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March 31, 2022

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary

Dear Mr. Wruck:

Re: FortisBC Inc. (FBC)

2019-2022 Demand Side Management Expenditure Plan – Request for Acceptance of Carryover of 2021 Overspend

FBC writes with respect to its 2019-2022 Demand Side Management (DSM) Plan accepted by the British Columbia Utilities Commission (BCUC) pursuant to Order G-47-19 (Decision) and FBC's 2021 DSM Annual Report in which FBC identified an overspend of its total approved expenditure amount.

Further to the Decision, and the transfer rules approved therein¹, FBC is filing this application for approval of the carryover of 2021 over expenditures to reduce expenditures in 2022 in each of the Residential, Commercial and Industrial Program Areas.

While FBC diligently seeks to manage its DSM portfolio each year within the accepted DSM expenditure schedule, the extent of market response to FBC's programs is not entirely within FBC's control and FBC did not anticipate the extent of expenditures in 2021 which caused over expenditures. FBC made the expenditures as they were needed to honour rebate commitments that FBC already had in the market and on which FBC's customers relied when making decisions to purchase and install equipment. As these expenditures were not anticipated, FBC did not have an opportunity to apply for approval of these expenditures before the end of 2021.

While FBC is seeking approval of the carryover of over expenditures, FBC will still manage its DSM expenditures over the 2019-2022 period within the total amounts accepted by the BCUC for the Plan period. In this way, looking at the 2019-2022 period as a whole, FBC can and will still remain within the expenditures accepted by the BCUC.

¹ The transfer rules allow FBC, without prior approval of the Commission, to (i) transfer unspent accepted DSM expenditures in a program area to the same program area in the following year and (ii) transfer of a maximum of 25 percent of the budget amount from one existing program area or sector to another existing program area or sector.

FBC reported on the above-noted transfers and over expenditures in its 2021 DSM Annual Report, and provides further detail of the circumstances that led to each of the requests below. For convenience, a copy of Table 1-2 from FBC's 2021 DSM Annual Report showing funding transfers and carryover expenditures for 2020 is provided below.

A	B	C	D	E	F	G	H	I
Program Area (Sector)	2021 Plan (\$000s)	2021 Plan including prior year Carryover	2021 Actual (\$000s)	Variance (\$000s) B-D	Variance including carryover (\$000s) D-C	2021 Funding transfers (in)/out (\$000s)	Transfer as a percent of plan G/B	2021 Carryover (\$000s) F+G
Residential	2,519	2,519	2,896	(377)	(377)	236	9%	(141)
Low Income	899	954	842	57	112	(112)	-12%	-
Commercial	3,052	3,277	3,497	(444)	(220)	100	3%	(119)
Industrial	1,813	2,087	2,653	(839)	(565)	300	17%	(265)
CEO	595	595	599	(4)	(4)	4	<1%	-
Supporting Initiatives	1,024	1,373	1,093	(69)	280	(256)	-25%	24
Portfolio	1,019	1,033	793	226	240	(240)	-24%	-
Demand Response	130	451	311	(181)	141	(33)	-25%	108
Total	11,051	12,289	12,683	(1,632)	(394)	-	-	(394)

Carry Over of 2021 Over Expenditures into 2022

In its 2021 DSM Annual Report, FBC reported total portfolio expenditures of \$394 thousand, or 3.2 percent over the 2021 approval portfolio expenditure of \$12.289 million², including unspent amounts carried over from 2020. The \$394 thousand over expenditure represents 3.6 percent of the 2021 total portfolio expenditure of \$11.051 million, as originally approved by BCUC order G-47-19. However, both the Supporting Initiatives and Demand Response Program Areas will have 2021 Carryover as no additional budget can be transferred out of the program area due to the 25 percent inter-program transfer limit.

Thus, FBC is requesting approval to carry over the \$526 thousand over expenditure from 2021 into 2022 to manage its expenditures within the overall 4-year expenditure approval. The \$526 thousand over expenditure represents 4.8 percent of the 2021 total portfolio expenditure of \$11.051 million, as originally approved by BCUC order G-47-19. Specifically, FBC is requesting to carry over the overexpenditure of \$141 thousand in the Residential Program Area, \$119 thousand in the Commercial Program Area, and \$265 thousand in the Industrial Program Area for 2022.

