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May 14, 2026

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

Dear Registrar:

Re: FortisBC Energy Inc. (FEI)
2026 and 2027 Incremental Demand Side Management Expenditures
(Application)
Response to the British Columbia Utilities Commission (BCUC) Information
Request (IR) No. 1

On March 31, 2026, FEI filed the Application referenced above. In accordance with the regulatory timetable established in BCUC Order G-85-26 for the review of the Application, FEI respectfully submits the attached response to BCUC IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Sarah Walsh

Attachments

FortisBC Energy Inc. (FEI or the Company) 2026 and 2027 Incremental DSM Expenditures (Application)	Submission Date: May 14, 2026
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9	A. REVISED 2026 AND 2027 EXPENDITURE FORECASTS	
10	1.0 Reference: INTRODUCTION	
11	Exhibit B-1 (Application), Section 1.1, Tables 1-1 and 1-2, pp. 1–3,	
12	Section 2.2, pp. 9–14, Table 2-4, p. 10, Appendix A, Table 1-3, p. 3,	
13	Appendix B, pp. 2–5	
14	Basis of Revised 2026 and 2027 Expenditure Forecasts	
15	On page 1 of the Application, FortisBC Energy Inc. (FEI) states that the additional demand	
16	side management (DSM) expenditures are required due to higher-than-expected	
17	customer interest in Residential, Commercial, and Low-Income program areas,	
18	particularly in the dual fuel rebate offer.	
19	On page 2 of the Application, FEI provides Table 1-1, showing 2025 transfers and carry-	
20	forwards. FEI explains that the overspend in Residential, Commercial, and Low-Income	
21	program areas in 2025 was carried forward into 2026, resulting in the need for additional	
22	expenditures funding to support its DSM programs through the remainder of the DSM plan	
23	period. FEI also states that it has updated the forecast program participation and revised	
24	the 2026 and 2027 DSM expenditures.	
25	On page 3 of the Application, FEI provides Table 1-2, showing 2026 and 2027 DSM plan,	
26	current DSM budget and updated expenditures. Table 1-2 indicates that the revised 2026	
27	and 2027 Residential forecast is below the original forecast from the approved 2024-2027	
28	DSM Expenditures Plan (2024-2027 DSM Plan), and the revised 2026 and 2027	
29	Commercial and Low-Income forecasts are above the original 2024-2027 DSM Plan.	
30	On pages 9 to 14 of the Application, FEI explains the differences between the original	
31	2026 and 2027 forecasts in its approved 2024-2027 DSM Plan and the revised 2026 and	
32	2027 forecasts in the Application. Appendix B to the Application further explains the	
33	expenditure variances.	

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1 On page 10 of the Application, FEI provides Table 2-4, showing 2024-2027 DSM Plan
2 actual and forecast energy savings by program area. According to that table, total
3 incremental actual gas savings in 2024 and 2025 amount to 1,604,752 GJ and 1,360,622
4 GJ, respectively, while the total incremental gas savings forecast for 2024-2027 was
5 3,897,028 GJ.

6 1.1 Please explain why the revised 2026 and 2027 Residential forecast expenditures
7 are below the approved 2024-2027 plan, while the revised Commercial and Low-
8 Income forecasts are above the approved plan, in light of the higher-than-expected
9 participation and expenditures experienced in those program areas in 2025.

10
11 **Response:**

12 The revised 2026 and 2027 Residential forecast expenditures are below the approved 2024-2027
13 DSM Plan (Plan) because the proposed rebate for dual fuel systems has been reduced from
14 \$10,000 to \$4,000. This rebate amount is anticipated to achieve incremental dual fuel participation
15 to what was forecast in the Plan at reduced expenditures. Forecast expenditures in 2026 are also
16 below Plan due to the dual-fuel program currently being out of market with plans for reintroduction
17 following approval of this Application. Therefore, 2026 forecast expenditures reflect only partial
18 year participation.

19 The revised 2026 and 2027 Commercial and Low Income forecast expenditures are above the
20 approved Plan because the higher-than-expected participation experienced in 2025 is expected
21 to continue for the remainder of the Plan. In the Low Income Program Area, although Prescriptive
22 rebates will only have partial year participation and will be at lower rebate levels, the demand for
23 these rebates is much higher than the approved Plan, which has led FEI to forecast higher
24 expenditures. In the Commercial Program Area, the higher forecast participation is leading to
25 increased expenditures.

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29 1.2 Please explain why the 2026 and 2027 Industrial forecast is above the approved
30 plan, in light of the lower-than-expected participation and expenditures
31 experienced in the Industrial program in 2025.

32
33 **Response:**

34 While overall the Industrial participation and expenditures were lower than Plan in 2025, certain
35 program areas exceeded the Plan, including the Prescriptive Program area due to continued
36 strong adoption in thermal curtains and infrared heaters. For additional details please refer to
37 Section 4.3 of the 2025 DSM Annual Report, filed as Appendix A to the Application.

38 In addition to the expected continued strong participation in the Prescriptive Program area in 2026
39 and 2027, expenditures are forecast to increase in 2026 and 2027 due to several factors:

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- 1 • Several large projects in the Performance Program area that were delayed in 2025
2 (contributing to the lower than Plan expenditures in 2025) are now expected to proceed in
3 2026. As such, FEI's revised forecast expenditures include committed projects anticipated
4 to close in 2026 and 2027 that are expected to deliver both higher expenditures and higher
5 gas savings than originally planned for those years.
- 6 • Participation is forecast to grow as large industrial customers pursue energy efficiency to
7 comply with the BC Output Based Pricing System.
- 8 • The Strategic Energy Management (SEM) program is supporting customers in developing
9 a more comprehensive understanding of how energy is used across their operations. This
10 improved understanding enables customers to prioritize opportunities more effectively and
11 make more informed investment decisions, which is increasing expenditures across the
12 industrial portfolio.

13
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- 15
- 16 1.3 For any program area where the increased expenditures in 2026 and 2027 are
17 driven primarily by carry-forward 2025 overspending, please explain whether FEI
18 considered reducing 2026 and 2027 expenditures in that program area and if not,
19 why not.

20
21

Response:

22 The program areas where the increased expenditures in 2026 and 2027 are driven primarily by
23 2025 carry-over spending are the Residential and Low Income Program Areas.

24 In the Residential Program Area, the Dual Fuel System Rebate was the driver of the 2025 over
25 expenditure. This rebate was reduced in May 2025 and then taken out of market in December
26 2025. Further reduction in 2026 and 2027 expenditures would require removing all rebates under
27 the Home Renovation (HRR) program, which would leave a significant gap in supporting FEI gas
28 customers to achieve energy savings. The HRR program has benefitted from consistent market
29 presence (outside of the removal of the Dual Fuel System Rebate) and removing further rebates
30 would have negative impacts on customer trust, contractor engagement with FEI rebate
31 programs, and would result in lost GHG savings opportunities.

32 In the Low Income Program Area, over-expenditures in 2025 were primarily driven by the
33 Prescriptive Program. The Residential Dual Fuel System Rebate was removed from market in
34 May 2025 and remaining residential rebates were removed in December 2025. Further
35 expenditure reductions were not considered because Low Income programs serve some of FEI's
36 most vulnerable customers and removing or reducing supports could contribute to issues of
37 energy poverty, affordability, areas, etc. Additionally, a number of other Low Income programs
38 are delivered in partnership with other utilities where changes to these programs initiated by FEI
39 would have implications for other BC utilities. Further, FEI has established agreements with

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1 contractors that implement some Low Income programs and reducing these agreements could
2 lead to the loss of expertise that has been built over time.

3 While the Commercial Program Area's expenditures were above Plan, 2025 carryover
4 expenditures are not the primary driver of increased expenditures in 2026 and 2027. Increased
5 expenditures in 2026 and 2027 are driven primarily by increased anticipated demand in 2026 and
6 2027. Nevertheless, some opportunities to reduce expenditures were considered and have
7 already been implemented. While further adjustments are possible, the potential impact on the
8 current Plan would be minimal as the participant engagement period tends to be longer for
9 Commercial customers (often extending beyond a year). Further, a key aspect to successfully
10 engaging Commercial customers with energy efficiency programs is the ability to maintain stability
11 in programs to build trust and gain participant momentum.

12

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15 1.4 Given the achieved gas savings in 2024 and 2025 relative to the original 2024-
16 2027 gas savings forecast, please explain whether the additional expenditures in
17 2026 and 2027 are required to achieve the remaining gas savings target from the
18 approved 2024-2027 plan.

19

20 **Response:**

21 The additional proposed expenditures for 2026 and 2027 are not required to achieve the
22 cumulative gas savings target in the currently approved Plan, but are needed to respond to market
23 demand, support program continuity and deliver additional gas savings that will benefit customers.

24 The proposed incremental expenditures in 2026 and 2027 will enable FEI to meet customer
25 demand and support market stability, program continuity, and delivery across customer
26 segments, including advanced DSM measures and longer lead-time projects. If programs were
27 reduced in 2026 and 2027 to remain within previously approved budgets, FEI would need to limit
28 program availability or defer project intake, particularly for advanced DSM measures and projects
29 with longer development timelines. This would disrupt program delivery, reduce customer
30 participation, and increase the risk of delays or cancellations for projects already in development.
31 Over time, such reductions could weaken market confidence in DSM offerings, making it more
32 difficult to re-establish participation and deliver planned savings in future years.

33

34

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36 1.4.1 Please also explain whether FEI assessed any lower expenditure
37 scenarios for 2026 and 2027.

38

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1 **Response:**

2 FEI assessed lower expenditure scenarios for 2026 and 2027 without the requested incremental
3 funding required to meet forecast customer demand. In these scenarios, FEI would be required
4 to remain within existing Plan allocations, resulting in FEI having to either limit, or in some cases
5 eliminate, DSM offers in certain program areas for their applicable customer base for the
6 remainder of the current Plan period.

7 If the incremental funding in the Application were not approved, FEI anticipates the following
8 impacts on program incentives:

9 • Residential Program Area

- 10 ○ Within the HRR Program, the dual fuel offer would remain out of market, and all
11 other offers (i.e., windows/doors, insulation, appliance maintenance) would be
12 removed from market except for a limited number of retail thermostats; and
13 ○ The New Home Program would be removed from market.

14 • Commercial Program Area

- 15 ○ Within the Prescriptive Program, both the dual fuel roof top unit (RTU) and gas
16 absorption heat pump offers would be removed from the market.

17 • Industrial Program Area

- 18 ○ Within the Prescriptive Program, the thermal curtain offer would be removed from
19 the market.

20 • Low Income Program Area

- 21 ○ Residential rebates under the Prescriptive Program would remain out of market;
22 ○ FEI would remove commercial rebates for charities and non-profits, especially the
23 higher incentive rebates (dual fuel RTUs and gas absorption heat pumps); and
24 ○ FEI would reduce the incentives for the Energy Saving Kit (ESK) and Energy
25 Conservation Assistance Programs (ECAP).

26 • Indigenous Program Area

- 27 ○ Step Code level 3 incentives would be removed from market.

28 In addition to the above, FEI expects the removal or limitation of these programs would result in
29 lower forecast participation (and lower requested expenditures) in year 1 of the next DSM plan as
30 offers are either reintroduced or ramped up gradually and market confidence rebuilds.

31

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1 **B. COST-EFFECTIVENESS**

2 **2.0 Reference: 2025 RESULTS AND 2026/2027 DSM PORTFOLIO UPDATE**

3 **Exhibit B-1, p. 5, Appendix A, p. 2; FortisBC Energy Inc. 2024-27**
4 **Demand Side Management Expenditures Plan proceeding (2024-**
5 **2027 DSM Plan Proceeding), Exhibit B-2, p. 33**

6 **Cost-Effectiveness**

7 On page 5 of the Application, FEI provides Table 2-1, showing the forecast Utility Cost
8 Test (UCT) for 2026 and 2027 combined amounts to 7.14 at the portfolio level.

9 On page 2 of Appendix A of the Application, FEI provides Table 1-1, showing that an
10 overall UCT of 1.6 was achieved for 2025.

11 On page 33 of Exhibit B-2 of the 2024-2027 DSM Plan Proceeding, FEI stated that the
12 proposed DSM portfolio for 2024-2027 had a portfolio UCT cost-effectiveness result of
13 2.1.

14 2.1 Please explain why the anticipated UCT results for the 2026 and 2027 period are
15 higher than those achieved in 2025 and forecast for the 2024-2027 DSM Plan.

16

17 **Response:**

18 The anticipated UCT results are an outcome of updated forecast assumptions. In particular, the
19 updated forecast reflects Industrial Performance projects delivering approximately 1,000,000 GJ
20 of gas savings per year, which is significantly higher than assumed in the approved Plan and
21 higher on a per year basis than what was achieved in 2025. These same projects also drive higher
22 forecast expenditures in the Industrial Program Area, as they reflect committed projects expected
23 to close in 2026 and 2027. The substantially higher forecast gas savings from these projects
24 increase total portfolio benefits relative to costs, resulting in higher anticipated UCT values for the
25 2026 and 2027 period. Accordingly, the higher UCT results reflect updated savings expectations
26 associated with committed Industrial projects expected to proceed in 2026 and 2027.

27

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1 **3.0 Reference: 2024-2027 DSM EXPENDITURES PLAN**
2 **2024-2027 DSM Plan Proceeding, Exhibit B-2, pp. 1, 35**
3 **Cost-Effectiveness of Advanced DSM**

4 FEI stated on page 1 of the 2024-2027 DSM Expenditures Plan application (2024-27
5 Application) that the plan “continues many of the cost-effective programs previously
6 accepted in FEI’s 2023 DSM Plan, but makes a significant transition away from
7 conventional high-efficiency gas space and water heating equipment, such as furnaces
8 and boilers, to advanced DSM programming, such as gas heat pumps, dual fuel hybrid
9 heating systems and deeper retrofits.”

10 On page 35 of the 2024-27 Application, FEI stated:

11 Advanced DSM measures that are relatively new to the market may have a higher
12 initial cost because they are not yet benefitting from economies of scale. A program
13 based on such measures [is] more likely to have low UCT results. Although the
14 near-term results of such a program might be lower relative to past DSM Plans,
15 the long-term prospects for such measures to provide benefits to customers is
16 significant. The portfolio level cost effectiveness analysis can absorb some of
17 these types of programs without failing the cost-effectiveness test.

18 3.1 For 2025, please show the measure level UCT results for the Advanced DSM
19 measures in the Residential, Commercial and Industrial program areas, compared
20 to the forecast results in the 2024-2027 DSM Plan.

21 3.1.1 Please indicate and explain where measure level UCT results for
22 advanced DSM measures introduced in or since 2024 have changed
23 significantly compared to the results shown in the 2024-2027 DSM Plan
24 Proceeding.

25
26 **Response:**

27 Please refer to the following table showing the measure-level actual UCT results for the 2025
28 advanced DSM measures compared to the forecast measure-level UCT in the 2024-2027 DSM
29 Plan for Residential and Commercial. There were no Industrial advanced DSM measures included
30 in the Plan.

Advanced Measure	2024-2027 Plan Forecast UCT	2025 Actual UCT Results
Residential Dual Fuel Hybrid System	1.0	1.3
Commercial Gas Absorption Heat Pump	3.1	0.8
Commercial Hybrid Dual Fuel Rooftop Unit	3.8	3.9

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1 As shown in the above table, measure-level UCT results for advanced DSM measures have
2 remained consistent with Plan expectations, with one exception. The Commercial Gas Absorption
3 Heat Pump measure achieved a UCT of 0.8 in 2025, compared to a forecast UCT of 3.1. This
4 variance reflects lower average realized gas savings per participant in 2025 and higher than
5 planned expenditures. Based on experience with the pilot, the Plan assumed more units would
6 be installed per participant, resulting in more savings per project. The Plan also assumed a lower
7 cost per project; however, actual costs for the units were higher than FEI experienced in the pilot
8 and fewer units were installed per participant. FEI will continue to monitor the results of this
9 measure and will consider program changes to best optimize incentive levels in balance with
10 participation rates.

11 Overall, variations from forecast are limited to a single measure, with the remaining advanced
12 DSM measures performing in line with Plan expectations. FEI's overall portfolio continues to be
13 cost-effective. Evaluation of cost-effectiveness at the portfolio level was confirmed to be
14 appropriate by the BCUC in its Decision and Order G-31-24 on the 2024-2027 DSM Expenditures
15 Plan.

16

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1 **4.0 Reference: 2026 AND 2027 FORECAST DSM EXPENDITURES**
2 **Exhibit B-1, p. 14, Appendix A, pp. 32–36, Appendix A-1, pp. 3–4**
3 **Innovative Technologies - Pilot Results for Advanced DSM**

4 On page 14 of the Application, FEI states that the reduced forecast in 2026 and 2027 for
5 Innovative Technologies reflects updated cost expectations, timelines for pilot completion,
6 and “adjustments associated with the progression of selected technologies into sector
7 programs.” [*Emphasis added*]

8 On page 36 of Appendix A to the Application, FEI states that it did not transition any new
9 measures from the Innovative Technologies program area into permanent DSM programs
10 in 2025.

11 On page 36 of Appendix A to the Application, FEI further states that it will continue to
12 assess pilot results as additional measurement and verification data becomes available
13 and will consider transitioning technologies into main programs where performance,
14 market readiness, and long term availability support cost effective program delivery.

15 In Table 1 of Appendix A-1 to the Application, FEI provides an inventory of DSM program
16 evaluation and research activities conducted in 2025, including several advanced DSM
17 measures, shown as falling within the Innovative Technologies program area. These
18 include, among else: Gas Absorption Heat Pump for Large Homes, Dual Fuel Combination
19 Pilot, GHP VRF Pilot, Residential Gas Absorption Heat Pump Pilot, Deep Energy Retrofit
20 Pilot, and Hybrid Heating Early Adopter.

21 4.1 Please clarify which advanced DSM pilots were transitioned into permanent
22 measures within the main customer program areas, and when.

23
24 **Response:**

25 FEI defines advanced DSM measures as gas heat pump technologies, dual fuel systems, and
26 deep energy retrofit approaches. Based on prior pilot activities, two measures have been
27 transitioned into core customer program areas.

28 Gas absorption heat pump (GAHP) technology was incorporated into the Commercial Program
29 Area through a rebate offering launched in 2022, and residential dual fuel heating systems were
30 incorporated into relevant customer program areas in 2024. Both transitions were informed by
31 work undertaken by the Innovative Technologies Program Area.

32 The inclusion of these measures reflects a multi-year process in which technologies are assessed
33 through pilot activities and supported by measurement and verification. Advancement to program
34 inclusion is based on demonstrated performance, customer uptake, and market readiness.

35 At the time of this Application, several advanced DSM measures remain under evaluation,
36 including residential and other commercial gas heat pump configurations, dual fuel combination

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1 systems, and deep energy retrofit pilots. These measures have not yet been incorporated into
2 permanent program offerings.

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6 4.2 Please explain when each of the ongoing pilots shown in Table 1 of Appendix A
7 are expected to conclude, and if these measures are currently offered within the
8 Residential, Commercial or Industrial program areas. If applicable, please describe
9 how these pilot measures differ from the measures offered within the main
10 customer programs, and if they will be offered as part of the main customer
11 programs in 2026 or 2027.

12

13 **Response:**

14 Table 1 of Appendix A-1 identifies six ongoing advanced DSM pilot initiatives expected to
15 progress through phase gates within the 2026–2027 period. FEI presumes the intent of the
16 information request is to determine whether these pilot initiatives are currently offered as part of
17 core customer programs, whether rebates are available, and whether they are expected to
18 transition into program offerings during the 2026–2027 timeframe.

19 With the exception of measures that have already been incorporated into programs, as discussed
20 in the response to BCUC IR1 4.1, the technologies evaluated through these pilots are not currently
21 eligible for incentives for the specific applications, configurations, end uses or market segments
22 being tested. Pilot activities are designed to assess these elements prior to consideration for
23 inclusion in core customer program areas. As such, FEI does not have confirmed timelines for
24 transition of these pilots into program offerings, as progression is dependent on pilot results,
25 resolution of information gaps, and overall performance outcomes.

26 FEI's approach to advancing pilot technologies follows a staged process with defined phase
27 gates. These phase gates typically align with the completion of key measurement and verification
28 (M&V) activities or interim results reviews. At each phase gate, FEI assesses next steps, which
29 may include extending M&V periods, expanding the sample size, refining or modifying system
30 configurations, incorporating additional technologies, or discontinuing further evaluation.
31 Transition to a program offering may be considered where sufficient evidence supports
32 performance, customer acceptance, cost-effectiveness, and market readiness.

33 It is also important to note that each pilot has a distinct scope and objective, and timelines for
34 progression may vary. Some pilots may face additional evaluation stages depending on remaining
35 uncertainties or data requirements. Accordingly, the timing of any potential transition into core
36 customer programs cannot be specified in advance and may differ across initiatives.

37 In the table below, FEI provides a summary of the current phase of each pilot and how these pilot
38 configurations differ from measures included in core customer program offerings.

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Pilot	Phase Gate	Key Differences from Program Measures
Gas Absorption Heat Pump (GAHP) for Large Homes	Measurement and Verification (M&V) phase; field testing and performance validation through 2026	Current Commercial Program Area offers GAHP for commercial applications only. This pilot evaluates residential applications for large homes (>3,500 sq.ft.) and integrated Domestic Hot Water (DHW) configurations, addressing a gap in the Residential Program Area where such offerings do not currently exist.
Residential Gas Absorption Heat Pump	M&V phase; early-stage evaluation with interim results through 2026	Current program offerings are limited to commercial-scale applications. This pilot assesses residential suitability and performance variability, addressing a gap in applying GAHP technology within the Residential Program Area.
Dual Fuel Combination System	Extended M&V phase; ongoing evaluation with additional system configurations and reporting	Current Residential Program Area supports dual fuel for space heating only. This pilot evaluates integrated systems including space heating, cooling, and DHW, addressing a gap in multi-end-use system offerings in the Residential Program Area.
Gas Heat Pump – Variable Refrigerant Flow (GHP VRF)	M&V phase; ongoing system performance evaluation and reporting through 2026	Current programs do not include VRF-based gas heat pump systems. This pilot evaluates advanced configurations such as simultaneous heating and cooling, addressing a technology gap in Commercial program offerings.
Deep Energy Retrofit Pilot	M&V phase; project-level evaluation and reporting across participating sites through 2026	Current programs provide individual measure incentives. This pilot evaluates whole-building retrofit approaches with integrated measures, addressing a gap in comprehensive retrofit offerings in both Residential and Commercial program areas.
Hybrid Heating Early Adopter Pilot	Final M&V and reporting phase; results informing program design (completed/closing 2026)	This pilot addressed the gap in understanding dual fuel system performance, controls, and customer usage. Findings have since informed standardized program design and eligibility in the Residential Program Area.

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1 4.3 Please clarify which measures FEI is referring to for 2026 and 2027, with respect
2 to “adjustments associated with the progression of selected technologies into
3 sector programs” on page 14 of the Application, and provide any initial UCT results
4 for those measures.

5
6 **Response:**

7 The “adjustments associated with the progression of selected technologies into sector programs”
8 referenced on page 14 of the Application reflect a reduction in forecast expenditures within the
9 Innovative Technologies Program Area for 2026 and 2027 relative to the approved Plan. These
10 adjustments are primarily associated with gas heat pump technologies and selected building-
11 related technologies identified in Exhibit 18 of Appendix A to the 2024-2027 DSM Expenditures
12 Application.

13 FEI had originally anticipated progressing a range of gas heat pump configurations, including
14 engine-driven, sorption-based, and thermal compression systems, through pilot deployment and
15 into program consideration. However, several technologies, including residential gas heat pump
16 early adopter concepts and thermal compression systems, have not advanced to pilot
17 implementation as planned due to manufacturer readiness constraints, resulting in delays to field
18 deployment and lower expenditures in the later years of the Plan period. In addition, certain
19 building-focused technologies, including building mapping solutions, thermal bridging
20 assessments, fault detection and diagnostics, and automated analytics, have progressed more
21 slowly than anticipated due to integration requirements with existing buildings and data systems,
22 which has further deferred associated pilot activity and spending.

23 As a result of these factors, FEI has revised its assumptions regarding technology readiness,
24 deployment timelines, and early adopter uptake. These revised assumptions underpin the
25 forecast reductions for 2026 and 2027 and reflect updated implementation experience rather than
26 changes to the overall scope of technologies being evaluated.

27 With respect to the UCT, the Innovative Technologies Program Area is designed to evaluate
28 emerging technologies where costs, savings, and performance characteristics are uncertain at
29 the outset. As a result, savings associated with these technologies are not included in DSM plan
30 forecasts at the pilot stage. Accordingly, UCT results are not calculated or reported for the
31 Innovative Technologies Program Area, however, the overall UCT for the DSM portfolio does
32 include the costs associated with the Innotech program area.

33

34

35

36 On pages 33 to 35 of Appendix A to the Application, FEI provides Table 8-3, showing
37 several of the advanced DSM pilots, such as the Residential Dual Fuel Hybrid Heating
38 Early Adopter Offer - Phase 2, Dual Fuel Combination System, and Gas Absorption Heat
39 Pump for Large Homes pilots, which are shown to have zero participants in 2025.

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1 **C. DUAL FUEL HEATING SYSTEM**

2 **5.0 Reference: 2026 AND 2027 FORECAST DSM EXPENDITURES**

3 **Exhibit B-1, pp. 12–13**

4 **Participation and Measure Assumptions for Dual Fuel Space Heating**
5 **Rebates**

6 On page 12 of the Application, FEI states:

7 The updated 2026 and 2027 forecasts assume the reintroduction of a revised Dual
8 Fuel Rebate for existing homes in September 2026 at \$4,000 for Residential and
9 \$8,000 for Low Income, which is approximately 60 percent and 80 percent,
10 respectively, of the incremental cost. These incremental cost percentages and
11 incentive levels are not directly comparable from program launch to the present
12 time as dual fuel system installation costs have decreased since the pilot first
13 provided this information. The new Residential incentive level has been informed
14 by offer participation data, average installation costs for dual fuel systems, and
15 program evaluation findings on the maximum out-of-pocket costs customers were
16 willing to pay. The new Low Income incentive level has been informed primarily by
17 past practices where Low Income incentives are generally 1.5 to 2 times higher
18 than the equivalent Residential offer, which takes into account the additional
19 barriers that Low Income customers face when undertaking energy efficiency
20 projects.

21 On page 13 of the Application, FEI states that the updated DSM forecast for the Low
22 Income program area reflects FEI's expectation that high participation will continue when
23 these offers are reintroduced for 2026 and 2027, even at the lower proposed incentive
24 level for Dual Fuel System Rebates.

25 5.1 Please complete the following table for the Dual Fuel System Rebate for existing
26 homes in both the Residential and Low Income program areas:
27

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	2024-2027 Plan – initial rebate offer	2026 to 2027 measure assumptions for the reintroduced rebate offer
Base-line technology to determine incremental cost		
Incremental cost of measure (including installation costs) (\$) [a]		
Incentive (\$) [b]		
Incentive as % of incremental cost [b/a]		
Cost to participant (\$) [a-b]		
Contractor incentive (\$)		
Annual gas savings (GJ)		
Annual electric savings (kWh)		
Measure lifetime (years)		
Free-rider rate (%)		
Spillover rate (%)		
UCT		

1

2

3 **Response:**

4 Please refer to Tables 1 and 2 below for the requested information on the Dual Fuel System
 5 Rebates for existing homes in the Residential and Low Income Program Areas, respectively.

6 As the 2024-2027 DSM Expenditures Plan was filed in July 2023, FEI updated its assumptions
 7 based on results from the residential dual fuel system pilot prior to launching the Residential and
 8 Low Income offers in July 2024. As such, the table template was updated to include the
 9 assumptions at program launch in July 2024. Similarly, the measure assumptions in this
 10 Application are subject to change based on updates to pilot results, evaluations, or changes in
 11 the market.

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1

Table 1: Dual Fuel Assumptions for Residential Program Area

	2024-2027 DSM Expenditures Plan	July 2024 Program Launch	2026-2027 Additional DSM Expenditures Plan
Base-line technology to determine incremental cost	High-efficiency gas furnace, 95% AFUE	High-efficiency gas furnace, 95% AFUE	High-efficiency gas furnace, 95% AFUE
Incremental cost of measure (including installation costs) (\$) [a]	\$17,000	\$15,734	\$9,681
Incentive (\$) [b]	\$10,200	\$10,000	\$4,000
Incentive as % of incremental cost [b/a]	60%	64% ¹	41% ²
Cost to participant (\$) [a-b]	\$6,800	\$5,734	\$5,681
Contractor incentive (\$)	\$300	\$300	\$0
Annual gas savings (GJ)	20 GJ	20 GJ	20 GJ
Annual electric savings (kWh)	0 kWh	0 kWh	0 kWh
Measure lifetime (years)	17 years	17 years	17 years
Free-rider rate (%)	0%	0%	5%
Spillover rate (%)	0%	0%	1%
UCT	1.0	1.0	2.0

2

¹ In the Application (page 12), FEI referred to the initial incentive level as being set at 65% of the incremental cost. The difference in Table 1 (64% vs 65%) is due to rounding the incremental cost in the Application.

² In the Application (page 12), FEI incorrectly stated that the percentage of incremental cost based on the revised rebate amount of \$4,000 is 60%. The correct percentage of 41% is provided in Table 1, and all other supporting information for how rebate values were derived and the participant forecasts for 2026 and 2027 remain accurate.

1

Table 2: Dual Fuel Assumptions for Low Income Program Area

	2024-2027 DSM Expenditures Plan	July 2024 Program Launch	2026-2027 Additional DSM Expenditures Plan
Base-line technology to determine incremental cost	High-efficiency gas furnace, 95% AFUE	High-efficiency gas furnace, 95% AFUE	High-efficiency gas furnace, 95% AFUE
Incremental cost of measure (including installation costs) (\$) [a]	\$17,000	\$15,734	\$9,681
Incentive (\$) [b]	\$12,000	\$15,000	\$8,000
Incentive as % of incremental cost [b/a]	71%	95% ³	83% ⁴
Cost to participant (\$) [a-b]	\$5,000	\$734	\$1,681
Contractor incentive (\$)	\$300	\$300	\$0
Annual gas savings (GJ)	20 GJ	20 GJ	20 GJ
Annual electric savings (kWh)	0 kWh	0 kWh	0 kWh
Measure lifetime (years)	17 years	17 years	17 years
Free-rider rate (%)	0%	0%	0%
Spillover rate (%)	0%	0%	0%
UCT	0.9	0.9	1.2

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5.2 Please provide a comparison of the forecast and actual participation in the Dual Fuel System Rebate for existing homes in both the Residential and Low Income program areas for the 2024 and 2025 financial years.

Response:

10

11

Please refer to the table below for the forecast and actual participation in the Residential and Low Income Dual Fuel System Rebate offerings for 2024 and 2025.

Program Area	2024 Forecast Participation	2024 Actual Participation ⁵	2025 Forecast Participation	2025 Actual Participation
Residential	2,000	2,916	2,400	11,680
Low Income	0	332	25	2,056

³ In the Application (page 12), FEI referred to the initial incentive level as being set at 100% of the incremental cost. The difference in Table 2 (95% vs 100%) is due to rounding the incremental cost in the Application.

⁴ In the Application (page 12), FEI referred to the revised incentive level as being set at 80% of the incremental cost. The difference in Table 2 (83% vs 85%) is due to rounding the incremental cost in the Application.

⁵ Represents a partial year of participation, with the rebates launched in July 2024.

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1 As shown in the table above, and consistent with the explanations provided in the Application,
2 there has been higher than expected participation in the Residential and Low Income Dual Fuel
3 System Rebate offerings. For the Residential Dual Fuel Rebate offer, as discussed in Section
4 2.1.1.1 of the Application, offer participation started to show significant adoption between October
5 and November 2024, with rapid adoption continuing in 2025 despite FEI's actions to reduce the
6 high participation.

7 Regarding the Low Income Program Area, FEI had assumed that the adoption of dual fuel
8 systems would be slow, with minimal to no participation after launching, and that adoption would
9 take a few years to grow to the level previously observed for conventional equipment. These
10 assumptions were informed by program experience, including the launch and operation of other
11 rebates for income qualified residential customers. However, the anticipated barriers, such as
12 significant financial barriers, skepticism of new technology and occurrence of higher ancillary
13 costs for retrofits, did not materially affect the adoption of the dual fuel system.

14
15

16

17 5.2.1 With respect to the above table, please provide FEI's views on the
18 implications for future participation based on any changes to the cost to
19 the participant, if any.

20

21 **Response:**

22 As shown in Tables 1 and 2 in the response to BCUC IR1 5.1, the cost to participants, based on
23 the incremental cost of the measure, less incentive, is expected to be similar for the Residential
24 Program Area and slightly higher for the Low Income Program Areas when compared to the July
25 2024 program launch cost to participant. This is because, despite the proposed reduced incentive
26 amounts, the incremental costs for the measure (including installation) have decreased. FEI
27 anticipates that, while participation will be lower than 2025, incremental participation in dual fuel
28 systems will still exceed the levels forecast in the Plan.

29 For the Residential Program Area, FEI assumes incremental dual fuel system participation
30 compared to Plan of 6 percent in 2026 and 20 percent in 2027, despite 2026 being a partial year
31 with the rebate being reintroduced in September. Similarly, for the Low Income Program Area,
32 FEI assumes incremental participation of 314 percent for 2026 and 582 percent for 2027.

33 While FEI anticipates incremental participation compared to the Plan, it does not expect levels to
34 remain consistent with 2025 based on program experience, including the decrease in participation
35 for the dual fuel system within the Residential Program Area when the rebate was reduced from
36 \$10,000 to \$5,000. There are various factors that impact market behaviour beyond the cost to
37 participants. These factors include:

- 38
- perceived value of a rebate and what impact that has on motivating action;

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- 1 • consumer assumptions about the total cost of an upgrade;
- 2 • urgency to take action related to rebate program changes;
- 3 • economic factors related to overall affordability; and
- 4 • industry response to offers in market.

5
6

7

8 5.3 Please explain if FEI takes the incremental electricity associated with dual fuel
9 systems into account when calculating the UCT, or otherwise takes incremental
10 electricity into account when considering the reasonableness of the incentive
11 provided.

12

13 **Response:**

14 Following the *Demand-Side Measures Regulation* (DSM Regulation), FEI does not include
15 incremental electricity consumption associated with dual fuel heating systems in the UCT
16 calculation, as electricity impacts are not part of the cost-effectiveness calculation prescribed by
17 the DSM Regulation. A detailed explanation of the inputs to the UCT cost-effectiveness test as
18 required under the DSM Regulation is provided in Section 6.1.1 of FEI's 2024-2027 DSM
19 Expenditures Plan Application.

20 In addition, FEI does not provide incentives for the electric components of dual fuel systems,
21 including on the Commercial program side. Accordingly, incremental electricity impacts are not
22 factored into either the UCT calculation or the determination of incentive levels for dual fuel
23 systems by FEI.

24

25

26

27 5.4 Please discuss the basis for the revised free-rider and spillover rate assumptions.

28

29 **Response:**

30 As shown in Table 1 in the response to BCUC IR1 5.1, FEI revised the free ridership rate from 0
31 percent to 5 percent and the spillover rate from 0 percent to 1 percent for the Residential Dual
32 Fuel Rebate. These revised assumptions were based on the 2025 Dual Fuel System Rebate
33 Evaluation. This study was completed by Econoler, a third-party evaluator, based on practices
34 consistent with FEI's M&V framework of how free rider and spillover is applied across DSM
35 programs.

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1 As shown in Table 2 in the response to BCUC IR1 5.1, the free ridership and spillover rate
2 assumptions for the Low Income Dual Fuel Rebate were not revised.

3
4

5

6 5.5 Please discuss if the rebate offer includes any requirements for the customer to
7 stay connected to the gas system, or otherwise refrain from altering any set-points
8 on the hybrid system.

9

10 **Response:**

11 Dual Fuel System Rebate participants must be residential FEI customers replacing an existing
12 natural gas furnace with a new high-efficiency natural gas furnace and an electric air source heat
13 pump that operate together through integrated controls. Participants are not required to stay
14 connected to the gas system. FEI assumes that this system will be maintained in the home for
15 the entirety of the system's useful life.

16 Participants are required to have the system installed with prescribed switchover set-points. Thus,
17 the system must have the thermostat, outdoor temperature switchover control, or equipment
18 control board set to the following region-specific temperatures for the duration of the system's
19 lifetime:

- 20
- Lower Mainland and Vancouver Island regions: 5°C or lower.
 - Southern Interior and Northern BC regions: 2°C or lower.
- 21

22 Participants may determine with their contractor to use lower set-points depending on the unique
23 heating needs of each home, but must use a switchover set-point below the maximums.
24 Participants selecting lower set-points would increase the reliance on the electric heat pump
25 component of the dual fuel system.

26 As customers retain control of their HVAC system, it is possible to adjust set-points or use the
27 emergency heat mode function, which overrides the set-point. However, results from the 2025
28 Dual Fuel System Rebate Evaluation indicated that it is uncommon for customers to adjust their
29 set-points at all, and only a minor subset have adjusted their set-points above the program
30 maximums.

31 Thermostat controls vary in complexity depending on the system and manufacturer. Adjusting the
32 outdoor switchover set-point temperature is different and more complex than adjusting the indoor
33 heating temperature on a programmable thermostat, such as with a furnace-only system. To
34 adjust an outdoor switchover set-point, a customer would need to review and understand the
35 manufacturer's instructions and back-end programming to change the set-points.

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1 Results from site visits completed through the program's quality assurance process identified that
2 some contractors chose to lock out customers from altering switchover set-points. Based on
3 anecdotal feedback from installers, this is likely because improper adjustments to the switchover
4 set-point could have a negative impact on the system's overall functionality and result in a service
5 call to the installing contractor to correct.

6 Please refer to the response to BCUC IR1 6.8 for further information. FEI is exploring opportunities
7 to support ongoing customer education to improve understanding of dual fuel system operation
8 and controls.

9

1 **6.0 Reference: 2025 DSM ANNUAL REPORT**

2 **Exhibit B-1, Appendix A, p. 34, Appendix A-1, p. 8, Appendix B-2, pp.**
 3 **6, 9; Demand-Side Measures Regulation (DSM Regulation) B.C. Reg.**
 4 **326/2008⁶**

5 **Dual Fuel Systems - Seasonal Coefficient of Performance**

6 Section 1.1 (2) of the DSM Regulation outlines requirements for seasonal coefficient of
 7 performance (SCoP) for certain dual fuel measures, namely:

8 (a) a demand-side measure that encourages the acquisition or installation of a
 9 domestic water heating system that

10 (i) consists of an electric heat pump and gas-fired equipment, and

11 (ii) has a modelled seasonal coefficient of performance equal to or greater
 12 than 1;

13 [...]

14 (i) a program that

15 (i) encourages the acquisition or installation of integrated dual-energy
 16 space heating systems for use in locations in climate zones 4 and 5, but
 17 only if all of the integrated dual-energy space heating systems acquired or
 18 installed, when considered in aggregate, are, in the commission's opinion,
 19 likely to have an annual average seasonal coefficient of performance equal
 20 to or greater than 1.5, and

21 [...]

22 On page 34 of Appendix A to the Application, FEI describes the Residential Dual Fuel
 23 Hybrid Heating Early Adopter Offer - Phase 2 pilot as follows:

Pilot Activity	Pilot Description
Residential Dual Fuel Hybrid Heating Early Adopter Offer - Phase 2	FEI is evaluating the energy savings, installation, and customer acceptance of dual fuel hybrid heating systems for residential customers which is a combination of an air source heat pump with a natural gas furnace with integrated controls. In this pilot, FEI provided incentives to participants throughout the province to install new dual fuel hybrid heating systems in their homes. The objective of the pilot is to evaluate the seasonal system coefficient of performance (SCoP), energy consumption, GHG emissions reduction and customer acceptance of this technology. The M&V period was extended until April 2026.
	2025 Participants: 0 Expenditures: \$97,539

24

25 6.1 Please elaborate on the purpose of Phase 2 compared to the previous Residential
 26 Dual Fuel Hybrid Heating Early Adopter Offer.
 27

⁶ [Demand-Side Measures Regulation.](#)

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1 **Response:**

2 The “Residential Dual Fuel Hybrid Heating Early Adopter Offer – Phase 2 pilot” referenced in
3 Appendix A represents the second phase of the same dual fuel pilot initiative and is not a separate
4 pilot. The purpose of Phase 2 differs from the earlier phase in that it builds on initial baseline
5 observations by supporting new system installations and expanding the evidence base required
6 for program design.

7 The initial phase, undertaken from 2022 to 2023, focused on a baseline assessment of dual fuel
8 systems already installed in the residential market. Its purpose was to establish an initial
9 understanding of system behaviour and identify key considerations for further evaluation. This
10 phase did not include incentives for new installations and was designed to collect observational
11 data on system performance, operating characteristics, and customer usage in real-world
12 conditions.

13 Phase 2, implemented beginning in 2023 as the Early Adopter Offer, was designed to address
14 the limitations of the initial phase by enabling the installation of new dual fuel systems with
15 integrated controls. This allowed FEI to collect primary performance data across a broader and
16 more representative range of residential applications, while also assessing installation practices,
17 customer acceptance, and system operation under structured program conditions. The expanded
18 scope of Phase 2 provided the information required to support program development and assess
19 scalability.

20 Findings from the initial phase, together with early results from Phase 2, supported the
21 introduction of dual fuel systems into FEI’s relevant core program areas in 2024. Ongoing data
22 collection from Phase 2 continues to inform refinements to program design, assumptions, and
23 performance expectations.

24

25

26

27 6.2 Please provide the summary results of the Phase 2 pilot.

28

29 **Response:**

30 The summary results from the Residential Dual Fuel Hybrid Heating Early Adopter Offer Phase 2
31 are supported by three primary sources: two M&V reports prepared by a third-party engineering
32 consultancy (June 2024 and October 2025); and a participant post-survey completed in
33 November 2025 by a third-party research and evaluation consultant. Across these sources,
34 performance results are sensitive to operating conditions, control settings, climate zone, and the
35 analytical approach used. Recent measurement periods have included milder heating seasons,
36 which influenced observed results. Evaluation of the 2025–2026 measurement period is ongoing,
37 and additional results will be available later in the year.

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1 The first interim M&V report, completed in June 2024, reflects early field-based results from the
2 first monitored heating season following system installations in late 2023, with the primary dataset
3 covering January to May 2024. The study evaluated in-situ performance of integrated dual fuel
4 systems using an International Performance Measurement and Verification Protocol (IPMVP)-
5 based methodology with sub-metered electricity and natural gas data, and measured airflow and
6 temperature parameters. Results indicate that system performance is driven by control strategy,
7 particularly switchover temperature and the balance between heat pump and furnace operation.
8 In climate zone 4, monitored results from 12 sites operating with a switchover temperature of
9 approximately 5°C showed an average seasonal coefficient of performance (SCoP) of
10 approximately 2.5. In climate zone 5, results were limited to a single monitored site, which
11 recorded a SCoP of approximately 1.5. These results informed the initial launch of the core
12 program offering in 2024.

13 The second M&V report, completed in October 2025, incorporates a full heating season dataset
14 for the 2024–2025 period and expanded monitoring across sites, including 25 sites in climate
15 zone 4 and 10 sites in climate zone 5. The results confirm that SCoP is primarily driven by control
16 strategy. In climate zone 4, systems operating with a switchover temperature of approximately
17 5°C achieved average SCoP values of approximately 2.0. In climate zone 5, systems operating
18 with a switchover temperature of approximately 2°C achieved average SCoP values of
19 approximately 1.7. SCoP values in climate zone 5 are more variable and generally lower,
20 reflecting differences in operating conditions and system behaviour. The report also identifies
21 variability in real-world operation, including the influence of outdoor air temperature, manual
22 overrides, and deviations from prescribed settings, which affect measured performance.
23 Monitoring has been extended for an additional heating season to further validate results.

24 The participant post-survey, completed in November 2025, evaluated customer experience and
25 system operation across all early adopter participants, not limited to monitored homes. Results
26 indicate high participant satisfaction, with reported thermal comfort comparable to or improved
27 relative to prior systems, and that the systems are perceived as easy to operate. The survey also
28 found that most participants did not change thermostat or switchover settings after installation,
29 indicating that contractor-configured settings generally persist and influence system performance.
30 These findings highlight the importance of installation practices and control configuration in
31 achieving expected program outcomes.

32

33

34

35 Page 8 of Appendix A-1 to the Application summarizes the evaluation results for the Hybrid
36 Heating Early Adopter Report, including the average SCoP results for participants in
37 climate zones 4 and 5 of 1.8 and 1.6, respectively, with a switchover temperature of 5C
38 and 2C, respectively.

39 6.3 Please confirm if this evaluation report refers to Phase 1 of the Residential Dual
40 Fuel Hybrid Heating Early Adopter Offer, or explain otherwise.

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1

2 **Response:**

3 The evaluation results referenced on page 8 of Appendix A-1, including the reported SCoP values
4 and switchover temperatures, relate to Phase 2 of the dual fuel pilot activities, corresponding to
5 the Residential Dual Fuel Hybrid Heating Early Adopter Offer, not to Phase 1.

6 As described in the response to BCUC IR1 6.1, FEI's dual fuel pilot activities were conducted in
7 phases. Phase 1, initiated in 2022, focused on assessing the performance of existing dual fuel
8 systems already installed in residential homes, without the installation of new equipment. This
9 phase provided baseline insights into system operation, control strategies, and customer usage
10 patterns.

11 Phase 2, launched in 2023 as the Early Adopter Offer, involved the installation of new dual fuel
12 systems with integrated controls under controlled pilot conditions. The evaluation results
13 referenced in Appendix A-1, including SCoP and switchover temperature findings, were derived
14 from this Phase 2 dataset.

15 These results reflect performance for newly installed systems and informed program design,
16 operational assumptions, and performance expectations as dual fuel systems were scaled into
17 broader program offerings.

18

19

20

21 On page 9 of Appendix B-2 to the Application, FEI states that, to ensure that systems meet
22 the minimum 1.5 SCoP performance level, performance expectations are built into the
23 system switchover temperature requirements, which depend on the climate zone where
24 the system is installed.

25 6.4 Please further explain how FEI evaluates the average SCoP for integrated dual
26 fuel space heating systems in climate zones 4 and 5, providing the key
27 assumptions used for estimating the SCoP over the heating season in both climate
28 zones.

29

30 **Response:**

31 The performance of the integrated dual fuel space heating systems is evaluated against the
32 requirements set out in the DSM Regulation, specifically 1.1 (2) (ii), which requires that all systems
33 installed in climate zones 4 and 5, when considered in aggregate, be likely to have an annual
34 average SCoP greater than or equal to 1.5.

35 The evaluation of the SCoP for climate zones 4 and 5 is based on two sources:

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- 1 1. third-party M&V work and resulting analysis conducted by a third-party engineering
2 consultancy under the Phase 2 pilot, including the associated M&V plans and
3 reporting periods that define the monitored dataset and calculation approach; and
- 4 2. a separate third-party program evaluation conducted by an evaluation consultancy
5 firm, which provides supporting contextual information but does not inform the SCoP
6 calculation.

7 Together, these sources establish the method used by FEI to evaluate SCoP and the assumptions
8 applied in estimating seasonal performance.

9 SCoP is calculated using field-based measurements collected under the Phase 2 M&V study,
10 applying an adapted IPMVP Option A methodology at the integrated system level. System-level
11 coefficient of performance (CoP) is defined as the ratio of useful thermal energy output to total
12 system energy input over the reporting period, based on heating cycles only. Heating cycles are
13 defined as periods where the difference between supply and return air temperatures is greater
14 than or equal to 5°C, the indoor fan is operating, and either the heat pump or furnace is active.
15 Thermal output is derived using an energy balance based on measured supply and return air
16 temperature, relative humidity, and volumetric airflow. Airflow is estimated from continuous
17 pressure measurements across the furnace blower, and all variables are recorded at five-minute
18 intervals. Energy input reflects the combined electricity and natural gas consumption required to
19 operate the integrated system. An overall heating SCoP for each home was determined by
20 averaging all CoP values during active heating throughout the reporting period, and an average
21 SCoP is determined by aggregating these SCoP results for each climate zone.

22 The analysis is based on M&V conducted at 35 sites, comprising 25 homes in climate zone 4,
23 and 10 homes in climate zone 5, over the primary reporting period from January 1, 2024 to March
24 31, 2025, with continued monitoring of a subset of homes through March 31, 2026. Average SCoP
25 values for each climate zone are calculated by aggregating system-level results across all
26 monitored homes within each zone for all qualifying heating cycles.

27 The key assumptions underlying the SCoP estimates are that the monitored homes are
28 representative of program installations, that systems are installed in accordance with approved
29 configurations, and that operating parameters, including switchover temperature limits, are
30 consistent with program requirements and observed field conditions. The third-party program
31 evaluation, completed in 2026, includes a participant survey and billing analysis that reports
32 annual energy impacts. The billing analysis results are consistent with the M&V findings and
33 support the application of field-measured performance to estimate SCoP for both climate zones.

34

35

36

- 37 6.5 Please discuss whether FEI has measured or estimated the actual SCoP of
38 integrated dual fuel space heating systems installed to date in climate zones 4 and
39 5.

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1

2 **Response:**

3 FEI has measured the SCoP of integrated dual fuel space heating systems in climate zones 4
4 and 5 through field-based monitoring conducted under the Residential Dual Fuel Hybrid Heating
5 Early Adopter Phase 2 pilot. The measurement work was performed by a third-party engineering
6 consultancy using methodologies aligned with the IPMVP, including sub-metered electricity and
7 natural gas consumption, and measured airflow, temperature, and humidity to calculate
8 system-level performance over the reporting period. These measurements provide empirical
9 SCoP values based on in-situ operation of installed systems. Please refer to the response to
10 BCUC IR1 6.2 for a summary of the Phase 2 pilot results.

11

12

13

14 6.6 Please summarize any analysis FEI has undertaken to assess the impact upon
15 SCoP of different switchover temperatures for climate zones 4 and 5.

16

17 **Response:**

18 At this time, FEI has undertaken limited analysis to assess the impact of different switchover
19 temperatures on SCoP using field-based data collected under the Residential Dual Fuel Hybrid
20 Heating early Adopter Offer Phase 2 pilot. This work was performed through third-party M&V
21 activities conducted by an engineering consultancy.

22 The analysis is limited to climate zone 4 and evaluates a single alternate switchover temperature
23 of 7°C. A subset of five monitored sites in climate zone 4 operating at this switchover temperature
24 was assessed over the primary reporting period from January 1, 2024 to May 14, 2024 to
25 understand the impact on system performance. The observed average CoP for these sites was
26 1.7, compared to 2.5 for systems operating at the program-aligned switchover temperature of
27 5°C. These results demonstrate that higher switchover temperatures reduce the proportion of
28 heat pump operation and, as a result, lower overall system efficiency.

29 No targeted analysis has been undertaken to assess the impact of different switchover
30 temperatures in climate zone 5. More broadly, the climate zone 4 analysis is based on a limited
31 sample size, short reporting period duration, and a single alternative switchover temperature. As
32 such, the results provide directional insights only, and further data collection across a larger
33 sample and additional switchover temperature settings would be required to support more
34 comprehensive conclusions, including whether FEI could increase the switch-over temperature
35 maximums while still meeting the prescribed CoP threshold of 1.5.

36

37

38

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1 6.7 Please explain how FEI determined the switchover temperature of 5C and 2C for
2 climate zones 4 and 5, respectively, including any alternatives considered.

3

4 **Response:**

5 The switchover temperature values of 5°C for climate zone 4 and 2°C for climate zone 5 were
6 initially selected based on alignment with provincial program guidance, including thresholds
7 previously applied under the Province of British Columbia’s CleanBC Better Homes program,
8 where dual fuel systems were required to be installed with switchover set-points at or below 5°C
9 in coastal climates and at or below 2°C in colder interior and northern regions.

10 FEI adopted these thresholds to maintain consistency with the prior provincial program
11 parameters and to support a standardized basis for evaluating dual fuel system performance
12 across climate zones. The thresholds define an upper limit for switchover temperatures while
13 allowing flexibility in actual system operation. In practice, optimal switchover temperatures may
14 vary (i.e., be set lower than the maximum) depending on equipment performance characteristics,
15 building-specific heating demand, customer preferences, and relative energy prices.

16

17

18

19 6.8 Please discuss whether FEI or the customer has the ability to change the
20 switchover temperature once integrated dual fuel space heating systems are
21 installed.

22

23 **Response:**

24 As discussed in the response to BCUC IR1 5.5, adjusting the outdoor switchover set-point
25 temperature is complex and FEI’s 2025 Dual Fuel System Rebate Evaluation confirms that it is
26 uncommon for customers to adjust their set-points at all, and only a minor subset have adjusted
27 their set points above the program maximums.

28 For instance, a third-party program evaluation consultancy conducted an online survey in March
29 2025 with a sample of 593 participants who had installed dual fuel systems under the HRR
30 Program since July 2024. With respect to system operation, the results indicate that while
31 customers have the ability to change the switchover temperature, it is not commonly modified in
32 practice. Nearly 9 out of 10 participants reported that they had not changed the outdoor
33 temperature switchover point after installation. Among the small proportion of participants who
34 made adjustments, approximately one third set the switchover temperature above 5°C, which is
35 outside program eligibility criteria and represents approximately 3 percent of participants overall.

36 Finally, FEI does not have the ability to modify or override switchover temperature settings after
37 installation. However, FEI requires systems to be installed with switchover temperatures at or
38 below specified thresholds in accordance with program terms and conditions to qualify for
39 program incentives.

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1

2

3

4 6.9 Please discuss if FEI is intending to offer any rebates for hybrid dual fuel domestic
5 water heating systems in 2026 or 2027. If so, please discuss the methodology used
6 to model the SCoP in the various climate zones, and provide the current results.

7

8 **Response:**

9 At this time, FEI does not plan to offer rebates for hybrid dual fuel water heating in 2026–2027
10 under the core program areas, as sufficient data is not available. The technology is expected to
11 undergo screening activities to build further evidence; however, no such pilot or screening activity
12 has been initiated to date. Accordingly, the technology is not currently included in programs and
13 no SCoP calculations are available at this time.

14

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1 **D. REBATES TRACKING SYSTEM**

2 **7.0 Reference: INTRODUCTION**

3 **Exhibit B-1, p. 1, Appendix A, pp. 12, 41, Appendix B-3, p. 26**

4 **Tracking of New Rebates**

5 On page 1 of the Application, FEI states:

6 [...] participation in the Dual Fuel Rebate offer was significantly higher than
7 anticipated. While FEI took actions to reduce the high participation, it was
8 challenging due to the rapid growth in market adoption and significant number of
9 customer purchase decisions that were already made. To reduce expenditures
10 resulting from the unexpected uptake, FEI reduced the dual fuel offer rebates.

11 On page 12 of Appendix A to the Application, FEI states:

12 The Prescriptive Program offers rebates for the purchase and installation of
13 specific qualifying measures. All such rebates conform to a simple archetype:
14 market participants are informed of the fixed rebate amounts, qualifying measures
15 are installed at a customer's location, and the rebates are provided to reduce the
16 capital cost of the higher efficiency measures. Some rebates may be delivered
17 directly to the end user, whereas other rebates are provided through a point-of-
18 sale partner, such as a product supplier.

19 On page 41 of Appendix A to the Application, FEI states:

20 The Reporting Tool & Customer Application Portal includes expenditures related
21 to the Demand-Side Management Tracking System. This system manages DSM
22 rebates from the application stage through to payment, including application
23 review, approval, payment file exports, reporting, and customer communications.

24 7.1 Please explain the current processes used to approve dual fuel and other
25 advanced DSM rebates in the Residential, Commercial and Low-Income program
26 areas. Do end-users receive the rebate directly, or is the rebate provided through
27 a point-of-sale partner, such as product supplier? Is the payment automatic once
28 a product has been purchased, or does FEI have to approve the application?

29
30 **Response:**

31 Dual fuel system and other advanced DSM rebates across the Residential, Commercial, and Low
32 Income Program Areas are not provided at the point of sale through product suppliers or other
33 point-of-sale partners. Customers must submit a rebate application directly to FEI to be reviewed
34 against program eligibility criteria.

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1 Rebate payments are not automatic upon the purchase of eligible products or equipment.
2 Payment is issued only after FEI has approved the application and validated that all criteria are
3 met. Once approved, the rebate is paid directly to the customer, typically via cheque.

4 The following steps set out FEI's rebate application review process:

- 5 1. Customer purchases and installs the product or equipment through a qualified
6 industry professional.
- 7 2. Customer applies for the rebate(s) through FortisBC' online application portal,
8 accessible from the FortisBC website, using their FEI customer account.
- 9 3. Customer completes required application fields and attaches all required
10 documentation to their application. This includes, but is not limited to, the
11 following documentation:
 - 12 a. proof of purchase;
 - 13 b. installation details such as eligible model numbers; and
 - 14 c. commissioning documentation.
- 15 4. FEI reviews each application against the program eligibility criteria. This review
16 includes, but is not limited to:
 - 17 a. verification of FEI customer details; and
 - 18 b. verification of all required supporting documentation.
- 19 5. If all eligibility requirements are met, the application is approved and submitted
20 for payment.
- 21 6. If all eligibility requirements are not met, FEI does not approve the application.
22 FEI provides the customer with information about the decision and works directly
23 with them to facilitate a resolution, if applicable.

24 In addition, some residential rebates under the Residential and Low Income Program Areas,
25 including the dual fuel system, are subject to a quality assurance process whereby a random
26 selection of applications are chosen for site visits to further validate that program and installation
27 requirements have been met prior to processing rebate payments.

28

29

30

31 7.2 Please discuss if FEI intends to make any changes to the way that new rebates
32 are tracked and approved in the market, to reduce the risk of ratepayers paying
33 more for gas savings than is necessary through high initial incentives which are
34 later reduced. If not, please explain why FEI does not believe any changes are
35 necessary.

36

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1 **Response:**

2 FEI does not intend to make any changes to the way new rebates are tracked and approved in
3 the market; rather, FEI is exploring additional program controls and processes that could improve
4 future change implementation, particularly when there are unexpected market responses to offers
5 which require adjusting incentive levels as part of ongoing program management.

6 The opportunity to optimize rebate incentive levels comes through FEI's regular program
7 assessment and evaluation as opposed to the operation of processing rebates. FEI regularly
8 reviews incentive levels as part of its ongoing assessment and evaluation of its programs, which
9 includes consideration of participation levels, changes in incremental and overall costs, and other
10 market variables impacting the adoption of energy efficiency measures. FEI may consider
11 reductions in incentive levels as market adoption of energy efficiency measures increases over
12 time.

13 While FEI has determined that the incentive levels for the Dual Fuel Rebate offers should be
14 reduced, the originally proposed incentive levels in the approved Plan were reasonable based on
15 the information available at the time. Higher incentive levels are used to encourage early adoption,
16 increase participation to drive market transformation, and support accessibility. The market
17 response to the dual fuel system rebates was greater than anticipated and drove significant
18 market transformation, which both signaled and necessitated the need to review and optimize
19 incentive levels. With the proposed reduction in incentives, going forward, future gas savings will
20 be enabled at lower upfront costs.

21 In line with existing practice, FEI considers multiple factors when determining incentive levels for
22 advanced DSM measures. These factors included influencing the adoption of the measure and
23 results of engagement with key stakeholders such as contractors, customers, and interest groups
24 to understand barriers and decision-making criteria.

25

26

27

28 7.3 Please discuss if and how FEI tracks the approval of DSM rebates across all
29 customer segments relative to the planned expenditure. If not, please explain why
30 not.

31

32 **Response:**

33 FEI tracks DSM rebates across all customer segments relative to planned expenditures by:

- 34
- 35 • Examining current expenditure trends relative to past years' expenditure trends in
recognition that there are seasonality factors;
 - 36 • Examining the proportion of actual expenditures-to-date (and energy savings achieved)
37 relative to plan at the measure level, program area level and portfolio level; and

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- 1 • Performing additional analysis where needed.
- 2 Additionally, FEI regularly undertakes the following forecasting exercises to assess the status of
- 3 actual versus forecast expenditures and energy savings:
- 4 • Performing expenditure (and energy savings) forecasts for the remaining months of the
- 5 year and for the remaining years left in the plan at the measure level, program area level
- 6 and portfolio level; and
- 7 • Examining month-to-month changes in annual expenditure forecasts at the program area
- 8 and portfolio level to highlight any significant changes to forecasts.
- 9

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1 **E. PROPOSED EXTENSION OF AMORTIZATION PERIOD**

2 **8.0 Reference: PROPOSED AMORTIZATION PERIOD**

3 **Exhibit B-1, p. 17; FEI 2019-2022 DSM Expenditures Plan**
4 **proceeding, Exhibit B-1, p. 37, Order G-10-19 dated January 17,**
5 **2019, pp. 21–22; FortisBC Inc. (FBC) 2019-2022 DSM Expenditures**
6 **Application proceeding, Exhibit B-1, p. 29; Decision and Order G-47-**
7 **19 dated March 4, 2019, pp. 11–12**

8 **Extending Amortization Period from 10 years to 20 years**

9 On page 17 of the Application, FEI states that it seeks approval to extend the amortization
10 period for its DSM deferral account from 10 years to 20 years, as this would strike a
11 balance between matching the cost recovery and benefits.

12 In its application for acceptance of 2019-2022 DSM Expenditures Plan, FEI requested
13 approval to move from 10-year to 16-year amortization period for its DSM expenditures.
14 By Order G-10-19, the BCUC denied FEI's request to extend its amortization period. The
15 BCUC noted several concerns such as the exclusion of certain DSM expenditures in the
16 calculation of the estimated average measure life, fluctuations in the weighted average
17 measure life in the past, and increased overall costs to ratepayers.

18 In its application for acceptance of 2019-2022 DSM Expenditures Plan, FortisBC Inc.
19 (FBC) requested approval to move from 10-year to 15-year amortization period for its DSM
20 expenditures. In its Decision and Order G-47-19, the BCUC denied FEI's request to extend
21 its amortization period due to concerns on the methodology for calculating weighted
22 average measure life, uncertainty around the persistence of DSM measures, and
23 balancing benefits matching with rate impacts.

24 8.1 Please explain what new analysis or changed circumstances support FEI's
25 proposed extension of the amortization period from 10 years to 20 years, in light
26 of the BCUC's determinations on similar requests in past FEI and FBC
27 applications. Without otherwise limiting your answer, please include a specific
28 discussion on any analysis FEI has undertaken with respect to the actual
29 persistence of DSM measures.

30
31 **Response:**

32 FEI considers it appropriate to change the amortization period from 10 years to 20 years at this
33 time as an increased amortization period:

- 34 1. Better aligns with the average measure life of FEI's DSM portfolio, thus better
35 matching the DSM costs and benefits; and
- 36 2. Achieves a better balance of DSM objectives and customer impacts, recognizing the
37 growth in the size of FEI's DSM programming.

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1 Changing the amortization period from 10 years to 20 years provides immediate rate relief to
2 customers while ensuring alignment with the expected life of the measures, thus matching the
3 longevity of the benefits to the recovery of the costs. In contrast, keeping the amortization period
4 at 10 years provides no rate mitigation benefits to customers and creates intergenerational
5 inequity due to the significant mismatch between the time for recovering the costs and the time
6 which benefits are expected to be felt by customers.

7 FEI further describes the changes in circumstances and current factors which support an
8 increased amortization period below.

9 **Average Measure Life**

10 The average measure life for FEI's DSM expenditures has consistently been higher than the 10-
11 year amortization period that was approved by the BCUC in 2009.⁷ For instance, in the 2014-
12 2018 DSM Plan, the weighted average measure life was calculated to be approximately 13 years.
13 This calculation was then updated for the 2019-2022 DSM Plan to be 16 years. In the latest update
14 for the current 2024-2027 DSM Plan, the weighted average measure life is approximately 20
15 years. As such, the continued use of the 10-year amortization period would lead to
16 intergenerational inequity given the costs expended by FEI are expected to provide benefits for
17 20 years.

18 Alternative approaches to calculating the weighted average measure life also demonstrate that
19 the current 10-year amortization period is not consistent with the expected benefit provided by
20 the expenditures. For instance, even if all indirect expenditures with no quantifiable benefits were
21 included with a zero measure life (a concern noted by the BCUC in the 2019-2022 DSM Plan
22 Decision⁸), the weighted average measure life would be 14.6 years, as provided in the response
23 to BCUC IR1 9.1. Further, if the weighted average is calculated based on energy savings, the
24 weighted average measure life would be 17.8 years, as shown in the response to BCUC IR1 9.2.

25 Finally, FEI's approach to calculating measure life and persistency is proven and is reasonable
26 based on the technical references and literature available, combined with internal engineering
27 expertise, external jurisdictional sources, and evaluation through FEI's M&V framework. FEI also
28 periodically reviews its assumptions and updates its technical references when changes are
29 available. Its methodology on measure life is largely the same as BC Hydro's approach on
30 measure life. As such, FEI does not believe conducting a new alternative analysis on measure
31 life and persistency would lead to materially different results. FEI will continue to periodically
32 review and update its approach and framework for measure life and persistence to ensure
33 assumptions remain accurate.

34 **Balancing DSM Objectives and Customer Impacts**

35 The BCUC stated in Decision and Order G-36-09 that it considered a 10-year amortization period
36 would provide a reasonable balance, considering both the DSM objectives and customer impacts.

⁷ Decision and Order G-36-09.

⁸ Decision and Order G-10-19, p. 22.

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1 These considerations of customer impact (rate impact) and DSM objectives (matching the
2 benefits of DSM measures and costs) were re-iterated by the BCUC in the FEI 2014-2019 PBR
3 Plan Decision⁹ for the 2014-2018 DSM Plan as well as in the BCUC's decision on the 2019-2022
4 DSM Plan.¹⁰

5 FEI agrees with these considerations for determining the length of the amortization period and
6 believes that the current circumstances support a change to the amortization period. The level of
7 FEI's DSM expenditures has increased significantly since 2008, which has in turn increased the
8 impact of the DSM deferral account amortization on rates. The 2008-2010 DSM Plan totaled \$41.5
9 million (or approximately \$13.8 million per year). The current 2024-2027 DSM Plan, inclusive of
10 the requested additional DSM expenditures for 2026 and 2027, totals \$712.7 million (or
11 approximately \$178.2 million per year). As such, the appropriate amortization period should be
12 considered in the context of the current level of DSM expenditures and the resulting rate impacts
13 for customers.

14 The growth in DSM Plan expenditures over the years reflects the success of FEI's DSM
15 programming and the important role that FEI's DSM programs and incentives have in helping
16 customers achieve energy savings. When also factoring in the current weighted average measure
17 life of 20 years, it is clear that the current 10-year amortization period no longer represents a
18 reasonable balance between rate impacts and benefit matching.

19 The BCUC was also previously concerned with increasing the overall cost of the DSM plan to
20 ratepayers with a longer amortization period due to the added carrying costs of the deferral
21 account. This was a reasonable consideration in 2009 when the annual DSM expenditures were
22 approximately \$13.8 million, as there would be diminishing benefits of rate smoothing with a
23 longer amortization period when the additional carrying costs are considered. However, in the
24 current circumstances, where the annual DSM expenditures are approximately \$178.2 million, the
25 benefits of rate smoothing / rate mitigation achieved through a longer amortization period
26 outweigh the additional carrying costs. This was demonstrated in Table 4-3 of the Application
27 which showed that the additional revenue requirement (due to the added carrying costs) would
28 be minimal, especially in the context of the significant rate reduction that would be available to
29 customers immediately if the amortization period is extended from 10 years to 20 years.

30 Finally, as highlighted in Section 4.3 of the Application, moving the amortization period from 10
31 years to 20 years would also be consistent with the approach approved for BC Hydro, in which
32 BC Hydro's deferral amortization period was increased from 10 years to 15 years to help lower
33 rate increases¹¹ and to align more closely with the weighted average life of their measures. The
34 15-year amortization period was reviewed again in BC Hydro's F2020-F2021 RRA and was
35 maintained.

⁹ Decision and Order G-138-14, pp. 279-280.

¹⁰ Decision and Order G-10-19, p. 21.

¹¹ BC Hydro Amended Fiscal 2012 to Fiscal 2014 Revenue Requirements Application (F2012-2014 RRA), Section 7.3.1.

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1

2

3

4 8.2 Please explain, with rationale, whether FEI considers the proposed 20-year
5 amortization period should be applicable only for the current DSM portfolio, or
6 whether FEI expects that amortization period would remain applicable in future
7 DSM applications.

8

9 **Response:**

10 FEI considers the proposed 20-year amortization period should remain applicable to current and
11 future DSM expenditures; however, FEI plans to continue to review and evaluate the weighted
12 average measure life as well as the amortization period periodically in future DSM applications.

13 FEI is not proposing that it will update the amortization period in each future DSM application to
14 continually reflect changes in the weighted average measure life. Rather, FEI will evaluate the
15 need to change the amortization period again in future DSM applications depending on the
16 circumstances at that time, such as, but not limited to, the level and mix of DSM expenditures,
17 the remaining unamortized balance of the deferral account, the magnitude of any changes to the
18 weighted average measure life, and customer rate impacts.

19

20

21

22 8.3 Please explain whether FEI plans to review and update its amortization period in
23 future DSM applications to reflect changes in the composition of the DSM portfolio,
24 and in turn the average measure life. If not, please explain why not.

25

26 **Response:**

27 Please refer to the response to BCUC IR1 8.2.

28

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1 **9.0 Reference: PROPOSED AMORTIZATION PERIOD**

2 **Exhibit B-1, pp. 17–19, Table 4-1, p. 18**

3 **Measure Life Methodology and Remaining Life of DSM Measures in**
4 **the Portfolio**

5 On page 17 of the Application, FEI states that the average weighted measure life of its
6 DSM portfolio has been increasing over time, indicating that a 10-year amortization period
7 no longer matches the recovery of costs with benefits customers receive through DSM.

8 On page 18 of the Application, FEI provides Table 4-1, showing average measure life
9 weighted by incentives/expenditures, which includes Residential, Commercial, Industrial,
10 Low Income, Indigenous, and Legacy program areas, and results in 20.1 years of total
11 weighted average measure life.

12 On page 19 of the Application, FEI states that the changes to the amortization period
13 include the entire balance of the DSM deferral account as of December 31, 2026, not only
14 DSM expenditures going forward.

15 9.1 Please confirm, or explain otherwise, that program areas such as Conservation,
16 Education and Outreach, Innovative Technologies, Enabling, and Portfolio were
17 excluded from the weighted average measure life calculation.

18 9.1.1 If confirmed, please explain why.

19 9.1.1.1 Please recalculate the weighted average measure life with
20 those programs included, and provide FEI’s analysis of the
21 impact of this recalculation on the weighted average measure
22 life.

23
24 **Response:**

25 FEI confirms that the Conservation, Education and Outreach, Innovative Technologies, Enabling,
26 and Portfolio program areas were excluded from the weighted average measure life calculation.
27 This approach is consistent with past calculations of the weighted average measure life as these
28 programs are assumed to have no or minimal attributable measure lives. While including these
29 program areas in the weighted average measure life calculation would not be appropriate or
30 meaningful, the activities support the delivery of, and participation in, DSM measures across the
31 broader portfolio. As such, FEI has reasonably assumed the measure life for these program areas
32 is the same as the measures they support.

33 For the purposes of matching the costs and benefits of the expenditures captured in the DSM
34 deferral account, FEI believes it is most appropriate to determine the aggregate measure life
35 based on only those expenditures with direct savings. Where direct savings or measure
36 persistence are not known or are difficult to track, those expenditures have been excluded from
37 the calculation. Including expenditures with no direct savings attributed in the calculation would
38 artificially decrease the average weighted measure life calculation.

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- 1 While these programs may not have quantifiable benefits or the lifetime of the measure is
2 uncertain, the programs may still provide benefits. As such, it would not be appropriate to include
3 these expenditures without any matching benefit. For example, where a measure relies on a
4 customer's behaviour, it would be unreasonable to assume the behaviour would last zero years
5 because there are no quantifiable savings. For this reason, FEI chooses to exclude those
6 expenditures in the benefits calculation.
- 7 However, as shown in the table below, the average weighted measure life when the expenditures
8 for these program areas are included is 14.6 years, which is still longer than FEI's currently
9 approved amortization period of 10 years.

1 **Table 1: Average Measure Life Weighted by Incentives, Including Program Areas with Indirect**
 2 **Savings**

Program Area and Program	Total Cost, 2026-2027 (000s)	NPV Gas Savings, Net (GJ)	Measure Lifetime (yrs) (WAML \$)	Weighted Life by Expenditures (yrs)
Residential				
Home Renovation Program	45,634	5,855,009	17.1	
New Home Program	30,964	874,886	30.0	
SUB-TOTAL	76,598	6,729,895		22.3
Commercial				
Commercial Prescriptive	25,724	4,297,990	14.9	
Commercial Performance	21,023	3,081,578	22.6	
Rental Apartment	1,908	729,847	9.7	
SUB-TOTAL	48,655	8,109,416		18.0
Industrial				
Industrial Prescriptive	8,053	1,549,229	12.8	
Industrial Performance	22,482	10,367,916	19.5	
SUB-TOTAL	30,535	11,917,145		17.7
Low Income				
Direct Install	15,285	1,236,902	25.0	
Self Install (ESK)	1,517	190,293	15.0	
Prescriptive	18,712	951,463	17.3	
SUB-TOTAL	35,513	2,378,657		20.5
Indigenous				
Prescriptive	9,663	777,830	23.5	
Performance	3,064	518,554	25.7	
SUB-TOTAL	12,727	1,296,384		24.1
Legacy				
Residential	1,500	1,190,212	30.0	
Commercial	15,589	1,831,095	15.0	
Low Income				
Indigenous	235	30,518	25.0	
SUB-TOTAL	17,324	3,051,825		16.4
ALL PROGRAMS WITH DIRECT SAVINGS	221,352,448	33,483,322		20.1
CEO and CES (Indigenous)	2,498	200,000	0.0	0.0
Innovative Technologies	29,724	0.0	0.0	0.0
Conservation Education and Outreach	19,588	0.0	0.0	0.0
Enabling Activities	21,524	0.0	0.0	0.0
Portfolio Level Activities	9,970	0.0	0.0	0.0
ALL PROGRAMS WITH INDIRECT SAVINGS	83,304,032	200,000		0.0
GRAND TOTAL	304,656,480	33,683,322		14.6

3
 4
 5
 6
 7 9.2 Please provide analysis comparing the weighted average measure life calculated
 8 using expenditures and gas savings. Please explain the difference in results, and
 9 why FEI considers its chosen approach of weighting by expenditures to be
 10 appropriate.

1
2 **Response:**

3 Please refer to the table below showing the weighted average measure life by expenditures and
4 by gas savings.

Program Area and Program	WAML by Forecast Expenditures			WAML by Forecast GJ		
	Total Cost, 2026-2027 (000s)	Measure Lifetime (yrs) (WAML \$)	Weighted Life (yrs)	Total Cost, 2026-2027 (000s)	Measure Lifetime (yrs) (WAML GJ)	Weighted Life (yrs)
Residential						
Home Renovation Program	45,634	17.1		45,634	17.1	
New Home Program	30,964	30.0		30,964	30.0	
SUB-TOTAL	76,598	N/A	22.3	76,598	N/A	22.3
Commercial						
Commercial Prescriptive	25,724	14.9		25,724	14.0	
Commercial Performance	21,023	22.6		21,023	16.6	
Rental Apartment	1,908	9.7		1,908	5.6	
SUB-TOTAL	48,655	N/A	18.0	48,655	N/A	14.8
Industrial						
Industrial Prescriptive	8,053	12.8		8,053	10.9	
Industrial Performance	22,482	19.5		22,482	3.9	
SUB-TOTAL	30,535	N/A	17.7	30,535	N/A	5.8
Low Income						
Direct Install	15,285	25.0		15,285	25.0	
Self Install (ESK)	1,517	15.0		1,517	15.0	
Prescriptive	18,712	17.3		18,712	17.1	
SUB-TOTAL	35,513	N/A	20.5	35,513	N/A	20.4
Indigenous						
Prescriptive	9,663	23.5		9,663	25.1	
Performance	3,064	25.7		3,064	23.8	
SUB-TOTAL	12,727	N/A	24.1	12,727	N/A	24.8
Legacy						
Residential	1,500	30.0		1,500	30.0	
Commercial	15,589	15.0		15,589	15.0	
Low Income						
Indigenous	235	25.0		235	25.0	
SUB-TOTAL	17,324	N/A	16.4	17,324	N/A	16.4
ALL PROGRAMS WITH DIRECT SAVINGS	221,352,448	N/A	20.1	221,352,448	N/A	17.8

5
6 The difference in results reflects the application of different weighting factors.

