



FORTISBC INC.
SEMI-ANNUAL DSM REPORT
SIX MONTHS ENDED JUNE 30, 2008

Table of Contents

| | |
|--|----------|
| REPORT OBJECTIVE | 3 |
| ENERGY SAVINGS PER SECTOR | 3 |
| PROGRAM COSTS | 5 |
| FINANCIAL RESULTS | 6 |
| INCENTIVE MECHANISM..... | 6 |
| APPENDIX A DSM SUMMARY REPORT BCUC FORMAT | 8 |

Report Objective

This report provides highlights of FortisBC Inc.'s ("FortisBC or "the Company") Demand Side Management ("DSM") programs for the six months ending June 30, 2008. The presentation format compares actual energy savings and costs to plan, provides a statement of financial results and details the estimated DSM incentive for the period.

Overview of Results for the Six Months Ended June 30, 2008

Energy efficiency savings for the six months ending June 30, 2008 were 16.2 GW.h, 165 percent of the planned 9.8 GW.h for the same period. Costs for the year were \$1.33 million or 113 percent of the planned \$1.18 million for the same period. The Total Resource Benefit/Cost ratio for the six months ended June 30, 2008 was 2.1.

Energy Savings per Sector

| | GW.h | | % of Plan |
|-----------------|------------|-------------|------------|
| | YTD Plan | Actual | |
| Residential | 4.2 | 6.0 | 142 |
| General Service | 4.6 | 8.9 | 195 |
| Industrial | 1.0 | 1.3 | 127 |
| Total | 9.8 | 16.2 | 165 |

The Residential, General Service and Industrial sectors all exceeded their energy savings target for the period.

Detail of Energy Savings

| Residential Programs | GW.h | | % of Plan |
|------------------------------------|-----------------|---------------|------------------|
| | YTD Plan | Actual | |
| H.I.P./Watersavers | 0.2 | 0.2 | 123 |
| New Home Program | 0.7 | 0.8 | 123 |
| Heat Pumps (Air and Ground Source) | 2.4 | 3.3 | 137 |
| Residential Lighting | 0.9 | 1.6 | 180 |
| Total | 4.2 | 6.0 | 143 |

The residential construction and renovation activity continued apace. All Residential programs exceeded plan expectations. In the New Home program, there were 196 single family and 325 multiple unit participants up to June 30. There were 392 Air Source and 37 Ground Source Heat Pump participants.

| General Service Programs | GW.h | | % of Plan |
|----------------------------------|-----------------|---------------|------------------|
| | YTD Plan | Actual | |
| Lighting | 1.8 | 6.3 | 349 |
| Building and Process Improvement | 2.7 | 2.6 | 95 |
| Total | 4.6 | 8.9 | 195 |

The General Service sector recorded savings of 8.9 GW.h or 195 percent of plan to June 30, 2008. Product lighting rebates, offered through lighting wholesalers at point of sale, make up 3.7 GWh of the lighting results. Larger projects included savings of: 0.5 GW.h each for lighting retrofits in a hospital and a refrigerated warehouse; 0.8 GW.h for a new water treatment plant in the Okanagan; and 0.3 GW.h for a new city hall in the Kootenays.

| Industrial Programs | GW.h | | % of Plan |
|----------------------------|-----------------|---------------|------------------|
| | YTD Plan | Actual | |
| Compressed Air | 0.4 | 0.0 | 0 |
| Industrial Efficiencies | 6.0 | 1.3 | 197 |
| | 1.0 | 1.3 | 127 |

The Industrial Efficiency program achieved savings of 1.3 GW.h, in excess of the planned 1.0 GW.h. The majority of savings were the result of completion of a final phase of a project at the Castlegar pulp mill.

Program Costs**Summary of Costs by Sector**

| | (\$000s) | | % of Plan |
|-------------------------|--------------|--------------|------------|
| | YTD Plan | Actual | |
| Residential | 512 | 579 | 113 |
| General Service | 377 | 523 | 139 |
| Industrial | 100 | 59 | 59 |
| Planning and Evaluation | 189 | 173 | 92 |
| Total | 1,178 | 1,334 | 113 |

Costs amounted to \$1,334,000, 113 percent of the plan figure to June 30, 2008.

