to be in the public interest." [76]

Each of the three changes is addressed in the subsections below, before concluding with a summary panel determination on all of the changes requested to the funding transfer rules.

3.1.1 Funding Transfer

FBC is requesting the following funding transfer rule be in place for its 2023-27 DSM Plan:

> In cases where a proposed transfer out of an approved program area is greater than 25 percent of that program area's accepted expenditures for the year in question, BCUC acceptance is required.[77]

FBC is proposing the following changes to the funding transfer rules:

- **Remove the requirement for approval of transferred funds into a program area:** FBC is proposing that only the transfer of funds greater than 25 percent out of a program area should be required. This change ensures that the limits on the amount any one program area can lose funding are still in place,

[74] Order G-47-19 built on the original transfer rules which were first formalized in the 2012-2013 Revenue Requirements Decision accompanying Order G-110-12, p. 140
[75] BCUC Order G-47-19, pp. 15-16
[76] Exhibit B-1, p. 25-26
[77] Exhibit B-1, p. 26

but eliminates the limits on how much one program area can gain. FBC submits that the greater concern in executing the portfolio is ensuring that no program area is reduced significantly to the benefit of another program area. FBC would still report on transfers into and out of program areas in its annual reporting to the BCUC. [78]

- **Remove the requirement of *prior* approval**: FBC will endeavor to file for approval as soon as it is aware that a transfer above 25 percent is required; however, often it is not known for certain that the 25 percent limit will be passed until it is about to occur or already occurring. Additionally, the exact amount of the transfer above 25 percent is difficult to forecast ahead of its occurrence, and time is also required to draft and submit an application to the BCUC.[79]

FBC is seeking these changes in order to simplify the requirements for approval of changes, allow for greater flexibility for FBC in responding to market changes that are difficult to forecast in advance, and to ensure that FBC is able to focus on delivering DSM programs to customers without interruption. While FBC did not have to apply for similar approvals during the 2019-2022 DSM Plan period, FBC states it spends significant time and resources determining strategies to manage increased expenditures due to higher customer demand in a program area given the current transfer rules. [80]

The proposed changes ensure that no program area will have its funding reduced by greater than 25 percent without BCUC approval, while allowing FBC to efficiently react to increased activity in a program.[81] FBC submits this will enable it to continue with DSM programs, while ensuring that customers are not adversely impacted due to delays in receiving acceptance of the expenditures.[82] FBC submits this is consistent with section 44.2 (1)(a) of the UCA, which permits utilities to apply for expenditures that the utility "has made or anticipates making".[83]

Intervener Positions

BCSEA supports approval of FBC's proposed funding transfer rules.[84]

RCIA supports the removal of the "transfer in" limitation on the DSM transfer rules. RCIA also supports the removal of the "prior approval" restriction for transfers in excess of 25 percent, based on the understanding that such transfers would be at FBC's risk pending *subsequent* approval by the BCUC.[85]

BCOAPO supports FBC's proposal to remove the requirement for BCUC approval to transfer funds into a program area, but does not support the proposal to remove the requirement for approval of transfers above 25% out of a program area prior to the expenditures being made. It submits that transfers above 25% out of the Low Income and Residential DSM Programs would materially impact whether the public interest is being served by FBC's DSM expenditures and as a result should not be allowed prior to BCUC authorization. [86]

The CEC supports the requested change to permit transfer of funds above threshold into a program area, although it recommends that the BCUC include a statement that FBC will only transfer funds <u>out</u> of a program

[78] Exhibit B-1, pp. 25-26
[79] Exhibit B-1, pp. 25-26
[80] Exhibit B-2, BCUC 15.1
[81] FBC Final Argument, p. 23
[82] FBC Final Argument, p. 24
[83] FBC Final Argument, p. 24
[84] BCSEA Final Argument, pp. 2, 12
[85] RCIA Final Argument, pp. 11, 12
[86] BCOAPO Final Argument, p. 6

area if they are not required.[87] In reply, however, FBC states that this is a practice it already undertakes and therefore such a statement is unnecessary.[88]

