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

Attention: Registrar

Dear Sirs/Mesdames:

Re: FortisBC Energy Inc. - 2026 and 2027 Incremental Demand Side Management Expenditures – Final Argument

We enclose for filing in the above proceeding the Final Argument of FortisBC Energy Inc., dated May 28, 2026.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP



Chris Bystrom*
*Law Corporation

Encl.



**BRITISH COLUMBIA UTILITIES COMMISSION
IN THE MATTER OF THE UTILITIES COMMISSION ACT,
R.S.B.C. 1996, CHAPTER 473**

AND

FORTISBC ENERGY INC.

**APPLICATION FOR ADDITIONAL DEMAND SIDE
MANAGEMENT EXPENDITURES FOR 2026 AND 2027**

**FINAL SUBMISSION
OF
FORTISBC ENERGY INC.**

May 28, 2026

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PART ONE: INTRODUCTION AND OVERVIEW

1. FortisBC Energy Inc. (FEI) respectfully requests acceptance pursuant to section 44.2 of the *Utilities Commission Act* (UCA) of a revised demand-side management (DSM) expenditure schedule for 2026 and 2027, resulting in a total increase of \$86 million over the 2024-2027 plan period, and approval under sections 59 to 61 of the UCA to increase the amortization period for its rate base DSM deferral account from 10 years to 20 years, effective January 1, 2027.

2. FEI respectfully submits that its proposed DSM expenditure schedule for 2026 and 2027 satisfies all requirements under the UCA and *Demand-Side Measures Regulation* (DSM Regulation) and is in the public interest. The revised DSM expenditure schedule for 2026 and 2027 is based on an updated forecast using actual market experience and current information. FEI forecasts 2026 and 2027 expenditures of \$150.271 million and \$155.606 million, respectively. With combined annual incremental gas savings of 4,171,570 GJ over the two years and a portfolio Utility Cost Test (UCT) of 7.14,¹ the portfolio will provide highly cost-effective benefits for customers. The proposed DSM expenditures are consistent with FEI's 2026 Long-Term Gas Resource Plan (LTGRP) and British Columbia's energy objectives and meet the adequacy requirements in the DSM Regulation.² Following the unexpectedly high customer demand in 2025 which materially exceeded the levels forecast in FEI's accepted 2024-2027 DSM Expenditures Plan (Approved Plan), the incremental DSM expenditures proposed are needed to respond to market demand, and support program continuity and a balanced portfolio of DSM programs in 2026 and 2027. FEI's proposed DSM expenditures will provide significant customer benefits in the form of bill reductions, energy savings and greenhouse gas reductions and, in FEI's submission, are in the public interest.

3. FEI respectfully submits that a 20-year amortization period for the rate base DSM deferral is just and reasonable. A 20-year amortization period will better align cost recovery with customer benefits, as the average weighted measure life of the current DSM portfolio is now

¹ Exhibit B-1, Application, p. 5.

² Exhibit B-1, Application.

approximately 20.1 years. The 20-year amortization period will also provide meaningful rate mitigation by lowering the annual amortization expense recovered in rates. Including the incremental DSM expenditures sought in this Application, increasing the amortization period to 20 years will result in a reduction in delivery rates of 3.66 percent in 2027, followed by a small delivery rate increase of 0.73 percent in 2028, resulting in a cumulative reduction of 2.92 percent in 2027 and 2028 when compared to the 2026 approved delivery rates.³ This would cause only a modest increase in long-term carrying costs.⁴ The 20-year amortization period therefore strikes an appropriate balance between matching cost recovery and benefits, customer affordability, and the additional carrying costs associated with a longer amortization period.

4. In the balance of this Final Submission, FEI addresses the letters of comment filed in this proceeding and the key topics explored in the BCUC's IRs. As discussed in the sections below, FEI's proposals are strongly supported by stakeholders and FEI's revised expenditure forecasts are reasonable, the revised portfolio remains cost-effective, the dual fuel system assumptions and controls are appropriate, and FEI's proposed 20-year amortization period is justified. FEI submits that its responses to the BCUC's IRs have addressed the issues raised and that the Application should be approved as filed.

PART TWO: STAKEHOLDER SUPPORT FOR THE APPLICATION

5. FEI's consultation with the Energy Efficiency and Conservation Advisory Group (EECAG) indicated strong support for the proposed expenditures in 2026 and 2027. Several EECAG members expressed strong support for FEI's proposal for incremental expenditures noting strong customer demand, positive market performance of key technologies (e.g., dual fuel systems and gas absorption heat pumps), and the value of advancing cost-effective DSM. Members generally viewed the proposed expenditures as aligned with observed market momentum and broader trends toward higher energy efficiency in the building sector. Members supported the strategy

³ Exhibit B-1, Application, p. 20.

⁴ Exhibit B-1, Application, p. 21.

of higher incentives for early-stage technologies, followed by rebate adjustments as adoption increases.⁵

6. The letters of comment filed in this proceeding demonstrate significant public support for the Application from a wide range of stakeholders. LandlordBC states:⁶

- LandlordBC is leading several initiatives to advance emission reduction solutions, and continues to support our sector in gaining knowledge and acceptance of newer to market technologies including Dual Fuel solutions to achieve deep greenhouse gas emissions reductions.
- In alignment with LandlordBC's goals, FEI's application for Additional Demand Side Management expenditures, if approved, would support:
 - The changing marketplace and the need for significant near-term carbon emissions reductions
 - Greater participation in energy efficiency programs for rental apartment buildings
 - Acknowledgement that rebates are critical to our sector's continued investment in energy retrofits as an important part of a decarbonized energy future.

