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

Attention: Sara Hardgrave, Acting Commission Secretary

Dear Ms. Hardgrave

Re: FortisBC Energy Inc.
Application for Acceptance of Demand-Side Management Expenditures for 2023
Reply Argument of FortisBC Energy Inc.

In accordance with the regulatory timetable set for the above referenced proceeding, we enclose for filing the Reply Argument of FortisBC Energy Inc. dated November 30, 2022.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[Original signed by]

Christopher Bystrom
Personal Law Corporation

CRB/NR
Encl.

BRITISH COLUMBIA UTILITIES COMMISSION

FORTISBC ENERGY INC.

2023 DEMAND-SIDE MANAGEMENT EXPENDITURES PLAN

REPLY ARGUMENT

OF

FORTISBC ENERGY INC.

NOVEMBER 30, 2022

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PART ONE: INTRODUCTION AND OVERVIEW

1. As set out in the Application and Final Argument, FortisBC Energy Inc. (FEI) is seeking acceptance from the British Columbia Utilities Commission (BCUC) pursuant to section 44.2 of the *Utilities Commission Act* (UCA) of its DSM expenditures schedule for 2023 (2023 DSM Plan). FEI is also seeking the following approvals:

- Proposed changes to its existing funding transfer rules to provide flexibility in the timing of expenditures within the proposed program areas, including the Innovative Technologies Program Area;
- A new variance allowance rule on total portfolio expenditures in the final year of the DSM Plan to take into account the potential for reasonable variances from forecast;
- An increase in the amount that FEI includes in its existing rate base DSM Deferral account from $30 to $60 million, effective for 2023; and
- A rate base deferral account to capture the regulatory costs associated with the review of this Application.

2. Final arguments were filed by four interveners, which together expressed a broad level of support for FEI's Application. The B.C. Sustainable Energy Association (BCSEA) supports acceptance of the FEI's 2023 DSM Plan as being in the public interest, and approval of the other remedies sought by FEI.[1] The Commercial Energy Consumers Association of BC (CEC) considers the one-year 2023 DSM Plan to be a prudent concept which enables a transition to a new context and background. The CEC recommends that the BCUC accept and approve FEI's 2023 DSM Plan and FEI's requested DSM management rules and procedures for flexibility in transfers and efficiency and effectiveness in operations and regulatory oversight.[2] The Residential Consumer

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1 BCSEA Final Argument, paras. 8-11 and 57.

2 CEC Final Argument, paras 25 and 132.

Intervener Association (RCIA) also supports acceptance of the 2023 DSM Plan, variance allowance rule, deferral account, and changes to funding transfer rules, although the RCIA recommends that prior approval be required for transfers that decrease the cost effectiveness of the portfolio.[3] Finally, British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource & Advisory Centre (BCOAPO) supports acceptance of FEI's 2023 DSM Plan, but raises a number of concerns and recommendations.[4]

3. FEI submits that intervener submissions are indicative of broad-based support for its 2023 DSM Plan, consistent with the 19 letters of comment filed in this proceeding.

4. In the remainder of this Reply Argument, FEI responds to the comments and recommendations of interveners on the topics of FEI's 2023 DSM Plan and other approvals sought. Silence in this submission on a particular statement in an intervener submission does not indicate FEI's agreement.

PART TWO: FEI'S 2023 DSM PLAN IS IN THE PUBLIC INTEREST

5. In this part, FEI responds to the submissions of BCOAPO, CEC and RCIA regarding the 2023 DSM Plan.

A. FEI'S 2023 DSM PLAN SUPPORTS BC'S ENERGY OBJECTIVES

6. RCIA does not dispute that FEI's 2023 DSM Plan is consistent with BC's energy objective (g),[5] but states that FEI declined to compare emissions reductions from the gas it supplied in 2020 and 2007 on the basis that the associated GHG reductions is outside the scope of this proceeding.[6] This is an oversimplification of FEI's position. As FEI explained:[7]

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3 RCIA Final Argument, pp. 4-5, p. 23, and pp. 18-23.

4 BCOAPO Final Argument, para. 48.

5 RCIA Final Argument, p. 7.

6 RCIA Final Argument, p. 7.

7 Exhibit B-6, RCIA IR1 4.1.

> As FEI is seeking acceptance in this Application of a one-year 2023 DSM expenditure schedule, and DSM is only one of FEI's initiatives that will contribute to provincial GHG emission reductions, FEI considers that the GHG reductions related to the gas supplied by FEI that are necessary to meet provincial GHG reduction targets for the province are well beyond the scope of this proceeding.
>
> The BC's Energy Objectives (g) (iii) and (iv) present a 2020 and 2050 target for overall carbon emission reductions for BC as a whole and, as such, are not tied to a set level of required emissions reductions related to the gas supplied by FEI, either through its DSM programs alone or through all of its carbon reduction initiatives. Further, emissions have increased since 2007 as a result of many different carbon emitting activities in BC. To achieve the reduction targets set by the provincial objectives listed above, it will take many different initiatives by many different sectors of BC's economy.

7. In any event, FEI has provided projections from its 2022 Long-Term Gas Resource Plan (LTGRP) with respect to the contribution of its DSM activities towards GHG emissions. In particular, the figure reproduced in the response to CEC IR1 6.2 provides the estimated energy savings over time for three DSM expenditure settings (High, Medium and Low) under FEI's Diversified Energy (Planning) scenario – which is based on FEI's Clean Growth Pathway to reach the provincial government's 2030 and 2050 carbon emission reduction targets.[8] This supports FEI's view that its 2023 DSM Plan is consistent with BC energy objective (g) which, again, RCIA does not dispute.

B. FEI'S 2023 DSM PLAN IS IN THE INTEREST OF CUSTOMERS

8. RCIA concludes that FEI's 2023 DSM Plan should be approved by BCUC as proposed, but considers Rate Impact Measure (RIM) results to be useful when considering the impact to customers.[9] FEI submits that the RIM results cannot be used to assess impacts to customers. As RCIA acknowledges, the DSM Regulation prohibits the BCUC from using the RIM to determine the cost-effectiveness of a DSM expenditure schedule.[10]

9. RCIA recommends that the BCUC direct FEI to provide additional information in its next DSM expenditures application with respect to how FEI takes into account the interests of non-

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8 Exhibit B-5, CEC IR1 6.2.

9 RCIA Final Argument, p. 12.

10 RCIA Final Argument, p. 13.

participants in the design of its DSM plan and, in particular, the rate impacts resulting from the DSM expenditures.[11] FEI considers the appropriate level of DSM in its long-term resource plans, and RCIA agrees that FEI's 2023 DSM Plan is consistent with FEI's 2022 LTGRP. Further, as FEI set out in paragraphs 31 to 41 of its Final Argument, the benefits of the 2023 DSM Plan outweigh the associated rate impacts, including: (1) cost-effectively encouraging energy efficiency and conservation; (2) reducing GHG emissions; (3) benefiting the economy; and (4) reducing the natural gas bills of customers that avail themselves of DSM measures. FEI submits that no further information is required.

C. FEI'S RESPONSE TO CEC'S RECOMMENDATIONS FOR FURTHER INFORMATION

10. CEC supports FEI's Application, but makes two recommendations for further information in future applications.

11. First, CEC recommends that FEI provide comparative year-over-year GJ savings by program area in future DSM applications.[12] FEI is amenable to providing this information.

12. Second, CEC recommends that FEI provide "affordability information" as part of the "FEI annual review statistics".[13] It is not clear to FEI what affordability information CEC is requesting or how this would be incorporated into FEI's annual reviews. To the extent that FEI does not already provide the information that CEC is seeking, FEI suggests that this information can be requested by the CEC through FEI's future consultation process or the IR process in FEI's future annual reviews or revenue requirements applications.

D. FBC HAS REASONABLY EXPLAINED THE LEVEL OF SPENDING IN THE 2023 DSM PLAN AS COMPARED TO 2022 LTGRP

13. BCOAPO submits that FEI has not reasonably explained the lower level of spending in the DSM Plan compared to the 2022 LTGRP.[14] In reply, FEI continues to rely on paragraphs 12 to 17

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[11] RCIA Final Argument, p. 13.

[12] CEC Final Argument, paras. 99-100.

[13] CEC Final Argument, para. 116.

[14] BCOAPO Final Argument, para. 13.

of its Final Argument which discuss the reasons for the difference between the two plans. FEI maintains that it has reasonably explained the differences between the two plans.

14. BCOAPO invites FEI to address its concerns with what it says is a lack of quantitative data explaining the difference between the 2023 DSM Plan and the 2022 LTGRP.[15] It would, however, be procedurally improper for FEI to provide further quantitative evidence in its reply submission. FEI submits that it has provided detailed evidence which is sufficiently quantitative to explain the difference, including the analysis in the responses to the BCOAPO IR1 4 series.[16] FEI notes, in particular, that one of the key reasons for the difference between the two plans is that the 2022 LTGRP is based on a theoretical model, while the 2023 DSM Plan is based on "real life" DSM planning. Given this fundamental difference, FEI submits that conducting detailed quantitative analysis of the difference between the two plans adds little, if any, value.

15. FEI observes that the root of BCOAPO's position appears to be its view that FEI should be spending more on DSM in 2023 to align with the DSM spending for 2023 in the 2022 LTGRP.[17] However, FEI's proposed spending in the 2023 DSM Plan is already approximately 33 percent greater than FEI's accepted spending levels in 2022.[18] This increase is a step change that is aligned with the increased level of DSM activity indicated by the 2022 LTGRP.[19] Further, the level of gas savings from the 2023 DSM Plan of 1,601,386 GJ, which is a more relevant measure of alignment with the 2022 LTGRP, are very close to those estimated in the 2022 LTGRP.[20] Thus, FEI submits that is neither necessary nor practical for FEI to further increase DSM expenditures in 2023.

E. FEI HAS HISTORICALLY ACHIEVED FORECAST RESIDENTIAL SAVINGS

16. BCOAPO concludes that the treatment of residential and low-income customers appears to be reasonable, but that it is not possible to assess the risk of achieving the savings for the costs

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[15] BCOAPO Final Argument, para. 13.

[16] Exhibit B-3.

[17] BCOAPO Final Argument, para. 11.

[18] Exhibit B-1, Application, pp. 6 and 14.

[19] Exhibit B-1, Application, p. 10.

[20] Exhibit B-3, BCOAPO IR1 4.1.

incurred.[21] In reply, FEI has historically achieved (and indeed exceeded) its forecast savings in the Residential Program Area, as shown in Table 5-2 of the 2021 DSM Annual Report.[22] FEI expects to achieve its forecast savings again and submits that its forecast savings are reasonable.

F. FEI HAS SUPPORTED THE RELATIONSHIP BETWEEN RESIDENTIAL EXPENDITURES AND ENERGY SAVINGS

17. BCOAPO submits that FEI did not explain why from 2022 to 2023 residential program expenditures are forecast to increase by 26 percent while savings are forecast to increase by 5 percent.[23] As noted in paragraph 11 above in response to the CEC, FEI is amenable to providing comparative year-over-year GJ savings by program area in future DSM applications, which should address BCOAPO's concern. FEI notes, however, that it did identify in its Application the change in expenditures in each program area from 2022 to 2023[24] and explained the reasons for the changes, including that the increased residential expenditures in 2023 were primarily due to higher program participation and the inclusion of Step 5 of BC Energy Step Code homes in the Residential program area, which were previously supported in Innovative Technologies.[25] In response to BCOAPO IR1 3.2, FEI also identified the incremental savings for the 2023 DSM Plan compared to the 2022 accepted DSM plan.[26] While FEI has not specifically explained the reasons for the change in incremental savings, the DSM Plan attached as Appendix A to the Application listed the key changes to the Residential Program Area compared to the previous plan:[27]

> Compared with the previous DSM Plan, the 2023 DSM Plan has the following key updates in the Residential program area:
>
> - The Rental Apartment Efficiency Program (RAP) will not be a program under FEI's Residential Program Area. The program has been consolidated under the Commercial Program Area. RAP is administered in collaboration with FBC. In this DSM plan, the program will be included under the commercial program area.

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21 BCOAPO Final Argument, paras. 28-29.

22 Exhibit B-1, Application, Appendix B.

23 BCOAPO Final Argument, para. 24.

24 Exhibit B-1, Application, p. 6, Table 3-1.

25 Exhibit B-1, Application, p. 17.

26 Exhibit B-3, BCOAPO IR1 3.2.

27 Exhibit B-1, Appendix A, DSM Plan, p. 9.

- Step 2 and Step 3 new home code measures are ramped down to align with the BC Building Code updates with focus shifting to the higher Step 4, and 5 measures.
- Addition of high performance windows and doors and comprehensive air sealing as new measures under the Home Renovation Program.
- Removal of residential incentives for non-condensing storage water heaters in both the Home Renovation and New Home programs to further support the transition in condensing technology.

18. Furthermore, overall, the 2023 DSM Plan savings are estimated to be 39 percent greater than in 2022, which compares favourably to the 33 percent increase in expenditures from 2022 to 2023.[28]

G. FEI'S FORECAST ANNUAL LOW INCOME PROGRAM AREA SAVINGS ARE REASONABLE

19. BCOAPO submits that the estimated annual bill savings from the Low Income Self-Install and Direct Install programs are "quite low" at $28 and $100, respectively.[29] FEI submits that BCOAPO has not provided any basis for its view and, to the contrary, FEI's forecast savings are reasonable.

20. First, BCOAPO mischaracterizes the annual bill savings calculations provided by FEI. As explained in the responses to BCOAPO IR1 7.5 and 7.6, yearly bill savings increase to $33 for the Self-Install program and $120 for the Direct Install program when including the carbon tax.[30] The annual bill savings provided in these responses is based on specific assumptions but, as FEI noted, average energy savings per participant will vary based on the types of Energy Savings Kits (ESK) distributed that year. Thus, so too will the resulting annual bill savings.

21. Second, FEI's forecast energy savings per measure are largely consistent between 2022 and 2023.[31]

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[28] Exhibit B-3, BCOAPO IR1 3.2.

[29] BCOAPO Final Argument, para. 27.

[30] Exhibit B-3.

[31] Exhibit B-3, BCOAPO IR1 7.5 and 7.6.

22. Third, FEI confirmed that it may consider additional measures which meet the program criteria for the Self-Install and Direct Install programs in 2023, which may result in further energy savings.[32]

H. INVESTMENT IN INNOVATIVE TECHNOLOGIES IS BENEFICIAL TO CUSTOMERS

23. BCOAPO submits that expenditures in the Innovative Technologies Program Area offer no clear benefits to customers.[33] In reply, FEI submits that investment in innovative technologies represent a necessary and highly beneficial investment for customers. In particular, the research and pilot projects undertaken through the Innovative Technologies Program Area will be undertaken to fill informational gaps, and importantly, are necessary to develop future programs that will directly benefit customers – including residential and low-income customers.[34] As CEC observes, “with FEI assistance there may be substantive future benefits as technologies emerge.”[35]

24. BCOAPO also submits that more can be done for low-income customers to achieve savings from deep retrofits.[36] In fact, FEI’s investment in innovative technologies, which include deep retrofits, is intended to help customers achieve such further savings from such programs.[37]

25. Further, FEI’s proposed expenditures in the Innovative Technologies Program Area are consistent with the policy shift towards advanced DSM activities spurred by the CleanBC Roadmap to 2030 and will enable FEI to reduce GHG emissions in compliance with government policy. Therefore, the 2023 DSM Plan enables a faster transition toward more advanced gas DSM measures through higher expenditures for innovative technologies in response to these policy changes.

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32 Exhibit B-3, BCOAPO IR1 7.3.1 and 7.4.

33 BCOAPO Final Argument, para. 17.

34 Exhibit B-1, Application, Appendix A: DSM Plan, pp. 55-58; Exhibit B-4, BCSEA IR1 13.1

35 CEC Final Argument, para. 96.

36 BCOAPO Final Argument, para. 27.

37 Exhibit B-1, Application, Table 4-2 (pp. 18-19) and Appendix A, pp. 55-58.

26. BCOAPO appears to be concerned with the perceived lack of direct benefits to customers from innovative technologies. However, the associated programs do directly benefit customers. FEI did not include projected savings from the Innovative Technology Program Area in the 2023 DSM Plan because it is challenging to effectively forecast energy savings from pilot studies. However, there will be savings to customers as a result of the pilots and, when results become available via evaluation activities, FEI will report on any energy savings in DSM Annual Reports.[38]

I. FEI HAS PROVIDED ADEQUATE INFORMATION REGARDING THE CONSERVATION EDUCATION AND OUTREACH PROGRAM

27. BCOAPO is concerned that there is no explanation of why FEI has started forecasting savings from the Conservation Education and Outreach (CEO) Program Area.[39] FEI's forecasting of savings from the CEO Program Area adds accuracy to the estimate of forecast savings from the overall portfolio and represents an improvement from FEI's previous DSM Plan applications. As part of the 2021 Annual DSM Report, FEI reported the actual incremental annual gas savings for the Residential Customer Engagement Tool, which is one of the five activities forming part of the CEO Program Area.[40] As FEI has measured actual savings resulting from CEO activities, it is reasonable that FEI begin to forecast these savings as part of its DSM expenditure plan applications.

28. BCOAPO is also concerned that "there is no information on the breakdown of the projected savings between various sub-programs [in the CEO Program Area] from which to assess the veracity of the new projection."[41] BCOAPO's concern is unfounded. FEI assumes that BCOAPO's reference to sub-programs refers to the CEO Program Areas five activities. As explained in the 2023 DSM Plan, all projected energy savings in the CEO Program Area are applicable to only the Customer Engagement Tool. These savings represent the overall projected savings for the CEO Program Area.[42]

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38 Exhibit B-1, Appendix A, p. 55.

39 BCOAPO Final Argument, para. 21.

40 Exhibit B-1, Appendix B, Table 10-2 (p. 39).

41 BCOAPO Final Argument, para. 21.

42 Exhibit B-1, Application, Appendix A, p. 7.

J. FEI HAS IDENTIFIED THE LRMC LAST APPROVED BY THE BCUC

29. BCOAPO submits that reliance on the long run marginal cost (LRMC) from BC Hydro's 2017 Waneta Application to set the zero-emissions energy supply alternative (ZEEA) is not reasonable, and instead suggests that FEI should have relied on the mid-range (average) of the range of wind resources provided by BC Hydro in its previous two RRAs.[43] CEC accepts FEI's analysis of the ZEEA criterion and submits that the appropriate LRMC for this proceeding could either be: (1) the last accepted LRMC ($106/MWh); <u>or</u> (2) the average by BC Hydro in its previous two RRAs ($67/MWh).[44] FEI submits that the BCUC should set the ZEEA based on $106/MWh for the reasons set out below.

30. First, FEI submits that it is reasonable to rely on the last accepted LRMC as the language in DSM regulation refers to "the amount that <u>the commission is satisfied</u> represents the authority's long-run marginal cost of acquiring electricity generated from clean or renewable resources in British Columbia" [emphasis added].[45] Only the $106/MWh has been approved by the BCUC and thus constitute an amount the BCUC is "satisfied by".

31. Second, in Part Two, Section C (a) of FEI's Final Argument, FEI explained why setting the ZEEA based on range of wind resources provided by BC Hydro in its previous two RRAs is problematic.

32. Third, the mid-range of the wind resources ($67/MWh) is slightly higher than the LRMC proposed by BC Hydro in the IRP of $65/MWh. FEI confirmed that its DSM portfolio would be cost-effective under $65/MWh, and similarly, its portfolio would remain cost-effective at $67/MWh.[46] FEI provided detailed information on the cost-effectiveness of its portfolio, programs areas, and measures under the various LRMC options in the responses to BCUC IR1 3.1 and 3.2.[47]

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43 BCOAPO Final Argument, para. 36.

44 CEC Final Argument, para. 69.

45 DSM Regulation, s. 4(1.1).

46 FEI Final Argument, para. 25.

47 Exhibit B-2.

33. Therefore, FEI submits that the BCUC can conclude that FEI's portfolio is cost effective based on a ZEEA of $106/MWh or $67/MWh or $65/MWh.

K. PREMATURE TO SET PROCEDURAL STEPS FOR NEXT DSM APPLICATION

34. In response to BCOAPO's request that the BCUC require two rounds of information requests in FEI's next DSM application proceeding, FEI submits that this would be premature and that the regulatory process for future applications should be left to the panel responsible for that proceeding. Further, as is FEI's usual approach, FEI undertook in-depth consultation with stakeholders, including BCOAPO, leading up to the filing of the Application, which provided significant opportunities for stakeholders to request further information. As discussed in FEI's Application and Final Argument, FEI's DSM planning process includes consultation at nearly every step, and the 2023 DSM Plan has been shaped by nearly 60 consultation engagement sessions from program up to portfolio level.[48] FEI will continue this practice going forward. Nonetheless, FEI will also consider BCOAPO's concerns regarding providing more information in its application and endeavour to address those in its next filing.

PART THREE: FUNDING TRANSFER RULES

A. PROPOSED AMENDMENTS TO FUNDING TRANSFER RULES ADDRESS SPECIFIC CHALLENGES

35. RCIA submits FEI has provided no justification for its proposed changes to the inter-program funding transfer rules other than they would be "convenient" for FEI.[49] This is not an accurate characterization of FEI's position or the evidence on the record. As stated in FEI's Final Argument, the proposed changes are designed to "overcome some of the challenges of working within the transfer rules, while maintaining the necessary boundaries to ensure that the DSM portfolio still aligns with the approved portfolio deemed to be in the public interest."[50] FEI discusses the two changes RCIA takes issue with below.

[48] Exhibit B-1, Application, p. 15; FEI Final Submission, paras. 34-37.

[49] RCIA Final Argument, p. 18.

[50] FEI Final Argument, para. 49.

36. First, with respect to the removal of the requirement to obtain approval when transferring funds *into* a program area, FEI provided several reasons supporting the need for this change, namely: simplifying the utility's forecasting process, allowing more focus on the delivery of programs to customers, and ultimately, to enable greater flexibility for FEI in responding to market changes that are difficult to forecast in advance.[51]

37. Second, with respect to removal of the requirement of prior approval for transfers over 25 percent, FEI explained that this change is intended to address the difficulty faced by the utility in forecasting with certainty when or if the 25 percent limit will be exceeded.[52] In particular, as FEI explained, the existing limitation "makes it challenging for FEI to apply for and receive approval of an increase in funding, without having to pause programs to the detriment of customer participation and savings potential."[53]

38. FEI submits that the record supports its view that each change goes beyond mere "convenience" as suggested by RCIA and should be accepted by BCUC.

B. REMOVAL OF THE REQUIREMENT FOR PRIOR APPROVAL FOR TRANSFERS ABOVE 25 PERCENT PRESERVES THE PUBLIC INTEREST

39. BCOAPO opposes FEI's proposal to remove the requirement that it obtain prior approval from the BCUC to make a transfer above 25 percent out of one program area to another on the basis that transfers out of the Residential and Low-Income Program Areas could change the public interest.[54] FEI submits that BCOAPO's concerns are misplaced because FEI will maintain sufficient funding to meet the forecast activity in each program area in each year. FEI will only transfer funds out of a program area if those funds are not needed in that program area due to lower than forecast activity in that year.[55] Thus, as FEI explained in its Final Argument, FEI's ability to transfer more than 25 percent out of a program area hinges on whether the activity level in all other programs areas is sufficiently below forecast such that potential customers eligible for

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[51] FEI Final Argument, paras. 52-53.

[52] FEI Final Argument, para. 55.

[53] FEI Final Argument, para. 55.

[54] BCOAPO Final Argument, para. 43.

[55] Exhibit B-2, BCUC IR1 15.2.

those programs are not impacted.[56] As such, FEI will not use transfers to reduce expenditures in any program area beyond what they would be in the absence of the transfer. For example, FEI would not reduce spending in the residential and low income program due a transfer.

C. FEI WILL CONTINUE TO COMMUNICATE WITH EECAG MEMBERS REGARDING FUNDING TRANSFERS

40. RCIA submits that the proposed changes to the inter-program funding transfer rules should be denied because FEI would not necessarily consult with the Energy Efficiency & Conservation Advisory Group (EECAG).[57] Contrary to RCIA's submission, FEI is committed to continue communicating with EECAG members as it does under the current transfer rules. As FEI stated:[58]

> FEI makes best efforts to communicate with EECAG members (either by meeting or through email) regarding funding transfers that may be required and before making applications to the BCUC regarding those program area funding transfers. FEI will continue to take EECAG feedback on potential funding transfer applications into consideration before making its request to the BCUC.

D. FUNDING TRANSFERS SHOULD NOT BE BASED ON THE IMPACT TO COST-EFFECTIVENESS

41. RCIA suggests an alternative rule that FEI be able to make transfers greater than 25 percent of the program budget without BCUC approval, so long as the cost-effectiveness of the program area being transferred to is not lower than the program area that is the source of the funds.[59] FEI submits that this proposal is not in the public interest for the reasons below.

42. First, FEI monitors cost-effectiveness throughout the year by reviewing expenditures and savings across the portfolio, ensuring that FEI maintains cost-effectiveness at the portfolio level.[60] FEI submits that it is sufficient that it maintain a cost-effective portfolio, and that it is not necessary that it maintain the exact forecast level of cost effectiveness.

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56 FEI Final Argument, para. 56.

57 RCIA Final Argument, p. 18.

58 Exhibit B-2, BCUC IR1 15.4.

59 RCIA Final Argument, p. 19.

60 Exhibit B-6, RCIA IR1 11.2.

43. Second, FEI will only transfer funds out of a program area if those funds are not needed in that program area due to lower than forecast activity and those funds could be appropriately used in another program area in that year. Adding a requirement to only transfer budget from a program area with lower cost-effectiveness to a program area with higher cost-effectiveness would not address the goal of meeting market demand in programs with lower cost effectiveness without a supplemental expenditure application being required.[61]

44. Third, restricting transfers to only more cost-effective areas would disadvantage low income and residential program areas, and to a lesser extent, commercial programs, which tend to be more challenged with respect to cost effectiveness.[62] FEI submits that it should be able to make transfers to meet market demand, regardless of which customer group is experiencing that demand.

E. THE BCUC RETAINS THE POWER TO DISALLOW RECOVERY THROUGH RATES

45. RCIA submits that it would agree with FEI's proposed change to the transfer rules that it not require prior approval of transfers out of a program of greater than 25 percent if there were an appropriate mechanism for disallowance.[63] FEI confirms that the BCUC retains its ability to determine that a transfer is not in the public interest, thus disallowing recovery through rates. FEI submits that maintaining the requirement for FEI to apply for BCUC approval of the transfer, while allowing FEI to continue with its DSM program while the application is being considered, strikes a reasonable balance between allowing FEI to carry-out its planned DSM programs without disruption to customers and maintaining BCUC oversight.

PART FOUR: CONCLUSION

46. FEI submits that the BCUC should accept the 2023 DSM Plan pursuant to section 44.2 the UCA, and approve FBC's proposed changes to the transfer funding rule, increase in the amount

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61 Exhibit B-6, RCIA IR1 11.2.

62 Exhibit B-3, BCOAPO IR1 6.1, Attachment 6.1.

63 RCIA Final Argument, pp. 19-20.

that FEI includes in its existing rate base DSM Deferral account, and the rate base deferral account to capture the costs of this regulatory proceeding.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated:	November 30, 2022	***[original signed by Chris Bystrom]***
		Christopher R. Bystrom
		Counsel for FortisBC Energy Inc.
Dated:	November 30, 2022	***[original signed by Niall Rand]***
		Niall Rand
		Counsel for FortisBC Energy Inc.