- 7
- 8 • Expenditure-weighted measure life reflects the distribution of program costs and is therefore driven by higher-cost programs.
 - 9 • Savings-weighted measure life reflects the distribution of gas savings and is therefore
 - 10 driven by higher-saving programs.

11 The variance is primarily attributable to the Industrial Performance program area which includes
12 Strategic Energy Management (SEM). SEM contributes a much higher share of savings relative
13 to its expenditure. As a result, SEM has less impact on the expenditure-weighted calculation and
14 more impact on the savings-weighted calculation, leading to the variance in the different weighted
15 average measure life calculations. However, as shown in the above table, the measure life
16 weighted by savings is still higher than the current amortization period (17.8 years compared to
17 10 years).

1 FEI considers that the weighting of the average measure life by expenditures is most appropriate
 2 because there is better alignment between the amortization of the overall expenditures in dollar
 3 amount and the mix of the expenditures in dollar amount. Further, weighting the measure life
 4 based on GJ savings could potentially lead to a situation where the amortization period for the
 5 expenditures would be based on measures that might have a low level of expenditures but with a
 6 high amount of savings, instead of an amortization period that aligns with the most expenditures.

7 In addition, FEI believes that DSM expenditures should be considered on the same basis as
 8 capital investments. FEI's investment in the installation of a DSM measure results in the
 9 avoidance or deferral of capital investment in the gas system for the useful life of that measure.
 10 On this basis, the measure life should be weighted based on the investment made by FEI as part
 11 of the DSM program.

12

13

14

15 9.3 Please explain how FEI determined that applying a 20-year amortization period to
 16 the full DSM deferral account balance as of December 31, 2026 appropriately
 17 reflects the remaining benefit life of older expenditures already in the account.

18 9.3.1 Please provide analysis for selected prior-year vintages of DSM
 19 expenditures, showing the remaining recovery period under the proposed
 20 20-year amortization period and the corresponding remaining measure
 21 life FEI considers applicable, with supporting explanation.

22

23 **Response:**

24 FEI considers it most appropriate to apply a single 20-year amortization period to the full DSM
 25 deferral account balance as of December 31, 2026. As shown below, this approach is simpler for
 26 record keeping/auditing purposes compared to having different amortization periods within a
 27 single deferral account for different years of expenditure. Further, as shown in Table 1 below,
 28 since the majority of the remaining unamortized balance at December 31, 2026 would be related
 29 to the expenditures of the current Plan with a weighted average measure life of 20 years, the
 30 difference in terms of rate impact would be small between applying a single 20-year amortization
 31 period and applying different amortization periods based on the vintage of different DSM plans.

32 **Table 1: DSM Deferral Account Composition and Weighted Average Measure Life (As at**
 33 **December 31, 2026)**

	Average Measure Life Weighted by Expenditures (years)	Deferral Account Ending Balance as of Dec 31, 2026	% of Total Ending Balance
2014-2018 DSM Plan	13.0	\$ 4,594,000	0.9%
2019-2022 DSM Plan and 2023 DSM Plan	16.0	\$ 161,791,491	32.2%
2024-2027 DSM Plan	20.0	\$ 336,013,249	66.9%
Total		\$ 502,398,740	100.0%

34 **Weighted Average Amortization Years** 18.6

1 Notes to table:

- 2 1) The remaining unamortized balance related to the 2014-2018 DSM Plan would be the expenditures
3 from 2017 and 2018 only. Only a small amount of these expenditures remain in the deferral account
4 by December 31, 2026 as they are almost fully amortized under the current 10-year amortization
5 period. All expenditures prior to 2017 have been fully amortized.
- 6 2) The weighted average measure life for the 2014-2018 DSM Plan was calculated to be
7 approximately 13 years.¹²
- 8 3) The weighted average measure life for the 2019-2022 DSM Plan was calculated to be
9 approximately 16 years.¹³
- 10 4) The 2023 DSM Plan was a continuation of the programs and measures included in the 2019-2022
11 DSM Plan; therefore, the same 16-year weighted average measure life is assumed.

12 Table 2 below provides the estimated delivery rate impacts in 2027 and 2028 (when compared to
13 the 2026 approved delivery rates) if different amortization periods are used based on the different
14 weighted average measure life by the vintage of DSM plan as shown in Table 1 above. FEI also
15 included the estimated delivery rate impacts as shown in Table 4-2 of the Application for a single
16 amortization period of 15 years, 18 years, and 20 years for comparison.

17 **Table 2: Estimated Delivery Rate Impacts due to Proposed Amortization Change and Incremental**
18 **DSM Expenditures**

Delivery Rate Impact (Compared to 2026 Approved)	2027	2028	Cumulative
1) 15 years Amortization			
Status Quo (Total Approved 2024-2027 DSM Spending of \$626.7 million)	1.27%	-0.48%	0.79%
Amortization Period Change to 15 years	-3.63%	0.23%	-3.39%
Proposed Incremental DSM Expenditures for 2026 and 2027 (Total \$86 million)	0.02%	1.01%	1.04%
Total Delivery Rate Impact (Compared to 2026 Approved)	-2.34%	0.77%	-1.57%
2) 18 years Amortization			
Status Quo (Total Approved 2024-2027 DSM Spending of \$626.7 million)	1.27%	-0.48%	0.79%
Amortization Period Change to 18 years	-4.53%	0.21%	-4.31%
Proposed Incremental DSM Expenditures for 2026 and 2027 (Total \$86 million)	0.02%	1.01%	1.04%
Total Delivery Rate Impact (Compared to 2026 Approved)	-3.24%	0.75%	-2.49%
3) 20 years Amortization			
Status Quo (Total Approved 2024-2027 DSM Spending of \$626.7 million)	1.27%	-0.48%	0.79%
Amortization Period Change to 20 years	-4.95%	0.20%	-4.74%
Proposed Incremental DSM Expenditures for 2026 and 2027 (Total \$86 million)	0.02%	1.01%	1.04%
Total Delivery Rate Impact (Compared to 2026 Approved)	-3.66%	0.73%	-2.92%
4) Amortization Period based on Vintage of DSM Plan			
Status Quo (Total Approved 2024-2027 DSM Spending of \$626.7 million)	1.27%	-0.48%	0.79%
Amortization Period Change Accordingly	-4.50%	0.17%	-4.33%
Proposed Incremental DSM Expenditures for 2026 and 2027 (Total \$86 million)	0.02%	1.01%	1.04%
Total Delivery Rate Impact (Compared to 2026 Approved)	-3.21%	0.71%	-2.51%

19

20 As shown in Table 2 above, if different amortization periods are used by the vintage of different
21 DSM plans, the result is very similar to the estimated delivery rate impact if a single 18-year
22 amortization period is applied. Further, when compared to the proposed single 20-year

¹² The average measure life weighted by expenditures was found to be 13.2 years, as indicated in the FEI 2014-2018 PBR Plan proceeding, FEI Final Submission Regarding Non-PBR Issues, pp. 135-137.

¹³ The average measure life weighted by expenditures was found to be 16.2 years, as indicated in the FEI 2019-2022 DSM Expenditures Plan Application, Appendix J.

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1 amortization period, the difference is small, with the 2027 delivery rate impact changing from a
2 reduction of 3.66 percent to a reduction of 3.21 percent. For an average residential customer with
3 90 GJ of annual consumption, the difference between the proposed single 20-year amortization
4 period and using different amortization periods based on the vintage of the DSM plan would be
5 small at \$3.80 in aggregate for both 2027 and 2028.

6

1 **F. OTHER**

2 **10.0 Reference: 2025 DSM ANNUAL REPORT**

3 **Exhibit B-1, Appendix A-1, p. 7; DSM Regulation, B.C. Reg. 326/2008,**
4 **sections 1 and 4(5)**

5 **Enabling Activities – Corporate Brand Evaluation**

6 Section 4(5) of the DSM Regulation states:

7 If the commission is satisfied that a public awareness program proposed in a plan
8 portfolio or an expenditure portfolio is likely to accomplish the goals set out in
9 paragraph (a) or (b) of the definition of "public awareness program", the
10 commission must determine the cost-effectiveness of the program by determining
11 whether the portfolio is cost-effective as a whole.

12 Section 1 of the DSM Regulation defines “public awareness program” as follows:

13 **"public awareness program"** means a program delivered by a public utility

14 (a) to increase the awareness of the public, including the public utility's
15 customers, about ways to increase energy conservation and energy
16 efficiency or to encourage the public, including the public utility's
17 customers, to conserve energy or use energy efficiently, or

18 (b) to increase participation by the public utility's customers in other demand-
19 side measures proposed by the public utility in an expenditure portfolio or
20 a plan portfolio

21 but does not include a program to increase the amount of energy sold or
22 delivered by the public utility;

23 On page 7 of Appendix A-1 to the Application, FEI provides the following summary for the
24 Customer Research – Corporate Brand Evaluation activity with the Enabling Activities
25 program area.

Customer Research - Corporate Brand Evaluation	Enabling Activities	Communications	<p>The Energy Branding Benchmarking Index (EBBI) consists of questions regarding relevant elements that influence consumer purchase decisions within the energy space. Those elements originate from four factors, including:</p> <ul style="list-style-type: none"> • Differentiation • Perception and image • Segmentation • Social responsibility and sustainability 	<p>The EBBI establishes FEI's index and compares it to other energy brands across the world. Our score is 61, placing the company as "average." FEI falls several points below the North American average, and one point ahead of the global benchmark. Image and perception are seen as its strengths, while differentiation is seen as its weakest point, followed by segmentation, social responsibility and sustainability.</p> <p>Outcome: Results were taken into consideration for future program design.</p>
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26

27 10.1 Please explain how the Corporate Brand Evaluation activity meets the goals of a
28 public awareness program as defined by the DSM Regulation, namely to make
29 customers aware of energy efficiency and conservation in general.

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1

2 **Response:**

3 The Customer Research – Corporate Brand Evaluation activity was included in the FEI 2025 DSM
4 Annual Report Enabling Activities in error. This evaluation was undertaken by FEI’s market
5 research team and did not use DSM expenditures. Please refer to the Errata to the Application
6 filed concurrently with these IR responses for the correction to the FEI 2025 DSM Annual Report.

7

8

9

10 10.2 Please provide the budget for the annual Corporate Brand Evaluation activity for
11 2026 and 2027.

12

13 **Response:**

14 Please refer to the response to BCUC IR1 10.1.

15