



**ORDER NUMBER
G-202-24**

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

and

British Columbia Hydro and Power Authority
Fiscal 2024 Demand Side Management Expenditures

BEFORE:

E. B. Lockhart, Panel Chair
A. Dennier, Commissioner

on July 29, 2024

ORDER

WHEREAS:

- A. On March 14, 2024, British Columbia Hydro and Power Authority (BC Hydro) filed an application seeking acceptance of its updated Demand Side Measures (DSM) Fiscal 2024 Expenditure Schedule (Application) pursuant to section 44.2 of the *Utilities Commission Act* (UCA);
- B. By Decision and Order G-91-23 dated April 21, 2023, in the BC Hydro Fiscal 2023 to Fiscal 2025 Revenue Requirements proceeding, in Directive 75 the British Columbia Utilities Commission (BCUC) directed BC Hydro to submit a proposal in its next revenue requirement application to update its DSM funding transfer rules to include provisions to address a funding shortfall in the final year of a DSM plan for no more than 5 percent, and any other changes to the DSM funding transfer rules it deems necessary;
- C. In the Application, BC Hydro is requesting acceptance of changes to its DSM transfer rules to provide flexibility for BC Hydro to manage the timing of expenditures on its DSM plans by:
 - 1. removing the requirement for approval of transferred funds greater than 25 percent into a program area;
 - 2. permitting BC Hydro to carry over unspent and overspent expenditures in a program area to the same program area the following year, on the condition that BC Hydro provide information regarding unspent and overspent amounts as part of its DSM Annual Reports; and
 - 3. permitting BC Hydro to exceed total approved DSM Portfolio expenditures before any carryover amounts in each year of the test period by no more than 5 percent, on the condition that BC Hydro add information regarding such expenditures to its DSM Annual Reports;
- D. Alternatively, BC Hydro is requesting acceptance of an additional Fiscal 2024 DSM expenditures for capacity focused programs, pursuant to section 44.2 of the UCA;

- E. By Order G-112-24 dated April 16, 2024, the BCUC established a regulatory timetable for review of the Application consisting of intervenor registration, one round of BCUC information requests (IRs), letters of comment, and final submissions by BC Hydro;
- F. On April 24, 2024, the BC Sustainable Energy Association (BCSEA) and the Commercial Energy Consumers of BC (the CEC) registered as interveners in the proceeding;
- G. On May 2, 2024, the BCUC issued IR No. 1 to BC Hydro, and on May 16, 2024, BC Hydro filed its responses to BCUC IR No. 1;
- H. On May 17, 2024, and May 23, 2024, letters of comment in support of the Application were received from BCSEA and the CEC respectively;
- I. On June 6, 2024, BC Hydro filed a reply to the letters of comment submitting that the requested orders are just and reasonable and that the record is sufficient for a decision on the Application;
- J. On July 15, 2024, BC Hydro filed an evidentiary update showing that, contrary to the forecast amounts in the Application, actual Fiscal 2024 DSM portfolio expenditures did not exceed the amounts previously accepted by the BCUC. BC Hydro continues to request changes to the transfer rules. Alternatively, BC Hydro requests acceptance of \$1.9 million in additional expenditures for capacity-focused DSM, which is the amount of DSM expenditures actually incurred in Fiscal 2024 in excess of the allowed 25 percent limit into a program area under the current transfer rules; and
- K. The BCUC has reviewed the evidence and considers the following determination is warranted.

NOW THEREFORE the BCUC approves the amendments to the DSM transfer rules as set out in Section 2 of the accompanying Decision.

DATED at the City of Vancouver, in the Province of British Columbia, this 29th day of July 2024.

BY ORDER

Original signed by:

E. B. Lockhart
Commissioner

British Columbia Hydro and Power Authority
Fiscal 2024 Demand Side Management Expenditures

DECISION

1.0 Introduction

On March 14, 2024, British Columbia Hydro and Power Authority (BC Hydro) filed an application seeking acceptance of its updated Demand Side Measures (DSM) Fiscal 2024 Expenditure Schedule (Application) pursuant to section 44.2 of the *Utilities Commission Act* (UCA). It states that it is forecasting that its Fiscal 2024 DSM expenditures will exceed the schedule previously accepted by the BCUC and that to provide flexibility to manage the timing of expenditures and to execute on its DSM plans, including accommodating the Fiscal 2024 DSM expenditures, it is requesting:¹

- Acceptance of changes to its DSM transfer rules; or
- Alternatively (and in the event that the relevant changes to the transfer rules are not accepted), acceptance of the additional DSM expenditures.

In December 2021, BC Hydro filed its F2023 to F2025 DSM expenditure schedule (DSM Plan), as part of its Fiscal 2023 to Fiscal 2025 Revenue Requirements Application (RRA). BC Hydro states that it developed the DSM Plan in the context of BC Hydro's 2021 Integrated Resource Plan (2021 IRP), also filed with the BCUC in December 2021, and that the expenditures in the DSM Plan aligned with the Base Resource Plan of the 2021 IRP.²

The BCUC accepted the DSM Plan, which included \$96.1 million in DSM expenditures in F2024.³ In addition, the BCUC directed BC Hydro to submit a proposal in its next RRA to update its DSM funding transfer rules to include provisions to address a funding shortfall in the final year of a DSM plan for no more than 5 percent, including a one-year DSM Expenditure Schedule, and any other changes to the DSM funding transfer rules that BC Hydro deemed necessary.

In June 2023, however, shortly after the BCUC had issued its order accepting the DSM Plan, BC Hydro filed the Updated 2021 Integrated Resource Plan (Updated 2021 IRP),⁴ which indicated an earlier need for future resources. The Updated 2021 IRP called for accelerating the ramp up of energy efficiency, demand-response, and load curtailment programs.⁵ In addition, BC Hydro indicated that the advancement of DSM activities would result in adjustments to the accepted DSM expenditures for Fiscal 2024 and Fiscal 2025, which would likely exceed the limits of the approved DSM funding transfer rules. BC Hydro states, "[c]onsistent with the [BCUC] direction, we indicated in the Updated 2021 [IRP] that BC Hydro would submit a proposal for changes to the transfer rules for the BCUC's consideration in Fiscal 2024, which may allow for the increase in Fiscal 2024 expenditures."⁶ The Application contains BC Hydro's proposal.

¹ Exhibit B-1, cover letter.

² Exhibit B-1, pp. 3–4.

³ BCUC Order G-91-23.

⁴ Exhibit B-1, p. 1.

⁵ Accepted by BC Hydro 2021 Integrated Resource Plan Decision and Order G-58-24.

⁶ Exhibit B-1, p. 6.

BC Hydro filed an evidentiary update on July 15, 2024, concurrent with the filing of its Fiscal 2024 DSM Report with the BCUC, noting that actual Fiscal 2024 DSM portfolio expenditures do not exceed \$96.1 million, the amount previously accepted by the BCUC. BC Hydro continues to request changes to the transfer rules, for the same reasons set out in the Application, outlined in Section 2 below.⁷ If accepted, the changes to the transfer rules would accommodate the required transfer into the capacity-focused program area to accommodate actual Fiscal 2024 expenditures.

Alternatively, BC Hydro requests BCUC acceptance of \$1.9 million in additional expenditures for capacity-focused DSM, which is the amount of DSM expenditures actually incurred in Fiscal 2024 in excess of the allowed 25 percent limit under the current transfer rules.⁸

1.1 Regulatory Process

By Order G-112-24 dated April 16, 2024, the BCUC established a regulatory timetable for review of the Application, consisting of intervenor registration, one round of BCUC Information Requests (IRs), letters of comment, and a reply by BC Hydro. BC Sustainable Energy Association (BCSEA) and the Commercial Energy Consumers of BC (the CEC) registered to intervene in the proceeding.

1.2 Legislative Framework

Under 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. Once accepted, a utility is expected to make those expenditures in accordance with the accepted expenditure schedule in order to recover those expenditures in rates. However, the BCUC acknowledges that a regulated utility requires some flexibility in allocating DSM costs in a BCUC-accepted DSM expenditure schedule.

For example, a utility may decide to transfer funds between DSM programs or between years in a DSM expenditure schedule to better respond to challenges or opportunities in the market. On the other hand, unrestricted transferability has the potential to significantly change the adequacy and effectiveness of a DSM portfolio that the BCUC has accepted. To provide a reasonable degree of flexibility, the BCUC approves rules pursuant to which utilities may transfer funds. In turn, any transfers of funds that do not fall within the transfer rules are subject to further BCUC review.

The BCUC approved transfer rules in 2021 for BC Hydro, which are similar to those already in place for other BCUC regulated utilities such as FortisBC Inc. (FBC).⁹

The BCUC periodically reviews transfer rules, either on application by a utility or by its own direction. In its decision regarding BC Hydro's Fiscal 2023 to Fiscal 2025 RRA,¹⁰ the BCUC directed BC Hydro to propose updated transfer rules similar to amended rules approved for FBC in the Decision and Order G-371-22.¹¹

⁷ Exhibit B-1-2, p. 2

⁸ Exhibit B-1, p. 1; Exhibit B-1-2, p. 3.

⁹ BC Hydro F2020 to F2021 Revenue Requirements Decision and Order G-246-20 dated October 2, 2020, p. 154.

¹⁰ BC Hydro Fiscal 2023 to Fiscal 2025 Revenue Requirements Decision and Order G-91-23 dated April 21, 2023, p. 266.

¹¹ FBC 2023-2027 DSM Expenditures Plan Decision and Order G-371-22 dated December 16, 2022.

2.0 Orders Sought

BC Hydro's DSM Transfer Rules

BC Hydro's DSM funding transfer rules address two scenarios. The first scenario is when BC Hydro wishes to transfer funds between years but in the same program, and the second scenario is when BC Hydro wishes to transfer funds between programs but in the same year. The following transfer rules apply to BC Hydro's accepted DSM expenditures, in other words, those DSM expenditures that the BCUC has accepted pursuant to section 44.2(3) of the UCA:

- BC Hydro may transfer unspent accepted DSM expenditures in a program area to the same program area in the following year of the Test Period, on the condition that BC Hydro provides information regarding unspent amounts as part of its annual DSM reports so that all amounts transferred within a program area are transparently accounted for from one test year to the next; and
- BC Hydro may transfer up to 25% of DSM expenditures from any one existing program area to any other existing program area.¹²

Proposed Changes to BC Hydro's DSM Transfer Rules

BC Hydro proposes changes to its funding transfer rules and requests that the revised rules apply to BC Hydro's DSM expenditure schedules from (and including) Fiscal 2024. It states that these changes will provide BC Hydro with additional flexibility to manage its DSM activities while providing appropriate BCUC oversight. Further, BC Hydro submits that the proposed changes are consistent with the intent of the transfer rules, namely, to provide an appropriate balance, by allowing utilities to retain discretion and flexibility, but within defined and transparent limits.¹³ BC Hydro notes that the BCUC approved similar changes for FBC in 2022.¹⁴

The proposed changes are as follows:

- permitting the carryover of both unspent and overspent expenditures in a program area to the same program area in the following year; and
- removing the requirement for BCUC approval when BC Hydro transfers funds greater than 25 percent of accepted DSM expenditures into a program area, while maintaining the requirement for approval of transfers greater than 25 percent out of a program area.

BC Hydro submits that permitting the carryover of unspent and overspent (i.e. drawing from future years) expenditures in a program area to the same program area in the following year will enable BC Hydro to manage the timing of expenditures over the term of the test period and reflects that it is not possible to forecast DSM expenditures with absolute accuracy, as they are subject to factors not entirely within BC Hydro's control, such as customer response to programs and customer project timing. In addition, BC Hydro notes that this change aligns with the changes approved for FBC.¹⁵

BC Hydro submits that removing the current requirement for approval of transferred funds greater than 25 percent into a program area, while maintaining the requirement for approval of transfers greater than 25

¹² Exhibit B-1, pp. 12-13.

¹³ Ibid., p. 18.

¹⁴ Ibid., p. 16 referring to BCUC Decision accompanying Order G-371-22.

¹⁵ Ibid.

percent out of a program area, will enable it to better respond to current market conditions and customer response to programs and aligns with the changes approved for FBC.¹⁶

BC Hydro notes its interpretation is that ‘accepted’ DSM expenditures in a given fiscal year means the sum of the original ‘accepted’ expenditures for that year, plus any unspent ‘accepted’ expenditures from the previous fiscal year that BC Hydro has chosen to carry over. BC Hydro states that this aligns with the practice of FBC, which has had transfer rules in place for longer than BC Hydro and has submitted annual reports and budget transfer applications to the BCUC over that time that are based on this interpretation of ‘accepted’ DSM expenditures.¹⁷

Proposed New DSM Transfer Rule for BC Hydro

In addition, BC Hydro requests a new rule, to provide flexibility to respond to an increase in demand from customers or opportunities that arise during the test period, without triggering the need for a standalone regulatory application. BC Hydro notes that the BCUC approved a similar variance rule for FBC, with one difference. While the BCUC granted FBC permission to “exceed total approved DSM Portfolio expenditures before any carryover amounts in the final year of the DSM Plan by no more than 5% without prior approval from the BCUC”, BC Hydro is requesting “permission to exceed total approved DSM Portfolio expenditures before any carryover amounts in each year of the test period by no more than 5% without BCUC acceptance.”¹⁸ [*Emphasis in the original*]

BC Hydro acknowledges that this rule would mean that BCUC acceptance of BC Hydro’s DSM expenditure schedules would include a contingency amount of 5 percent across the entire period covered by a DSM expenditure schedule. BC Hydro submits that without the 5 percent contingency for DSM spending, in a year where demand is greater than expected, BC Hydro would have to reduce planned activities in the following fiscal year. BC Hydro believes that the flexibility to manage DSM activities within a 5 percent threshold is reasonable, considering the uncertainties in forecasting DSM activities and given the overall increasing uncertainties in the planning environment during the energy transition.¹⁹

Additive Application of the DSM Transfer Rules

BC Hydro also notes its interpretation that the above rules can be used in an additive manner. For example, BC Hydro could spend an additional 5 percent of total expenditures in a given year, in addition to carrying over unspent funds from a previous year within the same program area, as well as transferring up to 25 percent across program areas, without BCUC acceptance being required, on the condition that all transfers, carryovers, and additional expenditures are explained in the DSM Annual Report.²⁰

BC Hydro submits that these changes to the transfer funding rules strike a reasonable balance between BCUC oversight and efficient management of BC Hydro’s DSM programs.²¹

¹⁶ Ibid.

¹⁷ Exhibit B-3, BCUC IR 1.1.2.

¹⁸ Exhibit B-1, pp. 15-16.

¹⁹ Exhibit B-3, BCUC IR 3.1.

²⁰ Exhibit B-1, p. 15.

²¹ Ibid., p. 16.

Position of the Parties

Both interveners support BC Hydro's proposed amendments.²²

The CEC agrees with BC Hydro that the appropriate level of accepted DSM expenditures in a given year reflects the sum of the original accepted expenditures for that year, plus any unspent accepted expenditures from the previous fiscal years. In the CEC's view, failing to account for those previously approved expenditures potentially results in extra, unnecessary review.²³

The CEC also has no objection to BC Hydro's proposal for the BCUC to permit BC Hydro to exceed total approved DSM Portfolio expenditures before carryover in each year of the test period (as opposed to in the final year) by no more than 5 percent, without BCUC acceptance. This results in a contingency of 5 percent across the whole test period.²⁴

Panel Determination

For the reasons outlined below, the Panel approves the following transfer rules for BC Hydro's DSM expenditure schedules, including for Fiscal 2024:

1. **BC Hydro is permitted to carry over unspent and overspent expenditures in a program area to the same program area in the following year of the period of the expenditure schedule without BCUC acceptance of the carryover, on the condition that BC Hydro provide information regarding unspent and overspent amounts as part of its DSM Annual Reports so that all amounts transferred within a program area are transparently accounted for from one test year to the next; and**
2. **BC Hydro is permitted to make transfers of up to 25 percent of accepted DSM expenditures (including any carryover amounts per rule 1 above) from one existing program area to another existing program area without BCUC acceptance, on the condition that BC Hydro add information regarding such transfers to its DSM Annual Reports, so that all amounts transferred from one existing program area to another existing program area are transparently accounted for in the DSM Annual Reports;**
3. **BCUC acceptance of any funding transfers into an approved program area is not required;**
4. **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 (including any carryover amounts per rule 1 above), BCUC acceptance of the funding transfer is required;**
5. **BC Hydro is permitted to exceed total accepted DSM Portfolio expenditures (excluding any carryover amounts per rule 1 above) in each year of a test period by no more than 5 percent without BCUC acceptance; however, any unused variance cannot be carried forward to remaining years of the expenditure schedule. BC Hydro must add information regarding such expenditures to its DSM Annual Reports, so that all additional amounts are transparently explained in the DSM Annual Reports.**

We find that these changes support administrative and regulatory efficiency and, as BC Hydro notes, strike a reasonable balance between BCUC oversight and BC Hydro's ability to efficiently manage its DSM programs. We are persuaded that the additional flexibility in its transfer rules will enable BC Hydro to better respond to current market conditions and customer response to programs.

²² Exhibit C1-2; Exhibit C2-2.

²³ Exhibit C2-2, p. 2.

²⁴ Ibid.

For clarity, ‘accepted’ DSM expenditures in a given fiscal year refers to the sum of the original ‘accepted’ expenditures for that year, plus any unspent ‘accepted’ expenditures from the previous fiscal year that BC Hydro has chosen to carry over.

The Panel is not persuaded that the five percent variance should apply to the whole test period. The effect of such a rule would mean that in any given year, BCUC acceptance of BC Hydro’s DSM expenditures schedules would provide for a contingency amount of 5 percent for each individual year relative to the accepted amount for that year (before any carryover amounts). If BC Hydro were to carry over the full 5 percent variance each year, in the final year of the period covered by the expenditure schedule this could result in BC Hydro having the ability to spend an additional amount equal to 5 percent of the entire expenditure schedule. Despite the lack of objection from the CEC or BCSEA, the Panel does not agree that the rule should provide for an overall variance of 5 percent of expenditures across the whole test period. Instead, the Panel finds that a variance amount of five percent per year provides sufficient flexibility, without the need for carry over of unused variance to subsequent years in the test period.

The Panel is satisfied that the ability to otherwise apply the DSM transfer rules on an additive basis provides sufficient flexibility for BC Hydro to manage its DSM activities and respond to any opportunities that arise during the period covered by a DSM expenditure schedule. BC Hydro has not demonstrated that it needs the flexibility of 5 percent variance over the whole test period. For example, while BC Hydro’s actual DSM expenditures for Fiscal 2022 were 4 percent above plan,²⁵ the five years prior saw consistent under-spending of DSM expenditures relative to forecast expenditures each year between Fiscal 2017 and Fiscal 2021. The over-expenditure in Fiscal 2022 occurred following a reduction of planned DSM expenditures beginning in Fiscal 2020.²⁶ In addition, the evidentiary update²⁷ provided by BC Hydro confirms that actual total portfolio DSM expenditures for Fiscal 2024 did not exceed the previously accepted amounts. Nevertheless, depending on future demand for DSM programs, there may be a need to revisit the variance rule should its implementation result in any unforeseen consequences.

DATED at the City of Vancouver, in the Province of British Columbia, this 29th day of July 2024.

Original signed by:

E. B. Lockhart
Panel Chair/Commissioner

Original signed by:

A. Dennier
Commissioner

²⁵ BC Hydro Report on Demand-Side Management Activities for Fiscal 2022 , p. 5. Actual expenditures of \$85.3 million compared to Plan expenditures of \$82.2 million.

²⁶ BC Hydro F2022 Revenue Requirements Proceeding, Exhibit B-5, BCSEA IR 1.1.1 Attachment. Based on staff calculations, expenditures ranged from 69% to 91% of Plan expenditures. Plan DSM expenditures between F2017 and F2021 were \$113.7 million, \$119.5 million, \$127.9 million, \$90.8 million, \$89.1 million respectively.

²⁷ Exhibit B-1-2.