The CEC does not support FBC's request to remove the 'prior approval' aspect for transfers above threshold out of a program area. The CEC notes "it should not be difficult for FBC to know exactly what funds are not being used in a given program area (i.e. less than predicted spending used) so they should know what funds are available." Further, FBC has the discretion to transfer less than 25 percent, which the CEC considers a substantial limit.[89]

FBC notes, in response to submissions from BCOAPO and CEC, that it will only transfer funds out of a program area if those funds are not needed in that program area due to lower than forecast activity in that year. According to FBC, a transfer above 25 percent will not materially impact the public interest being served by the DSM Plan. It would be unlikely that a particular program area could continuously be under budget by 25 percent or more in each year of the plan and therefore there is limited ability for transfers to change the public interest of the DSM Plan.[90]

FBC disagrees with the CEC that FBC ought to be able to file for transfer approval from the BCUC without having to pause programs. According to FBC, it is difficult to forecast with certainty when or if the 25 percent limit will be exceeded and, given the time required for the regulatory process, there is a risk that FBC will not be able to apply for and receive approval of an increase in funding without having to pause programs.[91]

Finally, FBC points out that the BCUC retains the ability to determine that a transfer was not in the public interest and disallow recovery through rates. FBC submits that maintaining the requirement for FBC to apply for BCUC approval of the transfer, while allowing FBC to continue with its DSM program while the application is being considered, strikes a reasonable balance between allowing FBC to carry-out its planned DSM programs without disruption to customers while maintaining BCUC oversight.[92]

3.1.2 Inter-year Funding Carryovers

FBC is requesting the following funding carryover rule be in place for its 2023-27 DSM Plan:

> FBC is permitted to carryover unspent and overspent expenditures in a Program Area to the same Program Area in the following year.[93]

FBC is requesting to continue the funding carryover rules that were previously approved as part of its 2019-22 DSM Expenditure Plan with one proposed change. FBC is requesting to be permitted to carryover overspent (or negative amounts) into the following year. FBC would be permitted to carryover both unspent and overspent expenditures in a Program Area to the same Program Area in the following year. In effect, FBC is requesting that the BCUC accept the total expenditures per Program Area over the time period of the expenditure schedule.[94]

FBC cites Order G-301-21 on FEI's Application for Additional DSM Expenditures for 2021 to 2022, where the BCUC stated that it did not object to the negative carryover of funds to the extent that it supports rather than

---

[87] CEC Final Argument, p. 23
[88] FBC Reply Argument, p. 5
[89] CEC Final Argument, pp. 24-25
[90] FBC Reply Argument, p. 6
[91] FBC Reply Argument, p. 6.
[92] FBC Reply Argument, pp. 6-7
[93] Exhibit B-1, p. 27
[94] Exhibit B-1, p. 26

hinders FEI's ability to effectively carry out its current four-year DSM Plan within the existing overall spending envelope as approved by the BCUC.[95]

FBC submits that carrying forward negative amounts to future years of the plan will similarly help FBC to manage timing of expenditures and decrease the likelihood of underspending of the 2023-2027 DSM Plan.[96]

Intervener Positions

BCOAPO supports the proposed rule.[97]

RCIA supports FBC's proposed funding carryover rules, and agrees that this change would reduce the likelihood of underspending, which is consistent with the spirit of BCUC approval of a plan.[98] BCSEA supports FBC's request that it be permitted to carryover unspent or overspent expenditures in a Program Area to the same Program Area in the following year because this enables FBC to concentrate on delivering the DSM programs while continuing to ensure that the expenditures are within the approved portfolio that the Commission has determined to be in the public interest .[99]

The CEC recommends that the BCUC approve FBC's request for carryover flexibility regarding over- and underspending and submits that where FBC is able to deliver additional cost-effective conservation and efficiency over and above its annual targets, FBC should continue to do so in the public interest, creating affordability and competitiveness.[100]

3.1.3 Total Portfolio Variance Allowance

FBC is requesting the following variance allowance rule be in place for its 2023-27 DSM Plan:

> FBC is permitted to exceed total approved DSM Portfolio expenditures before any carryover amounts in the final year of the DSM Plan by no more than five percent without prior approval from the BCUC.[101]

FBC is seeking approval of an allowed variance above the approved DSM expenditure amount for the final year of the 2023-27 DSM Plan without prior approval from the BCUC. FBC is proposing that in the final year of the 2023-27 DSM Plan (i.e. 2027 DSM expenditures), actual DSM expenditures for 2027 may only exceed 2027 approved DSM expenditures (excluding any carryover amounts from prior years) by no more than five percent without prior approval from the BCUC. This means that in the final year of the Plan, FBC has additional flexibility to overspend 2027 approved expenditures by $935 thousand.[102]

FBC notes that actual DSM Plan expenditures are determined by many factors outside FBC's control, including changes in market conditions and customer responses to programs. Therefore, a variance allowance of five

---

[95] Exhibit B-1, pp. 26-27, citing Order G-301.21, Appendix A, p. 8
[96] FBC Final Argument, p. 25
[97] BCOAPO Final Argument, p. 7
[98] RCIA Final Argument, p. 12-13
[99] BCSEA Final Argument, p. 2, 12
[100] CEC Final Argument, p. 26
[101] Exhibit B-1, p. 27
[102] Exhibit B-1, p. 27

percent provides the necessary flexibility in the final year to respond to any conditions outside of FBC control that might require additional spending above approved.[103]

FBC confirms this amount could theoretically be applied to a single program, but believes this is more likely to be the result of several programs exceeding their respective DSM Plan expenditures in the final year of the approved expenditures.[104]

FBC provides an analysis showing the average monthly variances in forecasting experienced by FBC and FEI over the last 4 years, noting the maximum variance was 8%, but 5% is considered by FBC to be a reasonable average.[105] In the event that FBC exceeds the approved expenditures by the full 5 percent, FBC states the average bill impact for a typical residential customer would be 53 cents in 2028.[106] FBC did not consider raising the expenditure amount in the last year by an equivalent amount, as they will continue to target the plan expenditures.[107]

FBC submits the funding transfer and carryover rules, and the variance allowance will all serve to provide FBC with the flexibility to manage its DSM portfolio most effectively and carry out the accepted DSM plan. FBC therefore submits that its proposed changes are reasonable and should be approved.[108]

Intervener Positions

BCSEA, BCOAPO, RCIA and CEC all support approval of this variance allowance.[109]

3.1.4 Overall panel determination

The panel approves FBC's requested changes to the transfer and funding carryover rules, and a new variance allowance rule for the DSM Plan.

Specifically, the Panel approves the following rules for the DSM Plan:

- Transfers of up to 25 percent of accepted DSM expenditures from one existing program area to another existing program area without prior approval of the BCUC, on the condition that FBC adds information regarding such transfers to its DSM Annual Report, so that all amounts transferred from one existing program area to another existing program area are transparently accounted for in the DSM Annual Report.
- In cases where a proposed transfer into an approved program area is greater than 25 percent of that program area's accepted expenditures for the year in question, BCUC acceptance of the funding transfer is not required.
- In cases where a proposed transfer out of an approved program area is greater than 25 percent of that program area's accepted expenditures for the year in question, BCUC acceptance of the funding transfer is required.
- FBC is permitted to carryover unspent and overspent expenditures in a Program Area to the same Program Area in the following year.

[103] FBC Final Argument, p. 26
[104] Exhibit B-2, BCUC 16.4
[105] Exhibit B-2, BCUC 16.1
[106] Exhibit B-2, BCUC 16.2
[107] Exhibit B-2, BCUC 16.5
[108] FBC Final Argument p. 26
[109] BCSEA Final Argument, p. 12; CEC Final Argument, p. 27; RCIA Final Argument, p. 13; BCOAPO Final Argument, p. 7

- FBC is permitted to exceed total approved DSM Portfolio expenditures before any carryover amounts in the final year of this DSM Plan by no more than five percent without prior approval from the BCUC.

