



**G-113-18**

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

and

FortisBC Inc.  
Application for Acceptance of 2018 Demand-Side Management Expenditures

**BEFORE:**

H. G. Harowitz, Commissioner and Panel Chair  
B. A. Magnan, Commissioner

on June 14, 2018

**ORDER**

**WHEREAS:**

- A. On November 15, 2017, FortisBC Inc. (FBC) submitted its Application for Acceptance of 2018 Demand-Side Management (DSM) Expenditures (Application) pursuant to section 44.2 of the *Utilities Commission Act*. FBC anticipates total expenditures on DSM of \$7.9 million in 2018;
- B. On August 8, 2016, FBC filed an Application for Acceptance of DSM Expenditures for 2017 of \$7.6 million, which was approved by the British Columbia Utilities Commission (BCUC) through Order G-9-17;
- C. On November 30, 2016, FBC filed its 2016 Long Term Electric Resource Plan and Long Term DSM Plan, for which the regulatory review process is ongoing;
- D. By Order G-176-17 dated December 6, 2017, the BCUC established an initial written hearing process. By Order G-21-18 dated January 24, 2018, the BCUC established a further written hearing process with one round of BCUC and intervener information requests (IRs), and further process to be determined;
- E. In this proceeding, British Columbia Hydro and Power Authority (BC Hydro); British Columbia Old Age Pensioners' Organization et al. (BCOAPO); BC Sustainable Energy Association and Sierra Club BC (BCSEA-SCBC); Commercial Energy Consumers Association of British Columbia (CEC); Industrial Customers Groups (ICG) and Zellstoff Celgar Partnership Limited (Celgar) registered as interveners;
- F. During the course of the proceeding, information requests were submitted to FBC, and FBC responded to two rounds of BCUC information requests and one round of intervener information requests;
- G. On March 20, 2018, FBC submitted its final argument, in which it sought acceptance of the DSM expenditures of up to \$7.9 million for 2018.

- H. By April 3, 2018, BCOAPO, BCSEA, CEC and ICG filed final arguments. On April 10, 2018, FBC filed its reply argument.
- I. The BCUC has reviewed the Application and the evidence submitted through the review process and concludes that acceptance is warranted.

**NOW THEREFORE** pursuant to section 44.2(3) of the *Utilities Commission Act*, the British Columbia Utilities Commission, for the reasons attached as Appendix A to this order, accepts the FortisBC Inc. demand side management expenditure schedule in Appendix A of the Application setting out expenditures of up to \$7.9 million for 2018.

**DATED** at the City of Vancouver, in the Province of British Columbia, this                      14                      day of June 2018.

BY ORDER

*Original signed by:*

H. G. Harowitz  
Commissioner

Attachment

FortisBC Inc.  
Application for Acceptance of 2018 Demand-Side Management Expenditures

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REASONS FOR DECISION

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Table of Contents

	Page no.
<b>1.0 Introduction .....</b>	<b>2</b>
1.1 Proceeding at a glance .....	2
1.2 Background and context .....	2
<b>2.0 Acceptance of the 2018 DSM Expenditures plan .....</b>	<b>2</b>
<b>3.0 Program specific discussion .....</b>	<b>4</b>
3.1 Low Income programs.....	4
3.2 Industrial program expenditures.....	5
3.3 Commercial program expenditures .....	6
<b>4.0 Filing of next DSM expenditure schedule .....</b>	<b>6</b>

## 1.0 Introduction

### 1.1 Proceeding at a glance

Date of application	<ul style="list-style-type: none"><li>• November 17, 2017</li></ul>
Approvals sought	<ul style="list-style-type: none"><li>• Acceptance of Demand Side Management expenditures of \$7.9 million for 2018</li></ul>
British Columbia Utilities Commission (BCUC) Panel	<ul style="list-style-type: none"><li>• Howard Harowitz</li><li>• Bernie Magnan</li></ul>
Registered interveners	<ul style="list-style-type: none"><li>• British Columbia Hydro and Power Authority (BC Hydro)</li><li>• British Columbia Old Age Pensioners' Organization <i>et al.</i> (BCOAPO)</li><li>• British Columbia Sustainable Energy Association (BCSEA)</li><li>• Commercial Energy Consumers Association of British Columbia (CEC)</li><li>• Industrial Customers Group (ICG)</li><li>• Zellstoff Celgar (Celgar)</li></ul>
Regulatory process	<ul style="list-style-type: none"><li>• Two rounds of British Columbia Utilities Commission (BCUC) Information Requests</li><li>• One round of intervener Information Requests</li><li>• FortisBC (FBC) Final Argument</li><li>• Intervenors' Final Arguments</li><li>• FBC Reply Argument</li></ul>
Date of Decision	<ul style="list-style-type: none"><li>• June 14, 2018</li></ul>
Decision Summary	<ul style="list-style-type: none"><li>• The Panel finds that FBC's 2018 DSM expenditure schedule of \$7.9 million is in the public interest, and accepts the expenditure schedule.</li><li>• The Panel also addresses certain program specific issues in these Reasons for Decision, and discusses the filing of the next expenditure schedule.</li></ul>

### 1.2 Background and context

In its Application for Acceptance of 2018 Demand-Side Management (DSM) Expenditures (Application), FBC seeks BCUC acceptance of its DSM expenditure schedule for the year 2018, as set out in further detail in the 2018 DSM Plan. On November 30, 2016, FBC filed its 2016 Long Term Electric Resource Plan (LTERP) and Long Term Demand Side Management Plan (LTDSM Plan) with the BCUC. Under section 44.2(5)(b), the BCUC must consider the most recent long-term resource plan filed by the public utility under section 44.1. At the time of submissions of final arguments, the regulatory review process for the LTERP proceeding was ongoing.

## 2.0 Acceptance of the 2018 DSM Expenditures plan

FBC submits in the Application that the 2018 DSM expenditure budget is a continuation of the expenditures and cost-effective programs in the approved 2017 DSM Plan, with small modifications in order to comply with changes to applicable legislation.<sup>1</sup> On January 25, 2017, by Order G-9-17, the BCUC accepted FBC's 2017 DSM expenditure schedule of \$7.6 million.

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<sup>1</sup> Exhibit B-1, p. 2.

FBC also submits that the proposed 2018 DSM expenditure plan, being a continuation of the 2017 accepted programs and expenditures, meets the criteria for acceptance under section 44.2 of the *Utilities Commission Act* (UCA).<sup>2</sup> A breakdown of proposed expenditures and forecasted energy savings by program area is shown below in Table 1.1, with a comparison against the levels approved in the 2017 DSM expenditure schedule.

**Table 1.1 - 2017 Approved and 2018 DSM Plan Expenditures & Savings<sup>3</sup>**

Program Area		2017 Approved		2018 Plan		2018/17 Difference		
		Savings	Cost	Savings	Cost	TRC <sup>12</sup>	Cost	% Diff
		MWh	(\$000s)	MWh	(\$000s)	B/C Ratio	(\$000s)	
1	<b>Sector</b>							
2	Residential	10,493	2,718	7,132	2,486	1.4	-231.6	-9%
3	Commercial	13,666	3,131	19,165	3,592	2.0	460.9	15%
4	Industrial	1,556	309	1,188	377	2.0	67.8	22%
5	<b>Program subtotal</b>	<b>25,715</b>	<b>6,158</b>	<b>27,486</b>	<b>6,456</b>	<b>1.8</b>	<b>297.2</b>	<b>5%</b>
6	Supporting Initiatives		674		742		67.9	10%
7	Portfolio		777		743		-34.2	-4%
8	<b>Total</b>		<b>7,610</b>		<b>7,940</b>	<b>1.6</b>	<b>330.8</b>	<b>4%</b>

Supporting information, including descriptions of each program requisite tests/criteria that are used to evaluate DSM expenditure schedules (e.g. portfolio-level analysis, total resource cost (TRC) test, avoided cost sensitivity, modified TRC test, adequacy measures required under section 3 of the DSM Regulation) is provided in the Application, and Appendix A of Exhibit B-2 (2018 DSM Plan).

At the time of filing the Application, the market potential study commissioned by FBC, which is based upon the 2016 FBC Conservation Potential Review (CPR), had not been completed. FBC submits that had it delayed the preparation of the 2018 DSM expenditure schedule filing to incorporate the market potential study, the timely acceptance of DSM expenditures for 2018 would not be possible.

### *Position of the Parties*

BCSEA submits the expenditure schedule is in the public interest and supports acceptance.<sup>4</sup>

ICG recommends acceptance of the 2018 DSM Plan, subject to a request that the BCUC should again direct FBC to do more in the area of industrial programs.<sup>5</sup>

BCOAP0 recommends the 2018 DSM Plan is accepted.<sup>6</sup>

The CEC notes the spending is consistent with FBC's preferred DSM scenario in the LTERP, which the CEC supports. The CEC submits that FBC's 2018 plan is a directional improvement, in that the 2017 plan's TRC benefit/cost ratios were all higher in the 2017 approved plan than those in the 2018 plan, but considers that FBC

<sup>2</sup> Exhibit B-1, p. 6.

<sup>3</sup> Exhibit B-2-1 (Errata) correcting Exhibit B-2, p. 11.

<sup>4</sup> BCSEA Final Argument, p. 1.

<sup>5</sup> ICG Final Argument, p. 9.