Costs per Sector:

| Residential | (\$000s) | | % of Plan |
|---------------------------|------------|------------|------------|
| | YTD Plan | Actual | |
| H.I.P./Watersavers | 68 | 36 | 53 |
| New Home Program | 143 | 174 | 121 |
| Heat Pumps (Air & Ground) | 223 | 277 | 124 |
| Residential Lighting | 78 | 93 | 119 |
| Total | 512 | 579 | 113 |

The cost of Residential programs was \$579,000, 113 percent of plan. The largest cost component of Residential programs is the Heat Pumps Program followed by the New Home Program. Incentives paid to participants amounted to \$387,000 during the period, \$70,000 over plan, due to the higher volume of energy savings recorded.

| General Service | (\$000s) | | % of Plan |
|----------------------------------|------------|------------|------------|
| | YTD Plan | Actual | |
| Lighting | 129 | 224 | 174 |
| Building and Process Improvement | 249 | 299 | 120 |
| Total | 377 | 523 | 139 |

Costs to June 30, 2008 for General Service amounted to \$523,000 or 139 percent of plan. Incentives paid amounted to \$242,000 and exceeded plan by 17 percent or \$36,000. This corresponds to the savings activity within this sector which also exceeds plan.

| Industrial | (\$000s) | | % of Plan |
|-------------------------|-----------------|---------------|------------------|
| | YTD Plan | Actual | |
| Industrial Efficiencies | 71 | 51 | 72 |
| Compressed Air | 29 | 8 | 28 |
| Total | 100 | 59 | 59 |

Industrial sector costs were \$59,000 for the period, 59 percent of plan. Incentives paid during the period amounted to \$17,000, or \$46,000 below plan, as the largest project rebate was throttled by the 2-year payback limitation.

Financial Results

| Program | Program Benefits | Program Costs | Planning and Evaluation Costs | Customer Costs | Total Costs | Benefit/Cost Ratios |
|----------------------------------|-------------------------|----------------------|--------------------------------------|-----------------------|--------------------|----------------------------|
| (\$000s) | | | | | | |
| Residential | | | | | | |
| H.I.P./Watersavers | 104 | 36 | 3 | 73 | 111 | 0.9 |
| New Home program | 466 | 174 | 9 | -23 | 160 | 2.9 |
| Heat Pumps | 1,171 | 277 | 36 | 607 | 920 | 1.3 |
| Residential Lighting | 395 | 93 | 17 | -4 | 105 | 3.8 |
| Residential Total | 2,136 | 579 | 65 | 653 | 1,297 | 1.6 |
| General Service | | | | | | |
| Lighting | 2,077 | 224 | 67 | 280 | 571 | 3.6 |
| Building and Process Improvement | 973 | 299 | 28 | 363 | 689 | 1.4 |
| General Service Total | 3,050 | 523 | 95 | 642 | 1,260 | 2.4 |
| Industrial | | | | | | |
| Industrial Efficiencies | 376 | 51 | 13 | 52 | 116 | 3.2 |
| Compressed Air | 0 | 8 | 0 | 0 | 8 | 0.0 |
| Industrial Total | 376 | 59 | 13 | 52 | 124 | 3.0 |
| Total | 5,562 | 1,161 | 173 | 1,347 | 2,681 | 2.1 |

An overall Benefit/Cost ratio of 2.1 has been achieved to June 30, 2008, which is equal to the plan figure for the year.

The residential sector results had an overall benefit/cost ratio of 1.6. In the General Service and Industrial sectors, financial results exceeded expectations with benefit/cost ratios of 2.4 and 3.0 respectively.

Incentive Mechanism

The incentive mechanism provides for incentives based on Net Benefits exceeding plan. Net Benefits are defined as Gross Benefits attributed to energy and capacity savings based on avoided power purchase costs, less FortisBC program costs and customer-incurred costs

pertinent to the energy savings project. The Net Benefits baseline is based on an average of the three preceding years, with actual costs escalated into 2008 dollars and benefits priced under the current BC Hydro rate schedule 3808.

| | TRC Net Benefits | | Eligible for Incentive | Performance | Forecast Incentive |
|-----------------|---------------------------|-------------------------|------------------------|-------------|--------------------|
| | Actual to: 30-Jun 2008 | Base to: 30-Jun 2008 | | | |
| | \$000s | | | | |
| Residential | 904 | 956 | 878 | 92% | - |
| General Service | 1,885 | 1,216 | 1,496 | 123% | 60 |
| Industrial | 265 | 165 | 248 | 150% | 7 |
| Total | 3,054 | 2,337 | 2,622 | | 67 |

Actual Net Benefits to June 30, 2008 amounted to \$3,054,000, a \$717,000 favourable variance over the baseline Net Benefits of \$2,337,000.

As prescribed by the Shared Savings Mechanism (“SSM”), the net benefits for Residential and General Service were capped at 110 percent of the 2008 Plan. The Industrial total net benefits were capped at 150 percent of base net benefits, also as prescribed by the SSM. General Service and Industrial were successful in attracting the maximum incentive rates of 4 percent and 3 percent respectively, while Residential net benefits, at 92 percent of base net benefits, were within the incentive dead band.

Based on current costs, savings and benefit calculations to June 30, 2008 an incentive of \$67,000 has been calculated. This amount will change based on the performance during the second half of the fiscal year.

Appendix A DSM Summary Report BCUC Format

FortisBC Year to Date ending June 30, 2008

| Sector/Program | Program Costs | | | Planning & Evaluation | Research Adm & OH | Total Utility Cost | Customer Incurred Cost | Total Resource Cost | Benefit/Cost Ratios | | | Levelised Cost |
|----------------------------------|-------------------|--------------------|----------------|-----------------------|-------------------|--------------------|------------------------|---------------------|---------------------|----------------|-------------|----------------|
| | Direct Incentives | Direct Informatior | Program Labour | | | | | | Societal Cost | Total Resource | Rate Impact | |
| \$000s | | | | | | | | | | | | |
| | | | | | | | | | | | | ¢/kWh |
| <u>RESIDENTIAL:</u> | | | | | | | | | | | | |
| Heat Pumps | 171.4 | 34.9 | 71.0 | 21.6 | 14.4 | 313 | 607 | 920 | n/a | 1.3 | 0.5 | 3.0 |
| New Home Program | 148.1 | 11.7 | 13.8 | 5.2 | 3.5 | 182 | -23 | 160 | n/a | 2.9 | 0.6 | 1.7 |
| Residential Lighting | 53.2 | 6.0 | 33.3 | 10.3 | 6.9 | 110 | -4 | 105 | n/a | 3.8 | 0.7 | 1.6 |
| Home Improvements Program | <u>14.5</u> | <u>5.7</u> | <u>15.7</u> | <u>1.5</u> | <u>1.0</u> | <u>38</u> | <u>73</u> | <u>111</u> | <u>n/a</u> | <u>0.9</u> | <u>0.5</u> | <u>4.7</u> |
| | <u>387.2</u> | <u>58.3</u> | <u>133.8</u> | <u>38.7</u> | <u>25.8</u> | <u>644</u> | <u>653</u> | <u>1,297</u> | | <u>1.6</u> | <u>0.5</u> | <u>2.7</u> |
| <u>GENERAL SERVICE</u> | | | | | | | | | | | | |
| Lighting | 134.2 | 33.5 | 56.4 | 40.3 | 26.9 | 291 | 280 | 571 | n/a | 3.6 | 0.5 | 1.2 |
| Building and Process Improvement | <u>107.9</u> | <u>76.5</u> | <u>114.1</u> | <u>16.6</u> | <u>11.0</u> | <u>326</u> | <u>363</u> | <u>689</u> | <u>n/a</u> | <u>1.4</u> | <u>0.5</u> | <u>2.7</u> |
| | <u>242.1</u> | <u>110.0</u> | <u>170.5</u> | <u>56.9</u> | <u>37.9</u> | <u>617</u> | <u>642</u> | <u>1,260</u> | | <u>2.4</u> | <u>0.5</u> | <u>1.7</u> |
| <u>INDUSTRIAL:</u> | | | | | | | | | | | | |
| Industrial Efficiencies | 16.6 | 1.5 | 33.2 | 8.1 | 5.4 | 65 | 52 | 116 | n/a | 3.2 | 0.6 | 0.8 |
| Compressors | <u>0.0</u> | <u>1.5</u> | <u>6.5</u> | <u>0.0</u> | <u>0.0</u> | <u>8</u> | <u>0</u> | <u>8</u> | <u>n/a</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| | <u>16.6</u> | <u>3.0</u> | <u>39.7</u> | <u>8.1</u> | <u>5.4</u> | <u>73</u> | <u>52</u> | <u>124</u> | | <u>3.0</u> | <u>0.6</u> | <u>1.0</u> |
| <u>TOTAL:</u> | <u>645.9</u> | <u>171.3</u> | <u>343.9</u> | <u>103.7</u> | <u>69.1</u> | <u>1,334</u> | <u>1,347</u> | <u>2,681</u> | | <u>2.1</u> | <u>0.5</u> | <u>2.0</u> |

Levelised Energy Unit Cost - Cents per kWh

2.0

Energy Savings - GW h

16.2

Levelised Capacity Unit Cost - Dollars per kW

139.5

Capacity Savings - kW

2,531