In our view, these changes support administrative and regulatory efficiency and, as FBC notes, strike a reasonable balance between BCUC oversight and administrative efficiency, without disrupting FBC's efforts to manage its DSM programs. We are persuaded that removing the requirement for prior approval to transfer funds into another program will enable FBC to better respond to current market conditions and customer responses to programs.

The Panel recommends that FBC consult the EECAG, where feasible, when it proposes to transfer out of an approved program area an amount greater than 25 percent of that program area's accepted expenditures for the year in question.

We do not share the concerns raised by BCOAPO and the CEC. Removing the requirement for prior approval does not alter the fact that, as RCIA points out, FBCs expenditures are at risk until it obtains BCUC approval. Further, since FBC will only transfer funds out of a program area if those funds are not needed in that program area due to lower than forecast activity in that year, we cannot see how such a transfer would materially impact whether the public interest is being served by FBC's DSM expenditures.

In our view, this rule is consistent with the intent of the existing funding carryover rule and provides FBC with additional flexibility to meet the overall expenditure targets set out in the DSM Plan.

Recommendations for future applications

Over the past DSM funding cycle of 2019-2022, the BCUC has reviewed several funding transfer applications from FBC and FEI (whose funding transfer rules are similar to FBC's). Generally, the proceedings for the review of such applications have been relatively short, although the nature and extent of the regulatory processes have varied. Recognizing the circumstances surrounding each application are unique, the Panel observes there may be opportunities to further streamline the regulatory review of future FBC funding transfer applications. We therefore recommend that future FBC DSM funding transfer applications include the following information:

- A breakdown of revised program budgets if the funding transfer request were to be accepted, including details regarding any rollover amounts from previous years, or overspent amounts to be drawn from future years in the same expenditure plan period;
- Updated cost-effectiveness estimates at a program and portfolio level;
- A description of the key reasons why the funding transfer is needed. For example, an explanation of the drivers for the changes in budget requirements of programs affected by a funding transfer, and a discussion of any actions FBC may have undertaken to address barriers in an underperforming program;
- In the event a funding transfer is proposed out of a program containing adequacy measures as prescribed in section 3 of the DSM Regulation, clarification whether FBC will still be able to meet the adequacy requirements;
- An explanation of the potential consequences if the BCUC rejected the funding transfer, and a discussion of any alternatives considered to the proposed funding transfer where applicable, and;
- A summary of any evidence regarding FBC's communication of the need and rationale for the proposed funding transfer with the EECAG and/or other stakeholders, including evidence of stakeholder support where applicable.

We consider that including this information in funding transfer applications would facilitate greater regulatory efficiency by providing future BCUC panels with the key information required to support their decisions, and thereby reducing the likelihood of requiring additional procedural steps to review such applications.

3.2 2023-27 DSM Expenditure Schedule Deferral Account

FBC is also seeking approval of a rate base deferral account to capture the regulatory costs associated with the review of this Application and proposes to amortize the costs over five years starting in 2023 to match the time period that the DSM Plan will be in place.[110]

FBC has provided the info required by the BCUC's Regulatory Account Filing Checklist,[111] and provided multiple examples of where similar treatments have been approved in recent proceedings. Similar requests have usually occurred within Annual Reviews.[112]

FBC states it is accepted regulatory practice to defer the costs of regulatory applications for review and recovery following the regulatory review of the application itself. Review and recovery after the completion of the regulatory process allow for more transparency as the history of the costs is simpler to track and report on.[113]

FBC is proposing to amortize the costs of this Application over five years starting in 2023 to match the time period that the DSM Plan will be in place.[114]

FBC notes that the requested deferral account is a regulatory proceeding cost account, which is routinely sought by utilities to capture external costs related to the preparation, filing, and regulatory review of applications.[115]

Intervener Positions

BCSEA, RCIA, CEC & BCOAPO support approval of the proposed rate base deferral account for the regulatory costs of this Application.[116]

Panel determination

The Panel approves FBC's request to establish a rate base deferral account to capture the regulatory costs associated with the Application. The account will be amortized over five years starting in 2023 to match the time period of the DSM Plan.

