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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-88-94

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AN ORDER IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60, as amended

and

An Application by Pacific Northern Gas Ltd.
for approval of a Deferral Account for BC 21 Power Smart Program

BEFORE: M.K. Jaccard, Chairperson; and)
L.R. Barr, Deputy Chairperson) November 18, 1994

O R D E R

WHEREAS:

- A. On November 15, 1994 Pacific Northern Gas Ltd. ("PNG") applied to the Commission for approval of a deferral account to capture the costs associated with the utility's commitment to the joint Provincial government/utility residential energy conservation program referred to as the BC 21 Power Smart Program ("the Program"); and
- B. PNG estimates that its cost of participation in the Program will be approximately \$70,000 and will be set up as a deferred cost in rate base, amortized over a five year period and recovered in customer rates commencing January 1, 1996; and
- C. The Program will cover residential energy saving initiatives such as low-flow showerheads and faucet aerators, flow reduction devices for toilets, hot water tank insulation wraps, and strapping, caulking and weather-stripping and will be in place commencing January 1, 1995 and will end March 31, 1996; and
- D. The Commission has considered the application and is satisfied that approval is necessary and in the public interest.

NOW THEREFORE the Commission orders as follows:

The Commission approves for PNG a deferral account that will capture costs up to \$70,000 associated with the utility's participation in the BC 21 Power Smart Program, with deferred costs to be amortized over a period of five years and recovered in customer rates commencing January 1, 1996. The Commission's Reasons for Decision are attached as Appendix A.

DATED at the City of Vancouver, in the Province of British Columbia, this 9th day of December, 1994.

BY ORDER

Dr. Mark K. Jaccard
Chairperson

Attach.

BRITISH COLUMBIA UTILITIES COMMISSION

Reasons for Decision

The Commission has reviewed and, in the Order accompanying these Reasons, approves the Pacific Northern Gas Ltd. ("PNG", "the Utility") Application requesting deferral account status for up to \$70,000 as its contribution to the BC 21 Power Smart Program in conjunction with the provincial government and other utilities. The Commission's reasons for approval of the Application are twofold.

First, PNG has analyzed in its draft Integrated Resource Plan the impact of a similar program (the Efficient Home Program, or "EHP") on the total costs of the utility and on the impact on rates. The analysis indicates that the benefits of the EHP exceeded the utility's costs by a significant margin although, because of the impact of lost revenues resulting from the energy conservation component of the program, the per unit rates of the utility would rise marginally. However, because of the anticipated reduction in energy use, the average bills paid by participating ratepayers would be expected to decrease. PNG has indicated that it expects the impacts of the BC 21 Power Smart Program on rates and on customer bills to be similar to those resulting from the implementation of the EHP.

Second, these rate and bill impacts exclude any environmental benefits that will be achieved due to the reductions in energy and water use. As utilities have more aggressively begun to promote Demand-Side Management programs that may include both energy efficiency and fuel-switching programs, a key issue for the Commission has been how to incorporate the environmental and other social costs into the resource evaluation and selection procedure of utilities so that the socially optimal mix of energy resources and energy services is selected and delivered to ratepayers. In other words, if utilities are going to provide least-cost energy services to consumers, how are the utilities and the Commission going to assess the social and environmental costs to ensure that all costs - financial and otherwise are incorporated into the decision-making processes? While attempting to ensure that social costs are included, the Commission has been aware that the utilities it regulates provide only a portion of the energy services delivered in British Columbia, and that moving too aggressively to include such costs could also serve to distort energy markets. Moreover, estimates of environmental and social costs and benefits are based on societal values which the Commission cannot unreasonably impose on society, although it may attempt to incorporate into decision-making such values or estimates as it comfortably feels are reasonable. Therefore, the Commission looks, where possible, to policy statements or other signals from government to reassure itself that the degree of importance it puts on social and environmental values for resource allocation and energy service delivery is reasonable. In this instance, the Commission interprets the government contribution to the BC 21 Power Smart Program to reflect the level of the provincial government's support for the environmental and other social benefits of this program, and it is in this context that the Commission approves the PNG Application as in the public interest.