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ORDER NUMBER
G-301-21

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

and

FortisBC Energy Inc.
Application for Additional Demand Side Management Expenditures
for 2021 to 2022 – Residential and Low Income

BEFORE:
A. K. Fung QC, Panel Chair
E. B. Lockhart, Commissioner

on October 21, 2021

ORDER

WHEREAS:

A. By Order G-10-19, dated January 17, 2019, the British Columbia Utilities Commission (BCUC) issued its decision in the FortisBC Energy Inc. (FEI) Application for Acceptance of 2019-2022 Demand Side Management (DSM) Expenditures Plan (2019-22 DSM Plan) proceeding, approving, among other things, FEI's request that funding transfers follow the same process as was established in the FEI 2012 and 2013 Revenue Requirements and Natural Gas Rates Decision;

B. On July 2, 2021, FEI filed an application pursuant to section 44.2 of the *Utilities Commission Act* to update DSM forecasts and request changes to the approved expenditure budgets for the Residential and Low Income Program Areas for the final two years of the 2019-22 DSM Plan (the Application);

C. In the Application, FEI requests acceptance of revised DSM expenditure budgets for 2021 of $50.119 million for the Residential Program Area (compared to previously approved DSM expenditure budget of $28.476 million) and $10.323 million for the Low Income Program Area (compared to previously approved DSM expenditure budget of 6.984 million), resulting in an overall portfolio funding increase of $24.982 million from $35.640 million to $60.442 million. The Application also requests revised 2022 DSM expenditure budgets of $34.816 million for the Residential Program Area (compared to previously approved DSM expenditure budget of 31.383 million) and $10.984 million for the Low Income Program Area (compared to previously approved DSM expenditure budget of 7.217 million), resulting in an overall portfolio incremental funding increase of $7.200 million from $38.600 million to $45.800 million;

D. By Order G-217-21 dated July 15, 2021, the BCUC established a written hearing process for the review of the Application, which comprised BCUC information requests (IRs) and letters of comment;

E. On July 27, 2021, the BCUC issued IRs to FEI, and on August 13, 2021, FEI filed its responses;

F. By August 18, 2021, letters of comment, all of which supported BCUC approval of the Application, were filed by Community Energy Association; City of Nelson; Aboriginal Housing Management Association; BC Housing; Home Performance Stakeholder Council; Thermal Environmental Comfort Association; BC Non-Profit Housing Association; Hearth; Patio and Barbecue Association of Canada; Love Energy Consultants; City of Burnaby; City of Kelowna; Regional District of Kootenay Boundary; Efficiency Canada; BC Sustainable Energy Association; and

G. The BCUC has reviewed the evidence and considers approval of the Application is warranted.

NOW THEREFORE pursuant to section 44.2 of the *Utilities Commission Act* and for the reasons for decision attached as Appendix A to this order, the BCUC orders as follows:

1. FEI's revised 2021 DSM expenditure budgets of $50.119 million for the Residential Program Area and $10.323 million for the Low-Income Program Area, which result in an overall portfolio incremental funding increase of $24.982 million are accepted.

2. FEI's revised 2022 DSM expenditure budgets of $34.816 million for the Residential Program Area and $10.984 million for the Low-Income Program Area, which result in an overall portfolio incremental funding increase of $7.200 million are accepted.

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of October 2021.

BY ORDER

Original signed by:

A. K. Fung, QC
Commissioner

Attachment

FortisBC Energy Inc.

Application for Additional Demand Side Management Expenditures for 2021 to 2022 – Residential and Low Income

Reasons for Decision

October 21, 2021

Before:
A. K. Fung, QC, Commissioner
E. B. Lockhart, Commissioner

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1.0 Introduction

On July 2, 2021, Fortis Energy Inc. (FEI) filed its application requesting British Columbia Utilities Commission (BCUC) approval of changes to the 2021 and 2022 accepted DSM budgets for the Residential and Low Income Programs (Application), which will allow FEI to meet customer demand in the Residential and Low Income Program Areas. Specifically, FEI requests BCUC acceptance, pursuant to section 44.2 of the *Utilities Commission Act* (UCA), of a DSM expenditure schedule including the following:

- In 2021, revised DSM expenditure budgets of $50.119 million for the Residential Program Area and $10.323 million for the Low Income Program Area, which result in an overall portfolio incremental funding increase of $24.982 million; and,
- In 2022, revised DSM expenditure budgets of $34.816 million for the Residential Program Area and $10.984 million for the Low Income Program Area, which result in an overall portfolio incremental funding increase of $7.200 million.[1]

1.1 DSM Plan

By Order G-10-19 dated January 17, 2019, the BCUC accepted FEI's 2019-2022 DSM Expenditures Plan schedule, setting out total DSM planned expenditures of $324.6 million for 2019 through 2022. In addition, the BCUC approved FEI's proposed addition to existing funding transfer rules to permit FEI to rollover unspent funds from one program area to the same program area in the following year. In doing so, the BCUC also confirmed the funding transfer rules which were established in the FortisBC Energy Utilities (FEU) 2012 and 2013 Revenue Requirements and Natural Gas Rates Decision (Funding Transfer Rules). Those rules outlined FEI's ability to transfer DSM funding under an approved DSM expenditure schedule as follows:

> Accordingly, the Commission approves the movement of funding to a maximum of 25 percent from one approved Program Area to another approved Program Area without prior approval of the Commission. In cases where a proposed transfer into an approved Program Area is greater than 25 percent of that approved Program Area, prior Commission approval is required. Finally, the transfer of funds … to Innovative Technologies … will require prior Commission approval.[2]

1.2 Regulatory Process

By Order G-217-21 dated July 15, 2021, the BCUC established a regulatory timetable for review of FEI's Application, providing for one round of BCUC information requests (IRs) to FEI , with further process to follow. The BCUC invited members of the public, including interveners in the 2019 Application, to submit comments on the Application by August 20, 2021.

On July 27, 2021, the BCUC submitted its IRs to FEI with regards to the Application. On August 13, 2021, FEI filed its IR responses.

Additionally, between July 12, 2021 and August 18, 2021, BCUC received letters of comment from the following parties:

- Community Energy Association (CEA);

[1] Exhibit B-1, Section 1.2, p. 2.
[2] FEU 2012-2013 RRA Decision, p. 173.

- City of Nelson;
- Aboriginal Housing Management Association (AHMA);
- BC Housing;
- Home Performance Stakeholder Council (HPSC);
- Thermal Environmental Comfort Association (TECA);
- BC Non-Profit Housing Association (BCNPHA);
- Hearth, Patio and Barbecue Association of Canada (HPBAC);
- Love Energy Consultants (Love Energy);
- City of Burnaby;
- City of Kelowna;
- Regional District of Kootenay Boundary (RDKB);
- Efficiency Canada;
- BC Sustainable Energy Association (BCSEA); and
- Residential Consumer Intervener Association (RCIA).

1.3 Legislative and Regulatory Context

As already noted, by Order G-10-19 issued on January 17, 2019, the BCUC accepted FEI's 2019-2022 DSM Expenditures Plan pursuant to section 44.2 of the UCA.

Pursuant to section 44.2(3) of the UCA, after reviewing an expenditure schedule, the BCUC, subject to subsections (5), (5.1) and (6), must (a) accept the schedule, if the BCUC considers that making the expenditures referred to in the schedule is in the public interest, or (b) reject the schedule. Section 44.2(5.1) applies to British Columbia Hydro and Power Authority (BC Hydro) only, and is thus not relevant in considering this Application. Section 44.2(6) addresses expenditures that were determined to be in the public interest under a long-term resource plan filed under section 44.1; no such determinations have been made that apply to this Application. The BCUC may also accept or reject part of an expenditure schedule, pursuant to section 44.2(4) of the UCA.

Section 44.2(5) states:

> In considering whether to accept an expenditure schedule filed by a public utility other than the authority, the commission must consider
>
> > (a) the applicable 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.

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

2.0 Approvals Sought

By Order G-10-19, the BCUC accepted $28.476 million in Residential and $6.984 million in Low Income Program Area DSM Expenditures for 2021; and $31.383 million in Residential and $7.217 million in Low Income Program Area DSM Expenditures for 2022. In the Application, FEI outlines that the impacts of the COVID-19 pandemic and FEI's COVID-19 customer support initiatives have caused increased customer demand within FEI's Residential and Low Income Program Areas that was not foreseen at the time FEI developed the DSM Plan. As such, FEI is projecting revised DSM expenditure budgets of $50.119 million for the Residential Program Area and $10.323 million for the Low Income Program Area in 2021 (i.e. in aggregate, $24.982 million above the DSM Plan); and $34.816 million for the Residential Program Area and $10.984 million for the Low Income Program Area in 2022 (i.e. in aggregate, $7.200 million above the DSM Plan).

The forecast 2021-2022 DSM projected expenditures for Residential and Low Income Program Area are compared to the approved plan amounts in Table 1.1 below.[4]

Table 1.1: 2021 and 2022 Program Area Expenditures – Plan vs Revised

Program Area	Total Utility Expenditures ($000s)*					
	2021			2022		
	Revised DSM Plan**	Revised Forecast	Variance	DSM Plan	Revised Forecast	Variance
Residential	28,476	**50,119**	176%	31,383	**34,816**	111%
Commercial	20,735	19,581	94%	19,800	20,837	105%
Industrial	7,913	8,276	105%	8,462	8,516	101%
Low Income	6,984	**10,323**	148%	7,217	**10,984**	152%
Conservation Education and Outreach	8,578	6,577	77%	9,433	7,001	74%
Innovative Technologies	5,064	5,092	101%	11,871	9,313	78%
Enabling Activities	9,231	10,016	108%	8,921	8,535	96%
Portfolio Level Activities	1,822	1,400	77%	1,979	1,800	91%
ALL PROGRAMS	**88,803**	**111,384**	**125%**	**96,775**	**101,802**	**105%**

**Includes estimated inflation*

***Application for Updated DSM Expenditures for 2021 and 2022*

FEI notes that it is not requesting approval for the new forecasts in other program areas (i.e. excluding Residential and Low Income Program Areas) as these forecasts are updated based on program experiences to date and current anticipated market uptake. Furthermore, given the nominal variances in the other program areas, FEI plans to address the variances in these areas at the end of each year through inter-program transfers within the 25 percent threshold of the Funding Transfer Rules set out in Decision and Order G-10-19.

[3] B.C. Reg. 117/2017.

[4] Exhibit B-1, Table 4-1, p. 7.

3.0 Are the Proposed Changes to the 2021 and 2022 Accepted DSM Budgets for Residential and Low Income Program Areas in the Public Interest?

3.1 FEI Submissions

FEI states in the Application that it has committed to reviewing any possible alternatives to address the increase in Residential and Low Income Area expenditures with the Energy Efficiency and Conservation Advisory Group (EECAG). Prior to filing the Application, FEI held a virtual EECAG engagement session on June 3, 2021 during which FEI presented its proposed increased funding request to meet customer demand and the alternative approaches to addressing the increased expenditures. The alternative approaches involved scaling back on certain programs to stay within the current DSM Plan or removing certain programs entirely. FEI deemed these alternatives as not feasible due to the potential for market disruption and confusion for customers and contractors. FEI states that overall, EECAG members support FEI's proposal to meet customer demand by requesting increased DSM expenditures over the alternatives presented.[5]

FEI indicates that the primary driver of the increased projected expenditures for the Residential Program Area relates to the Home Renovation Rebate Program experiencing much higher than anticipated response to the time-limited Bigger Rebates offer. Similarly, for the Low Income Program Area, two programs are experiencing higher than expected demand. The first is the Direct Install Program (primarily due to an increase in the opportunities in manufactured homes over 2020 and the backlog of measure installations that was created when the program was out of market during the early days of the COVID-19 pandemic). The second is the Prescriptive Program (higher primarily due to increased awareness and participation amongst contractors as a result of FEI's Bigger Rebates offer).[6]

3.2 Letters of Comment

FEI received letters of comment from a number of interested parties as outlined in Section 1.2 above. The letters of comment all support FEI's request for additional expenditures for the Residential and Low Income Program Areas.

Panel Determination

Pursuant to section 44.2(3) of the UCA, the Panel accepts FEI's requested increases in 2021 and 2022 expenditures for the Residential Program Area and Low Income Program Areas, as outlined in Table 1-1 of the Application, as being in the public interest.

The Panel is satisfied that FEI has demonstrated the incremental DSM expenditures will contribute to further gas savings and other benefits to its customers. Further, we agree with FEI that scaling back expenditures in the Residential and Low Income Programs would be detrimental to the uptake and success of FEI's DSM activities in these areas in the immediate and longer term. The Panel also notes the support of the parties that provided their letters of comment for FEI's proposed additional expenditures for the Residential and Low Income Program Areas.

FEI's 2019-22 DSM Plan was filed and accepted pursuant to section 44.2(1)(a) of the UCA. The updates to the 2019-22 DSM Plan do not impact the adequacy of the Plan pursuant to section 3 of the DSM Regulation. Based

[5] Exhibit B-1, pp. 3-4.
[6] Ibid., pp. 9-16.

on the evidence, the Panel is satisfied that the adequacy requirements of the DSM portfolio, as defined by the DSM Regulation, are still being met.

In considering the overall public interest of the requested expenditure increase, the Panel finds it appropriate to address the subject of funding transfers, pertaining to negative carry-over amounts, as outlined in the following section.

4.0 Funding Transfers

In FEI's 2020 Annual DSM Report,[7] FEI states it has allocated "negative" dollar amounts to two Program Areas, with a view to carrying over such negative dollar amounts to any remaining underspend of approved expenditures in 2021 and/or 2022 relying on the Funding Transfer Rules. Specifically, in its 2020 Annual DSM Report, FEI presents the following Table 3-1:

Table 3-1: Funding Transfers for 2020 and Calculation of Carryover Expenditures for 2020

Program Area	2020 Plan Expenditures (incl. 2019 Carryover*)	2020 Actual Expenditures ($000)	2020 Actual less Plan ($000)	Variance as a percent of Approved (%)	2020 Funding Transfer Amount In (Out) ($000)	Plan Amount Carried Over to 2021 ($000s)
Residential	25,721	32,880	7,158	28%	7,158	0
Commercial	17,542	13,571	-3,971	-23%	-3,971	0
Industrial	3,152	6,124	2,972	94%	2,972	0
Low Income	6,795	7,176	381	6%	381	0
Conservation Education and Outreach	8,451	5,165	-3,286	-39%	-3,286	0
Innovative Technologies	2,218	2,142	-76	-3%	-76	0
Enabling Activities	8,671	7,761	-910	-10%	-910	-509
Portfolio Level Activities	1,882	1,003	-879	-47%	-879	-879
ALL PROGRAMS	**74,433**	**75,821**	**1,388**			**-1,388**

* See Table 2-2 for 2019 Carryover amounts

Further, FEI states that:

> Table 3-1 identifies a total expenditure of $1.388 million above the approved amount for 2020, which will also be carried over to 2021. As such, FEI has allocated negative dollar amounts totalling $1.388 million to two Program Areas (Portfolio Level and Enabling) for which there are no planned savings assigned. FEI will allocate this amount to any remaining underspend of approved expenditures in 2021 and/or 2022 using the same principle of transferring funds from non-incentive based program areas first as is used for transfers between Program Areas.[8]

FEI states that it considers carrying over negative amounts as consistent with the spirit and intent of FEI's Funding Transfer Rules. FEI notes that the Funding Transfer Rules were primarily focused on the issue of carry-over of unspent amounts in the early years of the DSM Plan to future years. While FEI recognizes that the primary purpose of the rollover funding transfer request was to help FEI achieve the four-year total expenditures, FEI asserts that carrying forward the negative amounts to the future years of the plan will help FEI manage the timing of expenditures and decrease the likelihood of underspending of the DSM Plan. While spending may be higher than planned in one year, it may be lower than planned in the following year. Therefore, FEI considers that the Funding Transfer Rules should include the flexibility to manage both positive and negative carry over amounts. FEI submits that it will address any need for BCUC approval of the negative dollar amounts in the BCUC staff IRs on its 2020 Annual DSM Report.[9]

[7] FEI 2020 Demand-Side Management Annual Report (fortisbc.com)
[8] FEI 2020 Annual DSM Report, p. 11.
[9] Exhibit B-2, BCUC IR 2.4-2.4.1.

Panel Discussion

In the Application, FEI requests incremental expenditures which affect its overall 2021 and 2022 DSM budgets. The 2021 DSM budget is also affected by funding transfers from 2020. The Panel notes that while FEI is not seeking approval in the Application to carry over negative funds from its 2020 DSM programs to 2021, we view it is appropriate to consider this matter in these Reasons for Decision given the need to establish an overall 2021 DSM budget.

Notwithstanding that negative carry over amounts are not explicitly contemplated by the Funding Transfer Rules, the Panel does not object to the negative carry over of funds from 2020 to 2021, to the extent that this supports rather than 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.

However, the Panel considers it would be beneficial for FEI to seek specific approval of changes to the Funding Transfer Rules to provide explicitly for such circumstances as warranted in its next multi-year DSM expenditure schedule filing for review by the BCUC.