

November 7, 2011

Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Corix Multi Utility Services Inc.
Suite 1160, 1188 West Georgia Street
Vancouver, B.C.
V6E 4A2

Attention: Mr. Ian Wigington, Director Regulatory

Dear Mr. Wiginton:

Re: FortisBC Energy Utilities¹ (“FEU”) 2012 and 2013 Revenue Requirements and Natural Gas Rates Application
Response to the Corix Multi Utility Services Inc. (“Corix”) Information Request (“IR”) No. 3

On May 4, 2011, the FEU filed the Application as referenced above. In accordance with the Regulatory Timetable, the FEU respectfully submit the attached response to Corix IR No. 3.

If there are any questions regarding the attached, please contact the undersigned.

Yours very truly,

on behalf of the FORTISBC ENERGY UTILITIES

Original signed:

Diane Roy

Attachment

cc (e-mail only): Alanna Gillis, Acting Commission Secretary
Registered Parties

¹ Comprised of FortisBC Energy Inc. (“FEI”), FortisBC Energy Inc. Fort Nelson Service Area (“Fort Nelson”), FortisBC Energy (Whistler) Inc. (“FEW”), and FortisBC Energy (Vancouver Island) Inc. (“FEVI”)



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI" or "Mainland"), FortisBC Energy (Vancouver Island) Inc. ("FEVI" or "Vancouver Island"), FortisBC Energy (Whistler) Inc. ("FEW" or "Whistler"), and FortisBC Energy Inc. Fort Nelson Service Area ("Fort Nelson"), collectively also referred to as the "Companies" or the "Utilities" 2012-2013 Revenue Requirements and Natural Gas Rates Application	Submission Date: November 7, 2011
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1. GENERAL

Reference: FEU Evidence

Exhibit B-25, Rebuttal Evidence, pages 2 and 3

Details of FEU's EEC Program Portfolio

"The 2012-2013 EEC plan [Appendix 1] does not provide information about the new Program Areas (New Initiatives) proposed in the Revenue Requirements Application (Exhibit B-1)..."

If the proposed new Program Areas are accepted by the Commission, then the Companies intent is to prepare a similar EEC plan for those Program Areas which would also be presented to the EEC Stakeholder group for their input and feedback."

Request:

- 1.1 Please confirm that the FEU are still applying for an EEC funding envelope in relation to the New Initiatives, and that the 2012-2013 EEC plan will be updated with additional information concerning the New Initiatives if the New Initiatives are approved by the Commission.

Response:

This is confirmed. Please see the response to BCSEA IRs 3.26.1 and 3.26.2.



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Reference: FEU Evidence

Exhibit B-25, Rebuttal Evidence, Appendix 1, pages 4 and 5, Exhibits 1 and 2

Overall EEC Program Portfolio Results

The FEU forecast the spending and results for EEC programs other than the New Initiatives.

Request:

- 1.2 Please provide the forecast program by program spending and results in relation to the New Initiatives in the same format as Exhibits 1 and 2 referenced above.

Response:

As noted in the response to BCUC IR 1.201.4, the Companies would prefer to focus their EEC resources on developing programs within Program Areas for which they have received funding approval. Therefore, detailed program budgets and projections for the New Initiatives have not yet been developed. Program results based on the Companies' best estimates for these New Initiatives were presented in the response to BCUC IR 1.201.1.1. Should the New Initiatives be approved, the Companies would then allocate resources toward developing the New Initiatives programs, including gathering and incorporating feedback from interested stakeholders, likely through the EEC Stakeholder group.

- 1.3 Please provide the forecast Administration and Communications expenditures for the New Initiatives.

Response:

Please see the response to Corix IR 3.1.2 and BCUC IR 3.6.2. These expenditure forecasts for the New Initiative programs have not yet been developed.



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2. COMMERCIAL SECTOR PROGRAMS

Reference: FEU Evidence

Exhibit B-25, Rebuttal Evidence, Appendix 1, page 27

Commercial Sector Programs

"The Commercial Custom Design and Continuous Optimization Programs will encourage reduced natural gas consumption through custom engineered capital upgrades and ongoing facilities performance management. These programs, to be offered in partnership with BC Hydro and eventually Fortis BC Inc, will further inter utility cooperation on DSM initiatives, allowing each to leverage the other's reach to promote a cohesive energy saving message and take full advantage of all investment opportunities."

Request:

- 2.1 Will the Thermal Energy Service class of service, or FEU staff generally dedicated to the Thermal Energy Service class of service, participate in the Commercial Custom Design and Continuous Optimization Programs program as part of "inter utility cooperation on DSM initiatives" and taking "advantage of all investment opportunities"? If not, why not?

Response:

The commercial custom design and continuous optimization programs will be available to all commercial customers having projects or facilities that conform to the programs' defined eligibility criteria, terms and conditions. Inter utility cooperation refers to collaboration among the energy efficiency programs at BC Hydro, FortisBC Inc. and the FEU. It is the intention of the FEU to partner with the BC Hydro and FortisBC Inc. for the promotion and delivery of the programs in question. The Thermal Energy Services class of service would not be a participant in these partnerships because the Thermal Energy Service class of service does not offer any EEC Programs.