7. The City of Kamloops states:⁷

- The City is encouraged by the demonstrated success of FortisBC's DSM programs and the strong customer demand experienced in 2025.
- The proposed incremental DSM investment also supports broader provincial climate policy objectives under CleanBC.
- The City supports the continuation of income-qualifying DSM programming as part of this application.

8. The City of Nelson states:⁸

⁵ Exhibit B-1, Application, pp. 23-24.

⁶ Exhibit D-1.

⁷ Exhibit D-2.

⁸ Exhibit D-3.

- FEI's DSM programs are essential in supporting local objectives. The strong participation seen in 2025 reflects a clear and growing demand from residents and businesses for energy efficiency solutions. Continued investment will ensure that communities can sustain this momentum and achieve meaningful energy and emissions reductions.
- We view the requested incremental funding as a prudent and evidence-based response to demonstrated program demand. Maintaining and expanding DSM programming will deliver long-term benefits, including reduced energy use, lower costs for customers, and support for local economic activity.
- FEI's programs are also aligned with both provincial and local climate priorities. Energy efficiency is a foundational component of British Columbia's CleanBC plan and remains central to Nelson Next. Sustained investment in DSM will help advance these shared objectives and support progress toward emissions reduction targets.

9. The Pembina Institute states:⁹

- Buildings-focused DSM is an important regulatory and public-interest tool that can help manage energy demand, mitigate long-term system cost pressures, and advance decarbonization while contributing to household and business affordability.
- FEI's application highlights the role energy efficiency plays as a least-cost alternative to additional gas supply procurement and infrastructure expansion.
- It's consistent with established DSM principles laid out in the Utilities Commission Act. As noted in FEI's application there is strong and sustained customer demand for DSM activities, and given higher-than-forecast participation in new construction and residential and commercial retrofits programming incremental funding will help avoid program and market disruption in future years.
- As Pembina's Reframed Initiative and FEI's experience with the retrofit of low income buildings has highlighted, the energy efficiency benefits arising from high-performance products and equipment are in high demand, particularly for households facing affordability constraints.

10. The BC First Nations Energy and Mining Council (FNEMC) states:¹⁰

⁹ Exhibit D-4.

¹⁰ Exhibit D-5.

- FNEMC supports FEI's Application seeking acceptance of \$86.015 million in incremental DSM expenditures for 2026 and 2027, in addition to the previously approved 2024–2027 DSM Plan of \$626.7 million. This request is not indicative of poor planning; we feel it represents a meaningful program success. FEI's DSM programs are working, and the evidence confirms that communities, households, and businesses across the province are benefiting. First Nations housing weatherization and energy efficiency upgrades have contributed to this broader program success, and FEI's ability to continue meeting that demand must be preserved.
- This Application aligns directly with FNEMC's mandate and the BC First Nations Energy Action Plan, which calls for expanded First Nations participation in energy programs, meaningful reductions in energy costs for First Nations households, and substantive engagement in energy decision-making. DSM programs including residential weatherization, building envelope upgrades, and equipment efficiency improvements reduce energy burden, improve housing quality, and build local capacity across communities that often face higher energy costs and older housing stock.
- FNEMC further notes that continued DSM investment supports the Province's CleanBC plan and Canada's commitments to reconciliation and First Nations economic self-determination.
- FNEMC also supports FEI's proposal to extend the amortization period for its DSM deferral account from 10 to 20 years, effective January 1, 2027. This approach equitably spreads rate recovery costs over a longer time horizon consistent with the long-term nature of energy efficiency benefits which is particularly important for First Nations and low-income households that are disproportionately affected by rate increases.

11. The City of Kelowna states:¹¹

- Kelowna supports continued investment in energy efficiency, conservation, and demand-side management initiatives that help residents and businesses reduce energy consumption, lower operating costs, and support local and provincial climate objectives. Strong customer uptake of these programs demonstrates that energy efficiency measures are valued by customers and can play an important role in reducing peak demand pressures and reducing greenhouse gas emissions.
- The City wishes to emphasize that demand-side management programming should not be viewed as a substitute for the significant electrical and energy

¹¹ Exhibit D-6.

infrastructure planning investments that will be required to support rapid growth and electrification in the Okanagan region.

- The City supports improved coordination between utilities, local governments, and the Province to ensure that both conservation measures and long-term infrastructure investments are advanced in parallel.

12. The Aboriginal Housing Management Association states:¹²

- FEI's DSM programs deliver measurable and practical value. Program participation in 2025 exceeded expectations across multiple customer segments, including Indigenous and low-income households. This demonstrated uptake reflects strong customer demand for energy-efficiency upgrades and operational improvements and underscores the importance of ensuring DSM funding levels align with actual participation rather than forecast assumptions.
- The incremental funding request is grounded in actual program performance and remains subject to established BCUC oversight and cost-effectiveness testing. This approach supports accountability while ensuring that effective programs are not constrained by earlier projections that no longer reflect demand.
- The proposed extension of DSM amortization from 10 to 20 years would further benefit Indigenous non-profit housing providers by reducing near-term rate impacts and better aligning cost recovery with the long-term benefits of efficiency investments.
- Encourages the Commission to approve FEI's application. Continued investment in DSM programming will support housing providers, protect vulnerable households, and ensure that energy efficiency remains accessible, equitable, and responsive to demonstrated customer needs across British Columbia.

13. The Fraser Basin Council states:¹³

- Supports FortisBC Energy Inc.'s Application for Additional DSM Expenditures for 2026 and 2027. The requested funding is necessary to meet higher than anticipated program participation and to maintain continuity of energy efficiency services across British Columbia.
- Appreciates the importance of continued DSM support for Indigenous communities, many of whom face higher energy burdens and infrastructure challenges. FEI's DSM programs provide meaningful opportunities for improved

¹² Exhibit D-7.

¹³ Exhibit D-8.

home comfort, community resilience, and capacity building in Indigenous-led energy and climate initiatives.

- We value our collaboration with FortisBC and support approval of the additional DSM expenditures to ensure that households, businesses, and Indigenous communities can continue to access these important programs.

14. Neither FEI's consultation with the EECAG nor the letters of comment indicate any opposition to FEI's proposed DSM expenditures for 2026 and 2027. This is evidence of strong stakeholder support for the Application.

PART THREE: PROPOSED 2026 AND 2027 EXPENDITURES ARE IN THE PUBLIC INTEREST

15. FEI respectfully submits that the BCUC should accept the revised DSM expenditures schedule for 2026 and 2027 as set out in Table 1-2 of the Application, with total additional DSM expenditures of \$86.015 million for 2026 and 2027. As detailed in FEI's Application and response to IRs and the letters of comment, FEI proposed DSM expenditures are:

- Cost effective under the DSM Regulation;
- Meet the adequacy requirements of the DSM Regulation;
- Consistent with British Columbia's energy objectives;
- Consistent with FEI's LTGRP;
- In the interest of existing and future customers, who will receive significant benefits including bill savings, gas savings, and GHG emissions reductions; and
- Are necessary to support program continuity and maintain a balance of DSM programs in 2026 and 2027.

16. In the subsections below, FEI addresses the key issues raised in the BCUC's IRs.

A. Optimized Incentives, Updated Information, and Program Adjustments

17. FEI's revised 2026 and 2027 DSM expenditures are supported by an updated forecast of expenditures based on current information, including optimized incentive levels for dual-fuel

programs, updated participation forecasts, and updates to supporting program areas to reflect 2025 performance.¹⁴

18. The updates to the forecast result in variations between the proposed expenditures and those previously accepted in the Approved Plan. The revised Residential forecast is lower than the Approved Plan because the residential dual fuel incentive has been reduced from its original introductory level to a proposed \$4,000 rebate and because FEI proposes to reintroduce the Residential dual fuel offer only in September 2026, following acceptance of this Application.¹⁵ The revised Commercial and Low Income forecasts exceed the Approved Plan because demand in those sectors proved materially stronger than originally forecast and FEI reasonably expects that demand to continue through the remainder of the plan period. The Industrial forecast is above the Approved Plan as some Industrial Prescriptive measures, including thermal curtains and infrared heaters, are expected to continue to perform strongly in 2026, and several larger Performance Program projects that were delayed in 2025 are now expected to proceed in 2026 and 2027. FEI has observed that industrial customers are increasingly pursuing efficiency projects to address operational challenges, sustainability objectives and requirements under the BC Output Based Pricing System.¹⁶ FEI submits that it needs to support these initiatives. Notably, Industrial Performance projects are expected to deliver approximately 1,000,000 GJ of gas savings per year.¹⁷

19. FEI has justifiably proposed expenditures in line with the Approved Plan in the Residential and Low Income Program Areas in 2026 and 2027, even though they experienced significantly stronger demand in 2025 than forecast. In the Residential Area, additional reductions would not be reasonable as this would require removing rebates in the Home Renovation program, which would create a substantial gap in support for FEI's gas customers, harm customer trust, reduce contractor engagement, and forgo greenhouse gas savings opportunities. In the Low Income

¹⁴ Exhibit B-1, Application, pp. 11-14.

¹⁵ Exhibit B-3, BCUC IR1 1.1.

¹⁶ Exhibit B-3, BCUC IR1 1.1 and 1.2.

¹⁷ Exhibit B-3, BCUC IR1 2.1.

Program Area, further reductions are not appropriate because the programs serve some of FEI's most vulnerable customers. Reducing those offers could worsen energy poverty and arrears concerns, disrupt jointly delivered utility programs, and undermine contractor capacity and expertise that FEI has developed over time.¹⁸

20. Overall, the additional expenditures proposed to maintain programs in 2026 and 2027 are required to respond to actual market demand, preserve continuity of programming, maintain access to advanced measures and longer lead-time projects, and deliver additional energy savings that will benefit customers. Absent the requested incremental funding, FEI would be required to limit or remove a number of offers, including the dual fuel offer under the Home Renovation Program, the New Home Program, selected Commercial and Industrial advanced measures, Low Income supports including higher-value prescriptive rebates and reduced supports under the Energy Saving Kit and Energy Conservation Assistance Programs, and certain incentives in the Indigenous Program Area. These reductions would disrupt projects already in development, reduce participation, and weaken market confidence going into the next DSM plan period.¹⁹ FEI therefore submits that its proposal to maintain a full suite of programs in 2026 and 2027 is in the public interest.