The primary contributors to the \$526 thousand over expenditure for the 2021 Portfolio were greater than anticipated expenditures (compared to the approved DSM Plan values) on incentive programs in the Residential, Commercial and Industrial Program Areas that exceeded values that could be matched by transfers from unspent expenditures in other Program Areas.

It was necessary for FBC to over expend in certain Program Areas in order to honour the rebate commitments FBC had in the marketplace for its customers. As noted above, the alternative of not honouring the rebates would not have been fair to customers and would have negatively impacted FBC's DSM programs.

² FBC 2020 Demand-Side Management Annual Report, Figure 2.2, page 5 and Section 3, page 10.

While the BCUC's approval of the 2019-2022 DSM Plan did not explicitly include approval of such carry over amounts, FBC submits that permitting such a carryover is in keeping with the spirit of the approved transfer rules that allow the carryover of unspent expenditures from one year to the next. In approving the existing transfer rules, the BCUC commented its Decision:³

The Panel approves transfers of unspent accepted DSM expenditures in a program area to the same program area in the following year, on the condition that FBC adds information regarding unspent rollover values to its DSM annual reports so that all amounts transferred within a program area are transparently accounted for in the DSM annual reports.

As the over expenditure on approved portfolio amounts does not often occur for FBC, it did not anticipate or request consideration of approving over expenditure amounts in the 2019-2022 DSM Plan Application. However, the carryover of both negative and positive amounts allow FBC flexibility to manage its DSM portfolio expenditures over the period of the 2019-2022 DSM Plan expenditure schedule, so that overall FBC may achieve the accepted expenditure amounts and resulting energy savings. While one year may be over budget due to unexpected market conditions, the next may be under budget.

The requested flexibility to manage spending from one year to the next is reasonable as FBC's DSM expenditures are subject to many factors outside of FBC's control, including uncertain and rapidly changing market conditions. In spite of best efforts, actual expenditures cannot practically be expected to reach exactly the approved amount and will always end the year somewhat above or somewhat below the approved expenditure amount.

Over the 2019-2022 period, FBC is committed to maintaining its DSM expenditures within the total amounts accepted by the BCUC. That is, for clarity, FBC is not seeking approval of an increase to the total DSM expenditures accepted by the BCUC for 2019 to 2022 in this application, but rather is seeking approval only of a transfer from one year to the next, which ultimately only affects the timing of planned expenditures. In its final year of the expenditures schedule, 2022, FBC recognizes that it will need to exercise caution so as not to exceed the total accepted amount.

For these reasons, FBC respectfully requests approval to carry this over expenditure into 2022.

Input from the Energy Efficiency and Conservation Advisory Group

FBC acknowledges that the BCUC has indicated it would like to see a summary of feedback from FBC's external stakeholder group (referred to by FBC as the Energy Efficiency and Conservation Advisory Group or EECAG) on funding transfers that aren't defined by existing transfer rules. As the need for the funding transfers applied for above were not anticipated by FBC, FBC did not have the opportunity to seek input from EECAG members.

³ Order G-47-19, page 14.

Conclusion

Given that the primary drivers of the overspend of its total approved expenditure amount in each of the Residential, Commercial and Industrial Program Areas were due to higher than anticipated customer participation, FBC submits that the applied-for carry-over of over expenditures are in the public interest and should be approved.

A draft Order is provided in Appendix A.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

cc (email only): Registered interveners in the FBC 2019-2022 DSM Expenditures Plan proceeding

Appendix A
DRAFT ORDER

ORDER NUMBER

G-xx-xx

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Inc.

2019-2022 Demand Side Management Expenditures Plan –
Request for Acceptance of Carryover of 2021 Overspend

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

- A. By Order G-47-19 dated March 4, 2019, the British Columbia Utilities Commission (BCUC) issued its decision in the FortisBC Inc. (FBC) Application for Acceptance of 2019-2022 Demand Side Management (DSM) Expenditures Plan proceeding, approving, among other things, FBC's proposed funding transfer and carryover rules;
- B. On March 31, 2022, FBC filed for approval to carry over \$0.394 million of 2021 over expenditures into 2022; and
- C. The BCUC has reviewed the Application and finds that approval is warranted.

NOW THEREFORE, pursuant to section 44.2 of the *Utilities Commission Act*, the BCUC orders as follows:

1. FBC is approved to carry over \$0.394 million of 2021 over expenditures into 2022.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner