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

Attention: Patrick Wruck, Commission Secretary

Dear Sirs/Mesdames:

Re: FortisBC Energy Inc. 2024-2027 Demand-Side Management (DSM) Expenditures Plan Application ~ Reply Argument

In accordance with the regulatory timetable in the above proceeding, we enclose for filing the Reply Argument of FortisBC Energy Inc., dated November 7, 2023.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[Original signed by]

Christopher Bystrom*
*Law Corporation

Encl.

cc (email only): Registered Interveners.

BRITISH COLUMBIA UTILITIES COMMISSION

FORTISBC ENERGY INC.

APPLICATION FOR ACCEPTANCE OF DEMAND SIDE MANAGEMENT EXPENDITURES PLAN FOR 2024 TO 2027

REPLY SUBMISSION

OF

FORTISBC ENERGY INC.

NOVEMBER 7, 2023

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PART ONE: INTRODUCTION AND OVERVIEW

1. As set out in its Application for Acceptance of Demand-Side Management Expenditures for 2024-2027 (Application), FortisBC Energy Inc. (FEI) is requesting acceptance from the British Columbia Utilities Commission (BCUC) pursuant to section 44.2 of the *Utilities Commission Act* (UCA) of its demand-side management (DSM) expenditure schedule for 2024-2027 (2024-2027 DSM Plan or DSM Plan). FEI is also seeking the following approvals:

- Continuation of the previously approved funding transfer and carryover rules and the total portfolio variance rule, with the addition of allowing for the carryover of overspent expenditures.
- Approval to include $60 million in its rate base DSM deferral account on a forecast basis, effective for 2024-2027.

2. Final arguments were filed by four interveners. The B.C. Sustainable Energy Association (BCSEA) supports acceptance of FEI's 2024-2027 DSM Plan as being in the public interest, and the other approvals sought by FEI.[1] The Residential Consumer Intervener Association (RCIA) supports acceptance of FEI's 2024-2027 DSM Plan, with the exception of advanced DSM measures that are still in the pilot project stage, and the other approvals sought by FEI.[2] The Commercial Energy Consumers Association of BC (CEC) recommends that the BCUC accept FEI's 2024-2027 DSM Plan, but raises a number of additional recommendations.[3] The 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) asks that the BCUC only accept years 2024 and 2025 of the DSM Plan based on a number of concerns.[4]

3. FEI submits that intervener submissions are generally indicative of broad-based support for its 2024-2027 DSM Plan, consistent with the 25 letters of comment filed in this proceeding.

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[1] BCSEA Final Argument, paras. 9-10.

[2] RCIA did not take a position on the rate base accounting treatment: RCIA Final Argument, p. 5.

[3] CEC Final Argument, paras. 11-18.

[4] BCOAPO Final Argument, p. 19.

4. In the remainder of this Reply Submission, FEI responds to the comments and recommendations of interveners. Silence in this submission on a particular statement in an intervener submission does not indicate FEI's agreement.

PART TWO: FEI'S 2024-2027 DSM PLAN IS IN THE PUBLIC INTEREST

A. The 2024-2027 DSM Plan Should be Approved for the Entire Plan Period

5. BCOAPO argues that the BCUC should only approve the first two years of FEI's 2024-2027 DSM Plan (i.e., 2024 and 2025) based on the following concerns:[5]

> i) increased costs which produce less savings for advanced DSM programming; ii) affordability and accessibility; iii) the lack of a Conservation Potential Review (CPR) that reflects current transformational conditions; iv) the lack of alternative DSM portfolios to assess the trade-offs compared to the proposed plan; and v) the lack of a risk management plan.

6. In general, FEI submits that none of these concerns are justified or linked to BCOAPO's proposed remedy of shortening the 2024-2027 DSM Plan. FEI addresses each concern in turn below.

(a) Advanced DSM Is Supported by Policy and Required for Market Transformation

7. With respect to advanced DSM programming, BCOAPO submits that "the uncertainty and risk that programs may not be cost effective or achievable is sizable".[6] In reply, FEI first submits that there is no material risk that it will implement programs that are not cost-effective. FEI is committed to only proceeding with programs that are cost-effective, has a proven track record of doing so, and is accountable to the BCUC in its DSM annual reports in this regard.[7] Second, FEI considers that its DSM Plan is in fact realistic and achievable.[8] However, if FEI's expenditures are less than planned, customers are held whole as the DSM regulatory accounts ensure that

5 BCOAPO Final Argument, pp. 3, 18-19.

6 BCOAPO Final Argument, p. 8.

7 Exhibit B-3, BCUC IR1 1.4.

8 Exhibit B-3, BCUC IR1 2.2.

customers will pay only for actual expenditures incurred. Therefore, there is no material risk to customers related to the achievability of the DSM Plan.

(b) Advanced DSM for Residential Customers is Affordable and Accessible

8. BCOAPO questions whether FEI's proposed advanced DSM programming is affordable and, therefore, accessible for residential customers.[9] Contrary to BCOAPO's contention, FEI has proposed higher incentive levels for advanced DSM measures to encourage early adoption and increase participation to drive market transformation, thus *increasing* affordability and accessibility.[10] Further, approximately 70 percent of the advanced DSM expenditures are intended to support residential, low-income and Indigenous customers, which increases the DSM Plan's accessibility to a wider number of these customer segments. Moreover, while advanced DSM is not as cost-effective as incentives for conventional equipment that are no longer allowed under the DSM Regulation, advanced DSM is still more cost-effective than acquisition of new low carbon supply, as indicated by the positive Utility Cost Test (UCT) of the portfolio. Finally, as recognized by BCSEA, the 2024-2027 DSM Plan reflects the need "to invest in market transformation during 2024-2027 in order to achieve substantially larger gas savings and GHG reductions post-2027".[11]

9. BCOAPO's argument appears to rely on the results of the alternative cost-effectiveness tests FEI included as part of the DSM Plan for informational purposes and, in particular, the Ratepayer Impact Measure (RIM).[12] However, the amended DSM Regulation does not permit the BCUC to use the RIM to assess the cost-effectiveness of FEI's DSM expenditures, and FEI has appropriately planned the non-legacy expenditures in the DSM Plan using the UCT. Further, a DSM Plan with a higher RIM result would have a number of drawbacks, including a Plan that would ignore stakeholder feedback and not be aligned with BC climate policies or FEI's 2022 Long-Term Gas Resource Plan (2022 LTGRP).[13]

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9 BCOAPO Final Argument, p. 9.

10 Exhibit B-2, Application, p. 15; Exhibit B-5, RCIA IR1 1.2.

11 BCSEA Final Argument, para. 39.

12 Exhibit B-3, BCUC IR1 14.1; Exhibit B-4, CEC IR1 6.3.

13 Exhibit B-5, RCIA IR1 8.3.

(c) 2021 CPR Provides a Sufficient Basis for the DSM Plan

10. BCOAPO submits that given the limitations of the 2023 Conservation Potential Review (CPR) modelling refresh, a new CPR to support the 2024-2027 DSM Plan would have been beneficial given the changed paradigm.[14] Contrary to BCOAPO's submissions, the 2021 CPR and 2023 modelling refresh provided a sufficient basis for the DSM portfolio. The amended DSM Regulation does not create new measures or DSM opportunities in FEI's market, and BCOAPO has not identified any DSM opportunities that FEI has not considered. Moreover, FEI is not, and has not been, limited to measures included in the CPR, but rather, has proceeded with advanced DSM measures that have been developed in recent years.[15] Ultimately, FEI's proposed DSM Plan is robust and comprehensive and pursues all material opportunities available under the DSM Regulation.

11. More generally, BCOAPO's characterization of the 2024-2027 DSM Plan as being grounded in "business as usual"[16] is inaccurate. To the contrary, the DSM Plan represents a significant level of effort by FEI, significant consultation with many stakeholders, and the composition of a comprehensive and detailed DSM Plan that meets the complex new requirements of the DSM Regulation. The DSM Plan continues many of the cost-effective programs previously accepted by the BCUC, but also makes a significant transition away from conventional high-efficiency gas space and water heating equipment, such as furnaces and boilers, to advanced DSM programming.[17] FEI submits that the 2024-2027 DSM Plan clearly represents a significant adjustment in FEI's DSM programming in response to government policy and is well supported by research and the results of significant stakeholder consultation. FEI therefore submits that BCOAPO's position should be rejected.

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14 BCOAPO Final Argument, p. 10.

15 Exhibit B-2, Application, Appendix D; Exhibit B-3, BCUC IR1 1.1 and 1.1.2; Exhibit B-4, CEC IR1 2.3; Exhibit B-5, RCIA IR1 6.2.

16 e.g., BCOAPO Final Argument, pp. 10 and 15.

17 Exhibit B-2, Application, pp. 4 and 11.

(d) FEI Has Optimized the DSM Plan to Maximize the Savings and GHG Reduction Potential of DSM

12. Despite strongly supporting utilities engaging in DSM, BCOAPO asserts that a lack of alternatives analysis is a "serious flaw" and asks that the BCUC direct FEI to develop a reasonable set of alternatives as part of future DSM plans.[18] FEI submits that there is no merit to BCOAPO's position. FEI highlights four points below.

13. First, FEI has proposed a DSM Plan that is consistent with its plan in the 2022 LTGRP to maximize the gas savings and GHG reduction potential of adequate, cost-effective DSM and, as such, FEI has no alternatives to recommend. FEI has designed its DSM programs to strike a balance between the goals of cost-effectiveness, achievability, savings and affordability. Notably, there are very limited opportunities to introduce new measures not already under consideration in the DSM Plan.[19] As noted above, while advanced DSM is not as cost-effective as incentives for conventional equipment that are no longer allowed under the DSM Regulation, advanced DSM is still more cost-effective than acquisition of new low carbon supply, as indicated by the positive UCT of the portfolio. FEI therefore submits that it has proposed an optimized DSM Plan for the BCUC's consideration. FEI will continue to refine the 2024-2027 DSM Plan as it moves into implementation.

14. Second, there is no legal basis on which to reject a DSM expenditure schedule due to a lack of alternatives. Unlike the BCUC's guidelines for CPCN applications,[20] which require the consideration of alternatives, there is no requirement in the UCA or any BCUC guidelines for a public utility to file alternatives to a DSM expenditure schedule. Rather, the UCA allows a public utility to file a DSM expenditure schedule with the BCUC and the BCUC must accept the DSM Plan if it is in the public interest. FEI notes that it has never previously filed alternative DSM plans and is not aware of any other public utility filing alternative DSM Plans with the BCUC. Neither has

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[18] BCOAPO Final Argument, pp. 4-5.

[19] Exhibit B-6, BCOAPO IR1 2.4.

[20] Order G-20-15, Appendix A. Online: https://docs.bcuc.com/documents/Guidelines/2015/DOC_25326_G-20-15_BCUC-2015-CPCN-Guidelines.pdf.

BCOAPO identified any legal basis for its suggestion or pointed to any precedent or other support for its view regarding the need for alternative DSM Plans.

15. Third, BCOAPO's complaint about alternatives appears to be rooted in its consideration of the RIM and Participant Cost Test (PCT) results.[21] The RIM and PCT are not permitted cost-effectiveness tests under the amended DSM Regulation and BCOAPO appears to be inappropriately requesting that the BCUC do indirectly what it cannot do directly, i.e., disallowing a portion of the DSM Plan based on the PCT and RIM.

16. Fourth, BCOAPO has not identified any alternatives or any proposed adjustments to the DSM Plan for the BCUC or FEI's consideration. This is the proceeding to review the 2024-2027 DSM Plan and, if BCOAPO considers that there is a better alternative or flaw in FEI's DSM Plan, then FEI submits that it is incumbent on BCOAPO to ask the necessary information requests to illicit the information it needs and bring forward that proposal or point out that flaw. BCOAPO has not done so and therefore has not established that there is any alternative that FEI should have brought forward instead of its proposed DSM Plan, or that there is any flaw in FEI's proposed DSM Plan. Thus, FEI's 2024-2027 DSM Plan should be accepted as proposed.

(e) FEI Has Risk Mitigation Plans in Place

17. BCOAPO expresses concern that FEI has not presented any evidence of a risk mitigation plan as part of the 2024-2027 DSM Plan and asks that the BCUC require FEI to prepare such a plan as part of future DSM plans.[22] Contrary to BCOAPO's contention, FEI has provided evidence regarding the risks it has identified over the Plan period, as well as proposed mitigation measures. For example, if market adoption of advanced DSM measures is slower than anticipated, FEI intends to: (1) consult with industry such as the Trade Ally Network (TAN), collaborate with partners on effective program design, and evaluate marketing strategies including customer education and awareness; and (2) conduct research and attempt to remove barriers to adoption (e.g., increased support for early adopters, case studies, etc.).[23] In this regard, BCOAPO's

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[21] BCOAPO Final Argument, pp. 12-15.

[22] BCOAPO Final Argument, pp. 16-17.

[23] Exhibit B-3, BCUC IR1 2.2.

submission that “consulting with industry and conducting research is not a risk mitigation plan” is incorrect. These activities are mitigation plans because they can result in new information which FEI can then use to redesign its programs to be more successful in the market. These are in fact the types of mitigation measures that are required for DSM planning and execution purposes.

18. In addition, to further support its execution of the 2024-2027 DSM Plan, FEI has requested approval of the continuation of funding transfer rules, with some adjustments, to help FEI manage timing differences in expenditures, and ultimately execute on the entire plan over the 2024-2027 period.

19. In any event, to the extent that variances from plan were to occur, FEI’s customers will pay only for actual (not planned) expenditures, due to the treatment of DSM expenditures in FEI’s DSM deferral accounts.

20. Overall, FEI submits that it has proposed a realistic and achievable DSM Plan, has sufficiently addressed how it intends to mitigate risks to its execution, has proposed transfer rules to support its efforts over the 2024-2027 period, and has deferral accounts in place to ensure that customers ultimately pay only for actual expenditures. FEI submits that this strongly supports acceptance of the 2024-2027 DSM Plan for the entire Plan period.

(f) BCOAPO’s Suggested Options Are Flawed

21. BCOAPO suggests that the BCUC has the following five options:[24]

[24] BCOAPO Final Argument, p. 18.

1. Accept the 2024-2027 DSM Plan as filed by FEI due to FEI's arguments that the uncertainties identified in this process can be dealt with through the ongoing annual reporting to the BCUC;
2. Accept the 2024-2027 DSM Plan as filed by FEI but specify a trigger for a review if a material deviation from the Plan occurs. BCOAPO suggests that, should the Panel determine this is appropriate, this threshold of materiality be a deviation of 10% or more;
3. Approve this 2024-2027 DSM Plan subject to directed adjustments;
4. Accept the DSM Plan for a shorter timeframe such as the first and second years of the Plan. This alternative would allow FEI to gain more experience with advanced DSM programming but would require FEI to prepare and file a new DSM Plan, potentially for the four-year period of 2026-2029. This alternative would also require FEI to expedite a new CPR to be completed by 2025[54] rather than by 2026 as FEI is currently planning; and
5. Reject the 2024-2027 DSM Plan, direct FEI to re-file its 2024-2027 DSM Plan addressing concerns and accept the 2024-2027 DSM Plan for the 2024 year only on an interim basis.

22. Regarding the second option, FEI submits that there is no basis in the UCA for the BCUC to accept the plan with a "trigger for a review if a material deviation from the Plan occurs". Moreover, FEI cannot recover in rates expenditures above accepted amounts, so the only deviations that are of any practical concern are expenditures less than planned. However, as explained above, FEI has mitigation measures in place if variances from plan occur, has applied for the continuation of transfer funding rules to help it execute its plan over the 2024-2027 period, and, ultimately, only actual expenditures will be recovered from customers due to the DSM regulatory accounts. Therefore, FEI does not see any basis for a review due to a material variation.

23. Regarding the fourth option, a shorter time DSM Plan would not be in the public interest as customers and the market need a consistent and assured level of funding over the 2024-2027 period to build confidence in the support for advanced DSM and so that FEI can begin to transform the market through its DSM programming. Shortening the DSM Plan would sow seeds of doubt in the market about support for advanced DSM. Finally, FEI notes that if it discovers the need to adjust its DSM Plan over the 2024-2027 period, it is always free to bring forward an amended DSM expenditure schedule for the BCUC's review.

24. Regarding the fifth option, accepting 2024 on an interim basis is not an option. As DSM expenditures are required to run real programs in the market with incentives going to customers, there is no practical way in which FEI can incur DSM expenditures on an "interim basis". FEI cannot attempt to withdraw offers that have already been extended to customers or attempt to claw back incentives given to customers without damaging its relationships with suppliers and customers and compromising its ability to execute on DSM programs in the future.

B. Residential Dual Fuel Hybrid Systems and Whole Home Performance Measures Should be Accepted

25. RCIA recommends that the BCUC remove expenditures related to Residential Dual Fuel Hybrid Systems for 2024 and that expenditures from 2025 to 2027 related to Residential Dual Fuel Hybrid Systems and the Whole Home Performance measures should be conditional on the BCUC accepting a report on the completion of the associated pilot projects proving they are cost-effective.[25]

26. FEI submits that RCIA's recommendations should be rejected as they are inefficient from a regulatory perspective and will delay cost-effective advanced DSM programs that are supported by government policy, as reflected in the DSM Regulation. In particular, delaying the implementation of permanent programs in these important areas will reduce potential GHG emission reductions from these measures, reduce benefits to customers, and delay the achievement of provincial policy objectives.[26] In FEI's submission, market transformation in these areas should proceed as quickly as practical given the significant policy requirements on FEI to reduce emissions.

27. Contrary to RCIA's submissions, FEI has been clear that it will only move technologies from the Innovative Technologies Program Area into a permanent program if the screening results are successful and the measure is commercially available, cost-effective and can be reasonably evaluated as part of FEI's EM&V Evaluation Framework. As outlined in the response to BCUC IR1 1.4, FEI has developed a robust pathway for evaluating innovative technologies through the

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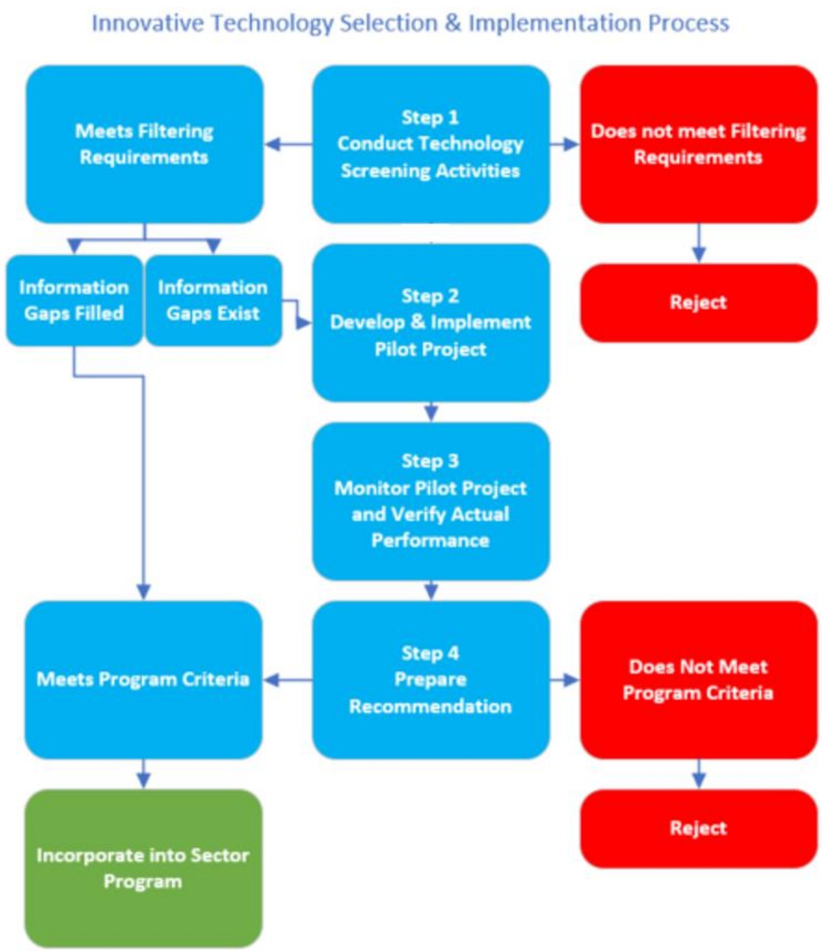
[25] RCIA Final Argument, pp. 13, 14 and 21.

[26] Exhibit B-2, Application, p. 15; Exhibit B-3, BCUC IR1 3.4 and 7.3.

Innovative Technology Selection & Implementation Process. As shown in the figure below, this process includes several steps, including technological screening, development and implementation, and the monitoring and verification of performance, before a recommendation is ultimately prepared regarding inclusion in FEI's DSM programs.