- 2.2 How will costs and spending be allocated and tracked between the FEU and BC Hydro and, eventually, between the FEU and Fortis BC Inc?



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Response:

Generally speaking, the cost and spending allocations in programs are the subject of program-by-program negotiation between the participating utilities. To date only the Commercial Custom Design Program – New Construction is subject to an inter-utility program alignment agreement, in this case with BC Hydro. Under this agreement, when a customer elects and is found eligible to participate in both the electricity and natural gas program offerings¹, the utilities will share the cost of the required full building energy study equally, subject to program maximum funding limitations. The utilities may also elect to engage a third party to review the aligned program in view of ensuring optimal operation. Any associated costs will be evenly apportioned between the utility partners. All other costs remain entirely the responsibility of the utility which incurs them. As the inter-utility program alignment agreement for the Continuous Optimization program referenced in the information request has not yet been developed, the Companies are not able to provide the information requested. Similarly, since agreements have not yet been developed between the FEU and FBC, this information cannot be provided.

- 2.3 Please explain the expected timeframe for DSM cooperation between Fortis BC Inc and the FEU?

Response:

The FEU are pursuing collaboration opportunities for these two programs with BC Hydro first, as the number of customers in the BC Hydro/FEU shared service territory is significantly higher than in the FBC/FEU shared service territory. Notably the FEU and BC Hydro have recently concluded an agreement to collaborate with respect to the Commercial Custom Design Program. The utilities intend to next pursue program alignment and collaboration agreements for a Continuous Optimization program followed by a comprehensive building retrofit program. Collaborative agreements developed with BC Hydro will serve as the model on which similar arrangements with FBC may be based. Thus inter utility cooperation between FBC and the FEU can be expected after successful completion of program alignment efforts with BC Hydro.

¹ FortisBC: Commercial Custom Design Program – New Construction
BC Hydro: New Construction Program (Whole Building Design option)



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3. ENERGY SPECIALIST PROGRAMS

Reference: FEU Evidence

Exhibit B-25, Rebuttal Evidence, Appendix 1, page 44

Energy Specialist Program

"The Energy Specialist reports to and supports the Energy Manager on holistic energy reduction projects, while also focusing on identifying opportunities to use natural gas more efficiently."

Request:

- 3.1 From where will Energy Specialists be recruited? Will any Energy Specialists be seconded FEU employees?

Response:

Please see Section 11.2.4.3.1 of Appendix K-4 to Exhibit B-1 for more information about Energy Specialists.

Currently, to qualify to be an Energy Specialist a candidate must possess at least a BCIT Sustainable Energy Management Associate Certificate or a UBC Masters in Clean Energy. To date, Energy Specialists have been recruited from these institutions.

In 2012-13, the plan is to expand this criteria to include Douglas College Building Energy and Resource Management program certificate graduates, candidates who have proof that they have passed the certified Energy Manager exam under the Canadian Institute for Energy Training, and anyone with a Masters in sustainability and planning. Energy Specialists will be recruited primarily from BCIT, UBC and Douglas College.

They are recruited and hired by the organizations within which they are working. None of them are or will be seconded FEU employees.

- 3.2 Please describe the expected activities that Energy Specialists will undertake as part of identifying opportunities to use natural gas more efficiently.



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Response:

Please see Section 11.2.4.3.1 of Appendix K-4 to Exhibit B-1 and the responses to BCUC IRs 1.217.2, 217.2.1, 2172.2., 2.122.2 and 3.19 series for information concerning the Energy Specialists' role and activity.

The customer organization that hires the Energy Specialist will be provided with the following scope of work for the position as it relates to identifying opportunities to use natural gas more efficiently:

- Ensure the BC Hydro sponsored Energy Manager and other facilities and operational staff as required are fully aware of all energy efficiency and conservation incentive and education programs from FortisBC;
- Conduct an inventory of natural gas fired equipment to determine eligible projects for FortisBC incentives;
- Explore and develop business cases around natural gas related projects;
- Bring forward natural gas related projects to internal management for budget approval;
- Execute natural gas projects and ensure that FortisBC programs are applied for and utilized where applicable;
- Ensure all necessary invoices are submitted for incentives from FortisBC;
- Help the Energy Manager complete BC Hydro's Strategic Energy Management Plan: Focus on Gas - Section 3 and Section 4;
- Create joint success stories with the Energy Manager;
- Help coordinate/present any applicable employee awareness training; and
- Submit a quarterly report to FortisBC outlining all current and planned natural gas projects.

3.3 Will the Thermal Energy Service class of service, or FEU staff generally dedicated to the Thermal Energy Service class of service, interact with Energy



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Specialists as part of "identifying opportunities to use natural gas more efficiently"? If not, why not?.