<sup>6</sup> BCOAP0 Final Argument, p. 16.

should be utilizing all cost-effective DSM, resulting in a portfolio TRC of approximately 1.0.<sup>7</sup> The CEC recommends acceptance of the expenditure schedule.<sup>8</sup>

In its reply argument, FBC submits there is no legislated requirement to pursue all cost-effective DSM.<sup>9</sup>

### *Panel Determination*

The Panel considers that FBC's expenditure schedule represents an appropriate plan for achieving cost-effective energy savings across its residential (including low income), commercial and industrial customer base. This expenditure schedule is predominantly a continuation of programs comprising the approved 2017 DSM expenditure schedule. Furthermore, the Panel notes that the requested expenditure schedule aligns with the levels proposed in the LTDSM Plan, with forecasted energy savings greater than those outlined in the LTDSM Plan. The Panel also notes the general intervener support for the 2018 DSM Plan.

The Panel accepts the 2018 DSM expenditure schedule of \$7.9 million as requested by FBC in the Application. The Panel finds that the evidence demonstrates that FBC's portfolio of DSM programs in the 2018 DSM expenditure schedule meets the criteria that the BCUC must consider under section 44.2(5) of the UCA, and finds that the 2018 DSM Plan is in the public interest pursuant to section 44.2(3)(a) of the UCA.

It is recognized that the timing of the completion of the market potential study prevented FBC from including the results in the formation of the 2018 DSM Plan. The Panel supports these additional scope items from the CPR as a means of strengthening the scope and effectiveness of FBC's DSM portfolio. In its next DSM expenditure schedule filing and long term electricity resource plan (as applicable), the Panel encourages FBC to provide a clear explanation of how the CPR and market potential study results have been utilized in the development of the respective DSM plan. The Panel also anticipates that FBC's next expenditure schedule will incorporate BCUC directions from the 2016 LTERP Decision.

## **3.0 Program specific discussion**

In making its decision, the Panel identified three specific programs where further discussion of the evidence is warranted.

### **3.1 Low Income programs**

In its 2018 DSM Plan, FBC's proposed expenditures and forecasted energy savings for its Low Income programs have been reduced compared to the levels approved for 2017 (from \$1.3 million to \$0.7 million, and 3,247 MWh to 1,229 MWh respectively).<sup>10</sup> FBC submits that the Energy Conservation Assistance Program initially had strong participation from some early adopters, but the program has matured, FBC is finding that more outreach is required in order to engage customers that can benefit from this program.<sup>11</sup> FBC submits that it has a number of initiatives planned to further strengthen its outreach efforts regarding low income programs.<sup>12</sup>

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<sup>7</sup> CEC Final Argument, pp. 6-7.

<sup>8</sup> CEC Final Argument, p. 13.

<sup>9</sup> FBC Reply Argument, p. 5.

<sup>10</sup> Exhibit B-2, p. A5.

<sup>11</sup> Exhibit B-2, p. A8.

<sup>12</sup> Exhibit B-4, BCOAPO IR 3.5.

### *Position of the parties*

BCSEA submit the scaling back of the Low Income program is unjustified, and are not convinced that higher savings levels couldn't be achieved cost-effectively with higher spending levels. BCSEA expect to see higher spending and savings in 2018 in the upcoming multi-year expenditure schedule unless FBC provides convincing evidence that such savings would not be achievable.<sup>13</sup>

The CEC submits the evidence shows the Low Income program is not succeeding at the present time and that adjustments are appropriate.<sup>14</sup>

BCOAPO is concerned that FBC's past efforts to strengthen its outreach are not working, and that there has not been a formal assessment or investigation as to why participation rates are lower than expected.<sup>15</sup> BCOAPO submits that given the TRC benefit/cost ratio of 2.0 FBC should investigate, approaches in other jurisdictions and increase spending, and asks that the BCUC make it clear that it understands and expects FBC will increase its outreach efforts regarding Low Income programs, and that spending in this area may be higher than planned.<sup>16</sup>

### *Panel Discussion*

The Panel notes the reduction in planned expenditure and acknowledges the importance of targeted spending for low income customers. However, the Panel is not in a position to conclude whether lower participation rates are primarily due to program saturation, the effectiveness of engagement with customers, or other factors. It is expected that FBC will provide an update on the effectiveness of its program outreach efforts in the next expenditure schedule filing with the BCUC.

## **3.2 Industrial program expenditures**

In its Decision on FBC's 2017 DSM expenditure schedule application, the BCUC noted that expenditure on industrial DSM only represented 0.9 percent of sector revenues (compared to 1.5 percent and 3.5 percent for residential and commercial sectors respectively), and that the industrial DSM cost-effectiveness results indicated that more could be done to increase DSM levels in this area.<sup>17</sup>

As indicated in Table 1.1 (2017 Approved and 2018 DSM Plan Expenditures & Savings) on page 3 of these Reasons, in the 2018 DSM Plan, FBC has increased expenditure in the industrial program area by 22 percent compared to the levels approved in 2017.

### *Position of the Parties*

FBC submits that it compiles its DSM Plans from "the ground up" based on available cost-effective measures and anticipated customer participation, and considers the relative expenditures to be appropriate.<sup>18</sup>

ICG submits that the BCUC should again direct FBC to do "more in this area," including studying the implementation and design of industrial DSM programs.<sup>19</sup>

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<sup>13</sup> BCSEA Final Argument, p. 4.

<sup>14</sup> CEC Final Argument, p. 8.

<sup>15</sup> BCOAPO Final Argument, pp. 12 to 13.

<sup>16</sup> BCOAPO Final Argument, p. 15.

<sup>17</sup> G-9-17, FBC Application for Acceptance of DSM Expenditures for 2017 Decision, p. 10.

<sup>18</sup> Exhibit B-3, BCUC IR 11.1.

<sup>19</sup> ICG Final Argument, p. 9.

The CEC accepts FBC's industrial plan as being appropriate.<sup>20</sup>

### *Panel Discussion*

The Panel notes the improvement in the levels of expenditure proposed in the industrial program area in 2018 compared to previous years, and looks forward to evaluation of other opportunities that could be implemented in future DSM plans through the incorporation of the market potential study and the continued development of FBC's existing programs.

## **3.3 Commercial program expenditures**

In the 2018 DSM Plan, expenditures in the commercial program area are \$3.592 million, compared to approved expenditures in the 2017 DSM Plan of \$3.131 million, an increase of 15 percent.<sup>21</sup> FBC submits that the main areas with significant differences are: (a) the Building Improvement program, where expenditures are budgeted to increase from \$362,000 in the 2017 DSM Plan to \$988,000 in the 2018 DSM Plan (with a commensurate planned savings increase from 2,931 MWh to 5,290 MWh); and (b) the Lighting program, where the budget has decreased from approximately \$1.97 million in 2017 to \$1.75 million in 2018, but savings are projected to increase from 10,592 MWh to 13,620 MWh.<sup>22</sup>

### *Position of the Parties*

FBC submits that the increased expenditure in the Building Improvement program is due to increased incentive commitments signed in 2017 and increased incentives for non-lighting measures.<sup>23</sup>

The CEC submits that the increase in DSM spending for the commercial rate class will be well spent and is an important shift in the plan spending, and recommends that the BCUC accept spending in the commercial program area.<sup>24</sup>

### *Panel Discussion*

The Panel considers that the increased expenditures in the commercial program area in the 2018 DSM Plan are warranted.

## **4.0 Filing of next DSM expenditure schedule**

### *Position of the Parties*

FBC expects to file a multi-year DSM expenditure plan for 2019 onwards in 2018 that will address any directives from the BCUC's decision on the 2016 LTERP and LTDSM Plan.<sup>25</sup>

BCSEA submits it is important that FBC file a multi-year DSM expenditure schedule as soon as possible following receipt of the BCUC's decision regarding the 2016 LTDSM Plan.<sup>26</sup>

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<sup>20</sup> CEC Final Argument, p. 12.

<sup>21</sup> Exhibit B-2-1 (Errata) correcting Exhibit B-2, p. 11, Table 3-1.

<sup>22</sup> FBC Final Argument, pp. 18 to 19.

<sup>23</sup> Exhibit B-3, BCUC IR 10.3.

<sup>24</sup> CEC Final Argument, p. 11.

<sup>25</sup> Exhibit B-1, p. 2.

<sup>26</sup> BCSEA Final Argument, p. 7.



The CEC recommends that the BCUC encourage FBC to develop and file a multi-year plan shortly following the BCUC's determination of the LTERP and LTDSM Plan.<sup>27</sup>

FBC submits in its reply argument that there is no need for "direction" with respect to FBC's next DSM expenditure schedule filing, and barring unforeseen circumstances expects to file a multi-year schedule for 2019 and subsequent years. FBC also questions whether BCUC has authority to make such direction under the UCA.<sup>28</sup>

### *Panel Discussion*

In reviewing past performance of FBC's DSM programs, the Panel recognizes that early filing of DSM expenditure schedules can mitigate potential delays in spending while regulatory review is pending.

The Panel encourages FBC to file its next DSM expenditure schedule application sufficiently in advance of the beginning of the calendar year to allow time for regulatory review. Further, the Panel is of the view that multi-year expenditure schedules can be more efficient, and encourages FBC to file a multi-year expenditure plan in its next Application.

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<sup>27</sup> CEC Final Argument, p. 4.

<sup>28</sup> FBC Reply Argument, pp. 3-4.