B. The Revised Portfolio Remains Highly Cost-Effective

21. FEI's revised 2026 and 2027 DSM portfolio remains highly cost-effective based on the methodology prescribed by section 4 of the DSM Regulation.

22. FEI described in detail the cost-effectiveness methodology prescribed by the DSM Regulation in section 6.1 of its 2024-2027 DSM Expenditures Application. As discussed there, the BCUC's longstanding practice is to evaluate cost effectiveness of DSM expenditures at the portfolio level. The BCUC first determined that assessment of cost-effectiveness should be at the portfolio level in its decision on FEI's 2008 DSM Application²⁰ and, since then, has reached the

¹⁸ Exhibit B-3, BCUC IR1 1.2.

¹⁹ Exhibit B-3, BCUC IR1 1.3 and 1.4.

²⁰ Order G-36-09.

same determination in each of its subsequent decisions with respect to FEI’s DSM expenditures applications, included the most recent Approved Plan. The BCUC has taken the same portfolio approach to cost-effectiveness for DSM portfolios filed by FortisBC Inc., Pacific Northern Gas, and BC Hydro, resulting in a consistent province-wide approach to assessing the cost-effectiveness of both gas and electric DSM programs.

23. Amongst other benefits, the portfolio approach permits FEI to encourage increasing levels of efficiency in gas DSM. Advanced DSM measures that are relatively new to the market may have a higher initial cost because they are not yet benefitting from economies of scale. A program based on such measures is more likely to have low UCT results. Although the near-term results of such a program might be lower relative to past DSM Plans, the long-term prospects for such measures to provide benefits to customers is significant. The portfolio level cost-effectiveness analysis can absorb some of these types of programs without failing the cost-effectiveness test, thereby allowing programs to mature and achieve significant benefits for customers.

24. Table 2-1 of the Application, below, shows the strong UCT results of the proposed portfolio for 2026 and 2027.

Table 2-1: Overall DSM Portfolio Level Expenditures and Savings

2026 & 2027 Reforecast	2026	2027	Total
Utility Expenditures, Incentives (\$000s)	113,932	117,562	231,494
Utility Expenditures, Non-Incentives (\$000s)	36,339	38,044	74,383
Utility Expenditures, Total (\$000s)	150,271	155,606	305,877
Yearly Incremental Gas Savings (GJ/yr.)	1,856,265	2,315,305	4,171,570
GHG Emission Reduction (tonnes CO2e/yr)	126,226	157,441	283,667
NPV of Annual Gas Savings (GJ/Yr.)	31,743,710	39,752,249	71,495,959
Measure Lifetime GHG Emission Reductions (tonnes CO2e)	2,158,572	2,703,153	4,861,725
UCT	6.44	7.80	7.14

25. The forecast combined portfolio UCT for 2026 and 2027 is 7.14, compared to the 2025 actual portfolio UCT of 1.6 and the Approved Plan forecast UCT of 2.1. This improved forecast cost-effectiveness is driven primarily by updated assumptions for Industrial Performance Program projects, including committed projects expected to deliver approximately 1,000,000 GJ

of gas savings per year in 2026 and 2027. The resulting increase in overall portfolio benefits relative to costs strongly supports acceptance of the requested expenditures.²¹

26. FEI's advanced DSM measures generally performed as expected. The Residential Dual Fuel Hybrid System achieved a 2025 UCT of 1.3 compared to a plan forecast of 1.0. The Commercial Hybrid Dual Fuel Rooftop Unit measure achieved a 2025 UCT of 3.9 compared to a plan forecast of 3.8. The Commercial Gas Absorption Heat Pump measure was the only material variance, with a 2025 UCT of 0.8 compared to a plan forecast of 3.1. The lower Commercial Gas Absorption Heat Pump result reflected higher than planned project costs, and fewer units installed per participant than assumed in the plan. FEI will continue monitoring this measure and will consider program changes to optimize incentive levels in balance with participation.²²

27. Overall, FEI's portfolio continues to be highly cost-effective, with variations from forecast UCT results limited to a single measure and the remaining advanced DSM measures performing in line with Plan expectations. To ensure that the portfolio meets a positive UCT on an annual basis, FEI will continue its practice of monitoring DSM programs on a monthly basis.²³ This practice will allow FEI to identify trends in cost-effectiveness related to program and portfolio expenditures and adjust as needed. FEI will also continue to report to the BCUC on individual DSM program cost-effectiveness results in its DSM Annual Reports.

C. FEI is Carefully Progressing its Advanced DSM Pilots

28. FEI is prudently and carefully progressing its advanced DSM pilots. FEI's approach to advancing pilot technologies follows a staged process with defined phase gates. These phase gates typically align with the completion of key measurement and verification (M&V) activities or interim results reviews. At each phase gate, FEI assesses next steps, which may include extending M&V periods, expanding the sample size, refining or modifying system configurations, incorporating additional technologies, or discontinuing further evaluation. Transition to a

²¹ Exhibit B-3, BCUC IR1 2.1.

²² Exhibit B-3, BCUC IR1 3.1.

²³ Exhibit B-3, BCUC IR1 7.3.

program offering may be considered where sufficient evidence supports performance, customer acceptance, cost-effectiveness, and market readiness.²⁴

29. FEI's pilot work supported the incorporation of gas absorption heat pump technology into the Commercial Program Area in 2022 and residential dual fuel systems into FEI's relevant customer program areas in 2024. The inclusion of these measures reflects a multi-year process in which the technologies were assessed through pilot activities and supported by measurement and verification. FEI advanced these technologies to program inclusion based on demonstrated performance, customer uptake, and market readiness.²⁵

30. Several other advanced DSM initiatives remain under evaluation and have not yet progressed into permanent offerings because transition depends on M&V results, customer acceptance, cost-effectiveness, market readiness and the resolution of outstanding information gaps.²⁶ Based on the latest information and results, FEI continues to revise its expectations for technology readiness, manufacturer constraints, speed of integration of technologies, and timing of pilot deployment. There is no measure-level UCT calculation for technologies in the pilot stage because costs, savings and performance are inherently uncertain as they are still under evaluation.²⁷

D. FEI's Dual-Fuel DSM Programs Comply with the DSM Regulation

31. FEI's DSM program design for integrated dual-energy space heating systems is supported by multi-phase pilot results, third-party M&V studies, program design controls, and participant evaluation findings, all of which establish that FEI's dual-fuel offerings operate in a manner consistent with the DSM Regulation's requirements, including that the integrated dual-energy space heating systems in climate zones 4 and 5 are likely to achieve, in aggregate, an annual average seasonal coefficient of performance ("SCoP") of at least 1.5.

²⁴ Exhibit B-3, BCUC IR1 4.2.

²⁵ Exhibit B-3, BCUC IR1 4.1.

²⁶ Exhibit B-3, BCUC IR1 4.2.

²⁷ Exhibit B-3, BCUC IR1 4.3.

(a) Demonstrated Compliance with the Seasonal Coefficient of Performance Requirement

32. The evidence is clear that, as required by the DSM Regulation, the integrated dual-energy space heating systems in climate zones 4 and 5 are likely to achieve, in aggregate, an annual average SCoP of at least 1.5. FEI's field-based M&V results demonstrate that installed dual-fuel systems achieve average SCoP values of approximately 2.0 in climate zone 4 and 1.7 in climate zone 5 in the 2024–2025 monitoring period, with earlier results showing approximately 2.5 in climate zone 4 and 1.5 in climate zone 5. These results meet or exceed the DSM Regulation threshold across both climate zones. These findings are based on real-world operating data from installed systems in British Columbia and therefore reflect actual customer usage and climatic conditions. This type of empirical, in-field evidence provides a strong and reliable basis for concluding that the aggregate performance requirement in the DSM Regulation is satisfied.²⁸

(b) Multi-Phase Pilot Evidence Supporting Program Design

33. FEI's dual-fuel programs are based on the learnings from a comprehensive, two-phase pilot and are supported by ongoing monitoring across multiple heating seasons. The first phase of the pilot assessed the operation of existing systems installed in the residential market to collect observational data on system performance, operating characteristics, and customer usage in real-world conditions. The second phase involved the installation and monitoring of new dual-fuel systems with integrated controls, designed to collect primary performance data across a broader and representative range of residential applications to support program development and assess scalability. Ongoing data collection from Phase 2 continues to inform refinements to program design, assumptions, and performance expectations.²⁹

(c) Rigorous M&V Methodology

34. FEI employed a rigorous M&V approach to demonstrate the SCoP of the integrated dual-energy space heating systems. FEI retained a third-party engineering consultant to conduct detailed analysis using an adapted International Performance Measurement and Verification

²⁸ Exhibit B-3, BCUC IR1 6.2, 6.3.

²⁹ Exhibit B-3, BCUC IR1 6.1.

Protocol (“IPMVP”) methodology.³⁰ The analysis is based on M&V conducted at 35 sites, comprising 25 homes in climate zone 4, and 10 homes in climate zone 5, over the primary reporting period from January 1, 2024 to March 31, 2025, with continued monitoring of a subset of homes through March 31, 2026. The M&V work involved direct measurement of system performance using sub-metered electricity and natural gas consumption, along with measurements of airflow, temperature, and humidity. Data were recorded at five-minute intervals, enabling precise determination of thermal output through an energy balance approach and calculation of system-level performance over time. Seasonal performance metrics were then calculated at the household level and aggregated by climate zone. This approach reflects industry best practices and ensures that the resulting SCoP values are grounded in measured, high-resolution operational data rather than assumptions or laboratory ratings.³¹

(d) Program Design Features Ensure Sustained Performance

35. FEI’s program design includes specific features that directly support compliance with the DSM Regulation’s SCoP requirement. In particular, in accordance with program terms and conditions to qualify for program incentives, FEI requires that dual-fuel systems be installed with prescribed outdoor temperature switchover thresholds, set at maximum of 5°C in the Lower Mainland and Vancouver Island and 2°C in the Southern Interior and Northern British Columbia.³² These thresholds define an upper limit for switchover temperatures while allowing flexibility in actual system operation. In practice, optimal switchover temperatures may be set lower than the maximum, depending on equipment performance characteristics, building-specific heating demand, customer preferences, and relative energy prices.³³

36. These thresholds align with provincial program guidance, including thresholds previously applied under the Province of British Columbia’s CleanBC Better Homes program, where dual fuel systems were required to be installed with switchover set points at or below 5°C in coastal

³⁰ Exhibit B-3, BCUC IR1 6.4.