Figure 1: Innovative Technology Selection & Implementation Process Diagram



28. Further, FEI is already fully accountable to the BCUC for the implementation of its DSM programs through its DSM annual reports. If FEI's existing reporting is not sufficient in the BCUC's view, FEI would include additional information in its DSM annual reports that the BCUC may require regarding the results of pilot projects in support of measures that move to a permanent program.

29. FEI submits that given its proven track record of implementing programs that are cost-effective per the DSM Regulation and existing reporting through its Annual Reports, RCIA's recommendations are redundant and inefficient and should be rejected. FEI's transformation of its DSM portfolio to more advanced DSM measures is strongly supported by government policy and should not be needlessly delayed.

C. FEI Will Report on Pilot DSM Measures in DSM Annual Reports

30. RCIA generally agrees that the annual DSM report is an appropriate venue for FEI to report to the BCUC on the transition of pilot DSM measures, but argues that the current level of reporting is inadequate.[27] FEI considers that the level of detail that it includes as part of its annual reporting provides considerable insight into the utility's DSM activities for both the BCUC and interveners. Further, the BCUC always has the ability to ask for further information if required. However, if the BCUC wishes further information to be included in FEI's DSM annual reports, then FEI would provide such specific information that the BCUC may direct.

D. FEI Has Already Developed an Innovative Technologies Program Area Progression Path

31. CEC recommends that the BCUC direct FEI to develop a progression path for DSM innovations from incubation to full program implementation, to be presented at FEI's next Annual Review proceeding and implemented as part of FEI's next DSM Plan.[28] However, as outlined in the response to BCUC IR1 1.4 and discussed above, FEI has already developed a robust pathway for piloting innovative technologies through the Innovative Technology Selection & Implementation Process. Further, FEI also consults with industry partners and external stakeholders, including the Energy Efficiency and Conservation Advisory Group (EECAG), to further gauge measure acceptance and program design approaches.[29] The CEC has not established the need for, or provided a rationale supporting, any additional "progression path". CEC's recommendation also does not take into consideration that the "journey" of innovation incubation to full program often involves inputs beyond FEI's own learnings, as FEI is able to

[27] RCIA Final Argument, p. 27.

[28] CEC Final Argument, para. 38.

[29] Exhibit B-3, BCUC IR1 1.5.

leverage a global industry of DSM learnings, including those from other industry participants and as reported in DSM studies.[30]

32. FEI notes that it also does not consider its Annual Review proceedings to be the appropriate forum to insert additional reporting requirements on the utility. The Annual Review process is designed to be short and efficient, allowing the BCUC, interveners and interested parties to review FEI's previous year's performance.[31] FEI's Annual Review proceedings are not a catch-all for matters that are properly addressed as part of accepting the utility's proposed DSM plan.

E. The DSM Plan Reduces GHG Emissions in BC

33. RCIA considers FEI's 2024-2027 DSM Plan to be consistent with BC Energy Objective (g) on the basis that FEI included all reasonably available measures with a UCT at or above 1.0.[32] However, RCIA submits that for a plan to be aligned with objective (g) it must include all reasonable DSM measures that have a UCT above 1.0, or the utility must provide evidence that the policy objective of a 33 percent reduction compared to 2007 levels can be achieved without increased DSM.[33] FEI confirms that the 2024-2027 DSM Plan includes all material GHG reduction opportunities from cost-effective DSM, and therefore submits that RCIA has ultimately not raised any issue impacting acceptance of the 2024-2027 DSM Plan. However, FEI disagrees with RCIA's position on what is required to align with objective (g) of the BC Energy Objectives.

34. First, FEI is not required to comply with the BC Energy Objectives. Rather, the UCA requires the BCUC to *consider* the BC Energy Objectives when determining whether to accept FEI's DSM expenditures schedule.[34]

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30 Exhibit B-3, BCUC IR1 1.4 and 1.5.

31 Decision and Order G-165-20, p. 165. Online: https://docs.bcuc.com/documents/decisions/2020/doc_58466_2020-06-22-fortisbc-mrp-2020-2024-decision.pdf

32 RCIA Final Argument, p. 16.

33 RCIA Final Argument, p. 16.

34 UCA, section 44.2(5).

35. Second, objective (g) represents a general GHG emissions target for British Columbia as a whole. FEI submits that it is not reasonable to infer from this general emission target a GHG reduction that is specific to FEI or FEI's DSM plans.

36. Third, RCIA's suggestion that a utility would have to provide evidence that a 33 percent reduction compared to 2007 levels can be achieved without increased DSM clearly sets an unreasonable standard. A utility cannot reasonably be expected to plan out how British Columbia as a whole will achieve the GHG reduction targets set by the Province and determine whether or not more DSM would be required. The complexities of this exercise are immense and subject to a multitude of factors beyond FEI's control. Therefore, FEI submits that RCIA's proposed interpretation is not reasonable or practical and must therefore be rejected.

F. The DSM Plan Encourages Economic Development and the Creation and Retention of Jobs

37. CEC argues that FEI's methodology regarding the encouragement of economic development and the creation and retention of jobs is more theoretical than realistic.[35] FEI submits that CEC's suggestion is without merit. As demonstrated by the employment impacts outlined in Section 7.3 of the 2021 CPR, the literature demonstrates that investing in DSM can have three types of impacts on the labour market: direct jobs, indirect jobs and induced jobs.[36] Exhibits 156 and 157 of the CPR include an estimate of direct and indirect jobs-years resulting from DSM spending, induced jobs resulting from bill savings, and total employment impacts for the study period. As noted in the CPR, detailed analysis of employment impacts by measure type and sector can be found in external sources, including: "Analysis of Job Creation and Energy Cost Savings from Building Energy Rating and Disclosure Policy" by the Institute for Market Transformation and the Political Economy Research Institute (2012) and "The Economic Impact of Improved Energy Efficiency in Canada" by Efficiency Canada (2018).[37]

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[35] CEC Final Argument, para. 64.

[36] Exhibit B-2, Application, Appendix D, pp. 142-144.

[37] Exhibit B-2, Application, Appendix D, pp. 141-144.

G. Spending and Savings in the Commercial Program Area Are Reasonable

38. Despite being satisfied with FEI's explanation for the reduction in programming available to commercial customers as part of the 2024-2027 DSM Plan, CEC would like to see additional spending and incentives in the Commercial Program Area.[38] Similarly, while CEC agrees that the 2024-2027 DSM Plan should be assessed at the portfolio level, consistent with the BCUC's past practice, it also recommends that the BCUC pay particular attention to the relative differences in programs (particularly as they relate closely with rate classes) to evaluate spending fairness.[39]

39. FEI submits that there is no basis at this time to believe that FEI can or should reasonably increase spending or incentives in the Commercial Program Area. First, FEI reiterates that it is planning on undertaking programs for all the available commercial DSM activities. For example, reflecting feedback obtained across 26 consultation sessions with various commercial stakeholders, the DSM Plan includes energy efficiency measures for all common commercial retrofit and new construction end uses (space heating, ventilation, water heating, kitchen, and laundry), energy assessment offers, recommissioning offers, as well as a program to support complex and custom measures.[40] Second, FEI identified opportunities to increase DSM expenditures in the Commercial Program Area in the 2024-2027 DSM Plan, including higher incentives and increased marketing and program supports, which together help counteract reduced expenditures and savings.[41] Finally, if participation exceeds FEI's expectations, FEI can consider utilizing the funding transfers rules to support additional expenditures in the Commercial Program Area.

H. The 2022 LTGRP Is Being Considered in a Separate Proceeding

40. CEC contends that the BCUC should not approve the DSM Plan included as part of FEI's 2022 LTGRP, and that the 2024-2027 DSM Plan should be considered the most current and up-to-date plan.[42] CEC's submission regarding the 2022 LTGRP is out of the scope of this proceeding

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38 CEC Final Argument, paras. 82-84.

39 CEC Final Argument, para. 137.

40 Exhibit B-4, CEC IR1 2.4 and 8.2.

41 Exhibit B-4, CEC IR1 2.5.

42 CEC Final Argument, para. 71.

and should be disregarded. The Panel in the 2022 LTGRP is charged with assessing whether the 2022 LTGRP is in the public interest, and conflicting decisions or directions from the BCUC on the same application should be avoided. Furthermore, and for clarity, FEI has not requested approval of a DSM plan in the 2022 LTGRP. FEI will address this topic further in the 2022 LTGRP proceeding if CEC should choose to pursue it in argument there.

41. RCIA argues that it would be prudent for FEI and the BCUC to acknowledge that there is inconsistency between the 2024-2027 DSM Plan and the 2022 LTGRP due to regulatory amendments outside of FEI's reasonable control.[43] FEI has in fact acknowledged and described in detail the reasons for the differences between the 2022 LTGRP and the 2024-2027 DSM Plan. The foremost reason for the difference is the amendments to the DSM Regulation which were not in force when FEI developed and filed the 2022 LTGRP.[44]

42. BCOAPO submits that approval of the 2024-2027 DSM Plan on the basis that it is aligned with the 2022 LTGRP is not a strong basis upon which to proceed.[45] However, there remains important alignment between the two plans which support approval of the 2024-2027 DSM Plan. Most importantly, even though the definition of what is cost-effective has now shifted with the DSM Regulation, both the 2022 LTGRP and the 2024-2027 DSM share the same objective to maximize the benefit of adequate, cost-effective DSM.[46] Further, both plans include universal access to programs, supporting market transformation, as well as being an important part of FortisBC's Clean Growth Pathway to reduced carbon emissions.[47]

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43 RCIA Final Argument, p. 17.

44 Exhibit B-2, Application, pp. 24-25; Exhibit B-5, RCIA IR1 15.1 and 15.2.1; Exhibit B-3, BCUC IR1 7.2.

45 BCOAPO Final Argument, p. 11.

46 Exhibit B-2, Application, p. 25; Exhibit B-5, RCIA IR1 15.4.

47 Exhibit B-5, RCIA IR1 15.2.

PART THREE: TRANSFER FUNDING RULES ARE JUST AND REASONABLE

A. Proposed Funding Transfer Rules and Total Portfolio Variance Allowance are Reasonable

43. CEC is concerned that FEI's proposed funding transfer rules may result in the loss or deferral of significant DSM opportunities and advocates for an additional funding transfer rule that enables FEI to transfer funds (e.g., 10 percent), with BCUC approval, where there is an opportunity to add value to customers and the environment that it would otherwise turn down or defer.[48] Similarly, CEC agrees with the flexibility provided by the Total Portfolio Variance Allowance, but recommends greater flexibility of up to 10 percent of 2027 forecast expenditures to ensure the optimum DSM opportunities get to customers without delay.[49] While FEI is not opposed to the CEC's proposals, FEI considers that its proposed transfer rules already provide sufficient flexibility to manage its DSM portfolio effectively.

B. FEI Already Has the Ability to Apply to the BCUC for Additional DSM Funding

44. CEC proposes an additional rule allowing FEI to apply to the BCUC for additional funding where expenditures in the previous year are higher than plan (resulting in lower funding in the subsequent year) and FEI identifies a "material change" warranting additional DSM funding.[50] While FEI is again not opposed to applying to the BCUC for additional DSM funding where required, FEI already has the option to file an additional or amended DSM expenditure schedule for the BCUC's review in the circumstances put forward by CEC, as well as others. Therefore, an additional rule is not needed.

C. FEI Has Adopted a Conservative Approach to the Amount Included in the Rate Base DSM Deferral Account

45. CEC argues that because FEI's DSM expenditures regularly exceed $60 million per year, it should instead include $80 million on a forecast basis in the rate base DSM deferral account.[51] FEI submits that there is merit to the CEC's suggestion given the level of historical spending and

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48 CEC Final Argument, para. 153.

49 CEC Final Argument, paras. 163-165.

50 CEC Final Argument, paras. 159-161.

51 CEC Final Argument, para. 172.

forecast spending over the coming years, which will continue to exceed $60 million for all years of the DSM Plan.[52] It is generally beneficial if the amount deferred to the Rate Base DSM Deferral Account matches actual spending as close as possible.

PART FOUR: CONCLUSION

46. FEI submits that the 2024-2027 DSM Plan is in the public interest and should be accepted by the BCUC pursuant to section 44.2 of the UCA. FEI also submits that the proposed funding transfer, carryover and variance allowance rules, and continuation of $60 million to be included in its rate base DSM deferral account on a forecast basis, are reasonable and should be approved.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated:	November 7, 2023	***[original signed by Chris Bystrom]***
		Christopher R. Bystrom
		Counsel for FortisBC Energy Inc.
Dated:	November 7, 2023	***[original signed by Niall Rand]***
		Niall Rand
		Counsel for FortisBC Energy Inc.

52 Exhibit B-2, Application, p. 41.