[110] Exhibit B-1, p. 27
[111] https://docs.bcuc.com/documents/Guidelines/2017/05-03-2017_RegulatoryAccountFilingChecklist.pdf.
[112] Exhibit B-2, BCUC 17.2
[113] Exhibit B-2, BCUC 17.3
[114] Exhibit B-2, BCUC 17.4
[115] Exhibit B-2, BCUC 17.9
[116] BCSEA Final Argument p. 2, 12; BCOAPO Final Argument, p. 7; CEC Final Argument, p. 27; RCIA Final Argument, p. 14

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of December 2022.

Original signed by:

Name
E. B. Lockhart / Commissioner

Original signed by:

Name
B. A. Magnan / Commissioner

Original signed by:

Name
A. Pape-Salmon / Commissioner

bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

ORDER NUMBER
G-371-22

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Inc.
2023 to 2027 Demand-Side Management Expenditures Plan

BEFORE:
E. B. Lockhart, Panel Chair
B. A. Magnan, Commissioner
A. Pape-Salmon, Commissioner

on December 16, 2022

ORDER

WHEREAS:

A. On June 6, 2022, FortisBC Inc. (FBC) filed with the British Columbia Utilities Commission (BCUC), its Application for Acceptance of Demand-Side Management (DSM) Expenditures Plan for the period covering 2023 to 2027 (Application), pursuant to section 44.2 of the *Utilities Commission Act* (UCA), seeking acceptance of DSM total expenditures of $82.583 million for 2023 through 2027;

B. FBC also seeks approval of:

1. proposed changes to its existing funding transfer and carryover rules;
2. a new variance allowance rule on total portfolio expenditures in the final year of the DSM Plan; and
3. a rate base deferral account to capture the regulatory costs associated with the review of this Application

C. By order G-182-22, dated July 4, 2022, the BCUC established a public hearing and regulatory timetable including intervener registration, one round of information requests, and final and reply arguments;

D. The BC Sustainable Energy Association (BCSEA), British Columbia Old Age Pensioners' Organization et al (BCOAPO); Commercial Energy Consumer Association of British Columbia (CEC), DMG Blockchain Solutions (DMG) and the Residential Consumer Intervener Association (RCIA) registered as interveners in the proceeding;

E. FBC filed its Final Argument on September 14, 2022. Final Arguments were filed by BCSEA, BCOAPO, CEC and the RCIA by September 28, 2022, and FBC provided its Reply Argument on October 12, 2022;

F. The Panel has reviewed the evidence and arguments in the proceeding and considers the following determinations are warranted.

NOW THEREFORE, pursuant to section 44.2 of the UCA, the BCUC orders as follows:

1. The FBC DSM expenditure schedule, outlined in Table 4-2 of the Application and setting out expenditures of $82.583 million for 2023 through 2027, is accepted;
2. FBC's requested changes to the transfer and funding carryover rules for the DSM Plan are approved, as outlined in section 3.1.4 of the decision accompanying this order;
3. FBC's request for a new variance allowance rule regarding total portfolio expenditures in the final year of the DSM Plan is approved, as outlined in section 3.1.4 of the decision accompanying this order; and
4. FBC's request to establish a rate base deferral account to capture the regulatory costs associated with the review of the Application is approved.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of December 2022.

BY ORDER

Original signed by:

E. B. Lockhart
Commissioner

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Inc.

2023 to 2027 Demand-Side Management Expenditures Plan

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter dated June 27, 2022 – Appointing the panel for review of the 2023-2027 DSM Expenditures Plan
A-2	Letter dated July 4, 2022 – BCUC Order G-182-22 establishing a Regulatory Timetable and Public Notice
A-3	Letter dated July 26, 2022 – BCUC Information Request No. 1 to FBC
APPLICANT DOCUMENTS	
B-1	**FORTISBC INC. (FBC)** - 2023 to 2027 Demand-Side Management (DSM) Expenditures Plan Application dated June 6, 2022
B-1-1	Letter dated July 20, 2022 – FBC submitting Errata to the Application
B-2	Letter dated August 23, 2022 – FBC submitting responses to BCUC Information Request No. 1
B-3	Letter dated August 23, 2022 – FBC submitting responses to RCIA Information Request No. 1
B-4	Letter dated August 23, 2022 – FBC submitting responses to BCOAPO Information Request No. 1
B-5	Letter dated August 23, 2022 – FBC submitting responses to DMG Information Request No. 1
B-6	Letter dated August 23, 2022 – FBC submitting responses to BCSEA Information Request No. 1

B-7	Letter dated August 23, 2022 – FBC submitting responses to CEC Information Request No. 1

INTERVENER DOCUMENTS

C1-1	**RESIDENTIAL CONSUMER INTERVENER ASSOCIATION (RCIA)** – Letter dated July 21, 2022 submitting request to intervene by Samuel Mason
C1-2	Letter dated August 3, 2022 – RCIA submitting Information Request No. 1 to FBC
C2-1	**COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA (CEC)** – Letter dated July 21, 2022 submitting request to intervene by David Craig
C2-2	Letter dated August 3, 2022 – CEC submitting Information Request No. 1 to FBC
C3-1	**BC SUSTAINABLE ENERGY ASSOCIATION (BCSEA)** – Letter dated July 14, 2022 submitting request to intervene by Thomas Hackney
C3-2	Letter dated August 3, 2022 – BCSEA submitting Information Request No. 1 to FBC
C4-1	**DMG BLOCKCHAIN SOLUTIONS (DMG) –** Letter dated July 21, 2022 submitting request to intervene by Sheldon Bennett
C4-2	Letter dated August 3, 2022 – DMG submitting Information Request No. 1 to FBC
C5-1	**BRITISH COLUMBIA OLD AGE PENSIONERS' ORGANIZATION ET AL. (BCOAPO ET AL.)** – Letter dated July 28, 2022 request to intervene by Leigha Worth
C5-2	Letter dated August 3, 2022 – BCOAPO submitting Information Request No. 1 to FBC

LETTERS OF COMMENT

E-1	ABORIGINAL HOUSING MANAGEMENT ASSOCIATION (AHMA) – Letter of Comment dated August 5, 2022 received August 25, 2022
E-2	BRITISH COLUMBIA HOTEL ASSOCIATION (BCHA) – Letter of Comment dated August 17, 2022 received August 25, 2022
E-3	CITY OF KELOWNA (KELOWNA) – Letter of Comment dated August 11, 2022 received August 25, 2022
E-4	CITY OF NELSON (NELSON) – Letter of Comment dated August 17, 2022 received August 25, 2022
E-5	CITY OF PENTICTON (PENTICTON) – Letter of Comment dated August 19, 2022 received August 25, 2022

E-6 REGIONAL DISTRICT OF OKANAGAN-SIMILKAMEEN (RDOS) – Letter of Comment dated August 18, 2022 received August 25, 2022

E-7 THOMPSON OKANAGAN TOURISM ASSOCIATION (TOTA) – Letter of Comment dated August 15, 2022 received August 25, 2022

E-8 GREENSTEP SOLUTIONS (GREENSTEP) – Letter of Comment dated August 25, 2022

E-9 GREEN CONSTRUCTION RESEARCH & TRAINING CENTRE (GCRTC) – Letter of Comment dated August 29, 2022

E-10 CANADIAN ASSOCIATION OF CONSULTING ENERGY ADVISORS (CACEA) – Letter of Comment dated August 31, 2022

E-11 FRASER BASIN COUNCIL – Letter of Comment dated August 30, 2022

E-12 CANADIAN HOME BUILDERS ASSOCIATION – CENTRAL OKANAGAN (CHBA-CO) – Letter of Comment dated August 30, 2022

E-13 BC FIRST NATIONS ENERGY AND MINING COUNCIL SUPPORT (FNEMC) – Letter of Comment dated August 30, 2022

E-14 BC NON-PROFIT HOUSING ASSOCIATION (BCNPHA) – Letter of Comment dated September 13, 2022

E-15 CITY OF KAMLOOPS (KAMLOOPS) – Letter of Comment dated September 12, 2022