³¹ Exhibit B-3, BCUC IR1 6.4 and 6.5.

³² Exhibit B-1, Application, Appendix A-1, p. 8; Exhibit B-3, BCUC IR1 5.5 and 6.8.

³³ Exhibit B-3, BCUC IR1 6.7.

climates and at or below 2°C in colder interior and northern regions. The thresholds result in sufficient operation of the heat pump component to result in SCoP outcomes consistent with the DSM Regulation.³⁴

(e) Strong Evidence of Persistent Customer Configuration

37. FEI's evaluation work confirms that installed system settings generally persist over time. Survey and evaluation data indicate that nearly 90 percent of participants did not change their switchover temperature settings after installation, and only one third of those customers (approximately 3 percent of participants overall) adjusted settings beyond program maximums.³⁵ While customers can in theory override the installed system settings, doing so is complex and requires reviewing and understanding the manufacturer's instructions and back-end programming.³⁶ In addition, some contractors chose to lock out customers from altering switchover set-points, likely to avoid adjustments that negatively impact system functionality.³⁷ This evidence demonstrates that the performance characteristics observed in FEI's M&V work are representative of ongoing system operation in the field.

(f) Positive Participant Experience and Program Outcomes

38. Participant evaluation results further reinforce the effectiveness of FEI's dual-fuel programs. Customers report high levels of satisfaction, strong thermal comfort, and ease of use. These findings demonstrate that the systems perform reliably under real-world conditions and are accepted by customers, supporting continued proper operation over time.³⁸

(g) Conclusion

39. FEI submits that the evidentiary record clearly demonstrates that its dual-fuel DSM programs comply with the DSM Regulation. The record includes:

³⁴ Exhibit B-3, BCUC IR1 6.6.

³⁵ Exhibit B-3, BCUC IR1 6.8.

³⁶ Exhibit B-3, BCUC IR1 5.5.

³⁷ Exhibit B-3, BCUC IR1 5.5.

³⁸ Exhibit B-3, BCUC IR1 6.2.

- (a) detailed, third-party field-based M&V results;
- (b) multi-phase pilot studies conducted over multiple years;
- (c) program design features directly tied to system performance; and
- (d) participant evaluation and survey evidence.

40. Taken together, this evidence demonstrates that FEI's dual-fuel systems are likely, in aggregate, to achieve an annual average SCoP of at least 1.5 in climate zones 4 and 5. Accordingly, FEI submits that its dual-fuel DSM programs are well-supported, prudently designed, and fully consistent with the applicable regulatory framework.

PART FOUR: DSM DEFERRAL ACCOUNT AMORTIZATION PERIOD

41. FEI respectfully requests that the BCUC approve a change in the amortization period for the rate base DSM deferral account from 10 years to 20 years, effective January 1, 2027. The measure life of FEI's DSM portfolio has increased over the years and the current amortization period of 10 years is now out of date, creating intergenerational inequity due to the significant mismatch between the time for recovering the costs and the time which benefits are expected to be felt by customers. The size of FEI's DSM portfolio has also significantly increased, meaning that the rate mitigation benefits of realigning the amortization period are now significant. Therefore, changing the amortization period from 10 years to 20 years will improve intergenerational equity, by aligning the recovery of costs with the longevity of the benefits, while providing immediate rate relief to customers.

42. In the subsections below, FEI submits:

- 20.1 years is the most representative average measure life for FEI's DSM portfolio;
- with the increase in DSM expenditures and average measure life, intergenerational inequity has become significant; and
- a 20-year amortization period achieves a better balance of DSM objectives and customer impacts, recognizing the growth in the size of FEI's DSM programming.

A. 20.1 Years is the Most Representative Estimated Average Measure Life

43. The 20.1-year measure life calculated on an expenditure-weighted basis is the most representative measure of the useful life of FEI's DSM portfolio. This approach best reflects how DSM costs are incurred, how benefits are delivered to customers, and how cost recovery is structured through rates. By contrast, the alternative approaches based on GJ-weighting (17.8 years) or the inclusion of indirect expenditures with zero-assigned measure life (14.6 years) introduce distortions that do not accurately reflect the economic or operational realities of the DSM portfolio.

(a) Expenditure-Weighted vs. Energy-Weighted Measures

44. The 20.1-year measure life provides the most direct and internally consistent link between program costs, customer benefits, and cost recovery.

45. First, the expenditure-weighted measure life most directly aligns with the principle of cost causation, which underpins utility ratemaking. DSM costs are incurred on a program-by-program basis and are driven by financial expenditures, not by energy savings volumes alone. Accordingly, the measure life used to determine amortization should reflect how those dollars are deployed across measures.

46. Second, the 20.1-year measure life best reflects the true duration of benefits associated with the invested capital in the DSM portfolio. FEI's DSM portfolio includes a significant proportion of long-lived measures, such as building envelope improvements, equipment upgrades, and system-level retrofits, which have measure lives that extend well beyond shorter-duration behavioral or operational measures. An expenditure-weighted approach appropriately captures this portfolio composition by giving proportional weight to:

- high-cost, long-lived capital measures, which provide enduring savings over multiple decades; and
- lower-cost, shorter-lived measures, without allowing them to disproportionately shorten the calculated portfolio life.

47. Third, by contrast, a GJ-weighted approach inherently biases the result toward measures with higher immediate energy savings, which may not correspond to the largest or most enduring investments. This can understate the effective life of the portfolio by placing disproportionate emphasis on shorter-lived, high-savings measures, rather than on the financial reality of how DSM programs are delivered.

48. More specifically, the 17.8-year GJ-weighted measure life, while informative from an energy savings perspective, is less appropriate for amortization purposes because it emphasizes energy output rather than investment structure. Specifically:

- a GJ-weighting overweights measures with high annual savings, regardless of their cost or longevity;
- it does not reflect how DSM program funding is allocated across measures; and
- it weakens the connection between cost recovery and the persistence of benefits associated with those costs.

Thus, the GJ-weighted metric is not the appropriate basis for determining the amortization period of a deferral account that is fundamentally financial in nature.

49. Overall, a weighting based on expenditures ensures that:

- measures with the largest capital and incentive investments appropriately influence the overall portfolio life; and
- the resulting measure life reflects the duration over which those invested dollars deliver benefits to customers.

50. This alignment is important in the context of amortization, as the DSM deferral balance is recovered through rates based on dollars invested, not energy savings achieved.

(b) Treatment of Indirect or Supporting Expenditures

51. FEI appropriately excluded indirect or supporting expenditures in the Conservation, Education and Outreach, Innovative Technologies, Enabling, and Portfolio program areas from

the weighted average measure life calculation as these expenditures have no calculable measure life or can be reasonably assumed to have the same life as the measures they support.³⁹

52. A 14.6-year measure life results from including indirect or supporting DSM expenditures and assigning them a zero-year measure life.⁴⁰ FEI submits that this treatment is unduly conservative and does not reflect the role that indirect expenditures play in enabling DSM outcomes.⁴¹

53. Indirect or supporting expenditures, such as program administration, marketing, evaluation, and market transformation activities, are integral to the delivery and effectiveness of DSM programs. While they may not be directly attributable to quantifiable energy savings on a one-to-one basis, they:

- support program uptake and participation;
- enable the installation and persistence of DSM measures; and
- contribute to overall portfolio outcomes over time.

54. Assigning a zero-year measure life to these expenditures artificially compresses the overall portfolio measure life by decoupling enabling costs from the benefits they support. This creates a downward bias that does not reflect actual program operation or the duration over which customers benefit from DSM investments.

55. In contrast, the expenditure-weighted 20.1-year measure life reflects the benefits of indirect or supporting expenditures in a manner that reflects their functional relationship to the portfolio as a whole, without imposing an artificial assumption that they provide no enduring value. FEI submits this approach is more representative of the DSM portfolio and should be preferred.

³⁹ Exhibit B-3, BCUC IR1 9.1.

⁴⁰ Exhibit B-3, BCUC IR1 9.1.

⁴¹ Exhibit B-3, BCUC IR1 9.1.

(c) 20.1 Average Measure Life is Most Appropriate

56. Overall, FEI submits that the 20.1-year measure life based on expenditures is the most appropriate, reasonable, and supportable measure for its DSM portfolio as it:

- (a) aligns directly with cost causation and amortization principles;
- (b) reflects the true composition and investment profile of the DSM portfolio;
- (c) appropriately captures the contribution of long-lived capital measures;
- (d) avoids the distortions inherent in GJ-weighted methodologies; and
- (e) recognizes the enabling role of indirect expenditures without imposing artificial assumptions.

57. Accordingly, FEI submits that the Commission should find that the 20.1-year expenditure-weighted measure life provides the most accurate and consistent basis for assessing the duration of DSM benefits and for supporting the proposed amortization period.

B. Intergenerational Inequity Has Become Significant

58. The misalignment between the average measure life for FEI's DSM expenditures and the 10-year amortization period that was approved by the BCUC in 2009 has been growing, and, with the increase in DSM expenditures, intergenerational inequity is becoming significant.

59. The weighted average measure life of FEI's 2014-2018 DSM Plan was approximately 13 years. The weighted average measure life of the 2019-2022 DSM Plan increased to 16 years. Now, the weighted average measure life of the 2024-2027 DSM Plan, as updated in this Application, is approximately 20 years. As such, the current 10-year amortization period is now approximately half of the measure life of the portfolio.⁴²

60. FEI's total DSM expenditures have also been growing. The 2008-2010 DSM Plan totaled \$41.5 million (or approximately \$13.8 million per year). The current 2024-2027 DSM Plan,

⁴² Exhibit B-3, BCUC IR1 8.1.

inclusive of the requested additional DSM expenditures for 2026 and 2027, totals \$712.7 million (or approximately \$178.2 million per year).⁴³

61. As a result of the increasing measure life and size of the DSM portfolio, the current 10-year amortization period is causing significant intergenerational inequity, which needs to be addressed.

C. Balancing DSM Objectives and Customer Impacts

62. FEI submits that a 20-year amortization period achieves a better balance of DSM objectives and customer impacts, recognizing the increase in the measure life and growth in the size of FEI's DSM programming, which increases the benefits of rate smoothing / rate mitigation relative to the cost of financing the balance in the rate base DSM deferral account.

(a) The Balance of Factors Has Changed

63. Over 16 years ago, in Decision and Order G-36-09, the BCUC considered a 10-year amortization period would provide a reasonable balance of DSM objectives (matching the benefits of DSM measures and costs) and customer impacts (rate impact). These considerations of customer impact and DSM objectives have been re-iterated by the BCUC in subsequent decisions.⁴⁴ These same considerations now support a change to a 20-year amortization period.

64. As noted above, the measure life and level of FEI's DSM expenditures has increased significantly since 2008, which has in turn increased the impact of the DSM deferral account amortization on rates. While the 2008-2010 DSM Plan contemplated approximately \$13.8 million per year, the current updated 2024-2027 DSM Plan contemplates approximately \$178.2 million per year. The growth in DSM Plan expenditures over the years reflects the success of FEI's DSM programming and the important role that FEI's DSM programs and incentives have in helping customers achieve energy savings. The increase in annual DSM expenditures means that the benefits of rate smoothing / rate mitigation achieved through a longer amortization period are

⁴³ Exhibit B-3, BCUC IR1 8.1.

⁴⁴ Exhibit B-3, BCUC IR1 8.1.

significantly greater than they were when the BCUC previously assessed this issue. This benefit outweighs the additional carrying costs, which are minimal in comparison, as shown in Table 4-3 of the Application. When also factoring in the current weighted average measure life of 20 years, the current 10-year amortization period no longer represents a reasonable balance between rate impacts and benefit matching.

(b) 20-Years Represents a Better Balance

65. Given the changed circumstances, FEI submits that a 20-year amortization period now reflects the best balance of factors.

66. First, a 20-year amortization period represents a more balanced approach at this time because it better aligns the timing of cost recovery with the duration of customer benefits delivered by FEI's DSM portfolio. FEI's DSM measures provide benefits over an average life of approximately 20.1 years, meaning that customers continue to realize energy savings and system value well beyond a shorter recovery horizon. Adopting a 20-year amortization period ensures that costs are recovered over the same period in which those benefits are experienced, aligning with the principle of intergenerational equity and avoiding the premature concentration of costs on current ratepayers.

67. Second, a 20-year amortization period appropriately balances the need to better match benefits and costs with the financing costs associated with carrying the DSM deferral balance. While extending the amortization period modestly increases total carrying costs over time, this impact is limited and is outweighed by the near-term rate stability and mitigation benefits achieved through lower annual amortization expense. The 20-year period strikes a reasonable balance: it meaningfully reduces rate impacts in the early years, while avoiding undue accumulation of financing costs or excessive deferral of recovery. This balanced outcome supports both rate affordability, and is consistent with sound regulatory practice in managing deferral accounts tied to long-lived assets and enduring customer benefits.

68. Finally, moving the amortization period from 10 years to 20 years would also be consistent with the approach approved for BC Hydro, in which BC Hydro's deferral amortization

period was increased from 10 years to 15 years to help lower rate increases⁴⁵ and to align more closely with the weighted average life of their measures. The 15-year amortization period was reviewed again in BC Hydro's F2020-F2021 RRA and was maintained.

69. FEI therefore submits that a 20-year amortization period should be approved.

D. Applying the 20-Year Period to Balance in Account

70. FEI submits that applying the 20-year period to the full DSM deferral account balance as of December 31, 2026 is the most reasonable approach. As approximately 66.9 percent of the projected balance in the rate base DSM deferral account relates to the current plan period, the practical difference between a single-period and a more granular vintage-based approach is small. FEI estimated that the difference for an average residential customer would be approximately \$3.80, which FEI reasonably concluded does not justify the complexity of a more fragmented amortization structure.

PART FIVE: CONCLUSION

71. The evidentiary record establishes that FEI's requested incremental DSM expenditures for 2026 and 2027 are a reasonable and prudent response to actual market demand, and that they are necessary to preserve continuity of cost-effective DSM programming through the end of the current plan period. The letters of support filed in this proceeding demonstrate significant public support from a diverse group of stakeholders. FEI's responses to BCUC IR No. 1 demonstrate that the revised expenditure forecasts are grounded in real market experience, that portfolio-level cost-effectiveness remains strong, that dual fuel program assumptions and controls are appropriately supported by measurement evidence and market data, and that FEI's rebate approval and tracking processes are robust.

72. The record also establishes that extending the DSM deferral account amortization period from 10 years to 20 years is just and reasonable. The proposal better aligns cost recovery with

⁴⁵ BC Hydro Amended Fiscal 2012 to Fiscal 2014 Revenue Requirements Application (F2012-2014 RRA), Section 7.3.1.

the duration of DSM benefits, meaningfully mitigates delivery rate impacts for customers, and does so with only a modest increase in carrying costs.

73. Accordingly, FEI respectfully requests that the BCUC approve FEI's Application as filed, including acceptance of the revised DSM expenditures schedule for 2026 and 2027 and approval of the proposed 20-year amortization period effective January 1, 2027.

74. ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated:

May 28, 2026

[original signed by Chris Bystrom]

Chris Bystrom
Counsel for FortisBC Energy Inc.