Response:

As cited in the response to BCUC IR 3.19.7 series, the Energy Specialist works with their respective Energy Manager as an Energy Management team to identify and execute projects that take a holistic approach to energy efficiency in order to maximize both natural gas and electricity energy savings. The Energy Specialist is also accountable to their organization to proceed with the energy efficiency projects that make the most financial sense. In some instances, these two goals can lead this Energy Management team to pursue a thermal energy solution. The Companies do not anticipate that Energy Specialists would be interacting with the FEU staff generally dedicated to the Thermal Energy Service class of service. The Energy Specialists' primary points of interaction are with the BC Hydro Energy Manager, with the customer organization and with the Companies' EEC team. They would have little or no need to interact with FEU's staff generally dedicated to Thermal Energy Services.

- 3.4 Will Energy Specialists be expected to identify service providers that can execute holistic energy reduction projects or implement natural gas efficiency opportunities? If yes, will these providers include FEU competitors? If not, why not?

Response:

Please see the response to Corix IR 3.3.2 for the expected scope of work for the Energy Specialist position. Energy Specialists are not explicitly expected to identify service providers as part of their role. This will vary on a case by case basis depending on the types of energy efficiency project opportunities available in the organization they are hired into. In some cases, external service providers will be required to execute on the energy efficiency projects identified by the respective organization's Energy Management team which includes both the Energy Specialist and BC Hydro funded Energy Manager. These external service providers could include the FEU's competitors and the selection of service providers would be made by customer organizations.



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4. SOCIETAL COST TEST

Reference: FEU Evidence

Exhibit B-25, Rebuttal Evidence, page 6

Use of the Societal and Utilities Cost Test

However, the FEU have used the Total Resource Cost test, and now propose to use the Societal Cost Test, to plan its EEC programs. The FEU have not found it necessary to date to use the Utility Cost Test to screen EEC programs for cost-effectiveness. As stated in California's Energy Efficiency Policy Manual, attached as Appendix 2 to this Rebuttal Evidence, "In almost all instances, an energy efficiency program that passes the TRC test will also pass the PAC test." The FEU are open to the use of the Societal Cost Test in conjunction with the Utility Cost Test; however, the Utility Cost Test should be applied at the portfolio level as the TRC test has been applied by the Commission in the past.

Request:

- 4.1 Please explain why the FEU support use of the PAC test on a portfolio basis only.

Response:

Section 4(1) of the DSM Regulation permits the Commission, in assessing the cost-effectiveness of a demand-side measure, to "compare the costs and benefits of . . . (c) the portfolio as a whole." According to section 4(4) of the DSM Regulation, the Commission must use the portfolio approach in assessing the costs and benefits of "specified demand side measures," which consist of measures directed at low income housing, training, community engagement and technology innovation.

The portfolio approach permits the Companies to encourage ever-increasing levels of efficiency in natural gas equipment, including that equipment which is relatively new to the market and as such, has a higher initial cost due to the fact that it has not yet reached economies of scale and may therefore have a TRC, or SCT if approved, lower than 1.0. As indicated above, the DSM Regulation requires such measures to be evaluated on a portfolio basis.

Further, usage patterns in some geographic regions may change over the program period, resulting in TRCs, or SCTs if approved, of lower than 1.0 for some particular measures in some particular geographic regions. A portfolio approach to cost-benefit analysis would allow the Companies to maintain the principles of universality (providing the same programming to



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customers throughout the Companies' service territories) in instances where there may be regional differences in usage patterns.

The Companies will monitor individual EEC programs on a monthly basis, to ensure that the overall EEC portfolio has a TRC, or SCT if approved, of 1.0 or greater on an ongoing basis.

The FEU's benefit-cost analysis is currently applied at the portfolio level as accepted by the Commission. The following excerpt is from page 32 of the "Reasons for Decision" that accompanied Commission Order G-36-09:

"The Commission Panel accepts the portfolio level approach based on achieving a portfolio TRC level, discussed below, of 1.0 or greater, provided that program areas, initiatives of measure with an individual TRC of less than 1.0 are proactively designed or sufficiently support social or environmental objectives."

The Commission has previously approved a portfolio level approach to benefit-cost analysis and the Companies see no reason to deviate from this approach.

4.2 The remainder of the quote from the California Energy Efficiency Policy Manual referred to by the FEU follows:

"In almost all instances, an energy efficiency program that passes the TRC test will also pass the PAC test. However, if deployment of the program requires rebates or financial incentives to participants that exceed the measure cost, then the program may pass the TRC test, but fail the PAC test. Considering the results of both tests when evaluating program proposals ensures that program administrators and implementers do not spend more on financial incentives or rebates to participating customers than is necessary to achieve TRC net benefits."

Given the benefit of using both the TRC and PAC tests together, please explain why the FEU do not wish to retain the TRC test.



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Response:

There are a number of reasons why the Companies would like to replace the TRC test with the Societal Cost Test as explained in Section 5.2.2 to Appendix K-1 to Exhibit B-1 and Attachment 196.1 to BCUC IR 1.196.1.

- 4.3 The FEU justify moving to the Social Cost Test from the TRC based on FEU's role in meeting public policy goals. Please explain whether the FEC meets public policy goals in providing its Thermal Energy Service (within a competitive market) to the same extent that it does its natural gas service (as a natural monopoly)?

Response:

This question is not relevant to the current proceeding, which is concerned with setting natural gas rates. It is more appropriately directed to the Commission's Inquiry into FortisBC Energy Inc.'s Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives.