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March 3, 2014

Via Email
Original via Mail

B.C. Sustainable Energy Association
c/o William J. Andrews, Barrister & Solicitor
1958 Parkside Lane
North Vancouver, B.C. V7G 1X5

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

Re: FortisBC Energy Inc. (FEI)

**Application for Approval of a Multi-Year Performance Based Ratemaking Plan
for 2014 through 2018 (the Application)**

**Rebuttal Evidence to the Evidence of Messrs. John Plunkett and Paul Chernick,
on behalf of the B.C. Sustainable Energy Association and the Sierra Club
British Columbia (BCSEA)**

FEI respectfully submits the attached Rebuttal Evidence to the Evidence of Messrs. John Plunkett and Paul Chernick, on behalf of BCSEA, in accordance with the British Columbia Utilities Commission (BCUC or the Commission) Order G-9-14, establishing the Regulatory Timetable for the above noted proceeding.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

**FortisBC Energy Inc.
Application for Approval of a Multi-Year Performance Based
Ratemaking Plan for 2014 through 2018**

**Rebuttal Evidence (Non-PBR Issues)
of FortisBC Energy Inc.**

March 3, 2014

1 **Q1: What is the purpose of this Rebuttal Evidence?**

2 A1: The purpose of this Rebuttal Evidence is to respond to the evidence of Mr. Plunkett and
3 Mr. Chernick filed by the British Columbia Sustainable Energy Association (BCSEA) in
4 Exhibit C4-8 2 with respect to the Furnace Replacement Program in the FortisBC Energy
5 Utilities (FEU) 2014-2018 Energy Efficiency and Conservation (EEC) Plan.

6 **Q2: By way of introduction, describe the FEU's Furnace Replacement Program.**

7 A2: The Furnace Replacement Program will target customers with functioning furnaces
8 (standard or mid-efficiency) or boilers and will encourage them to replace the equipment
9 now, with a high efficiency model, rather than waiting for it to fail at some point in the
10 future. The core element of the Furnace Replacement Program is to ensure early rather
11 than emergency replacement, since emergency replacements must be high efficiency
12 models due to the fact that the current efficiency regulation mandates high efficiency,
13 making all participants in any emergency replacement program free riders.

14 The Furnace Replacement Program is described in Section 3.4.2 of the 2014-2018 EEC
15 Plan found in Appendix I-1 of Exhibit B-1. FEU have provided additional description and
16 details on the Furnace Replacement Program in Appendix I-5 of Exhibit B-1 and in
17 responses to information requests, particularly in BCUC IR 1.233.3 (Exhibit B-11), BCUC
18 IR 2.374.5.1 (Exhibit B-24), the BCSEA IR 1.4 series (Exhibit B-7) and the BCSEA IR 2.1
19 series (Exhibit B-20).

20 **Q3: What is Mr. Plunkett and Mr. Chernick's recommendation with respect to FEU's**
21 **Furnace Replacement Program?**

22 A3: Mr. Plunkett and Mr. Chernick recommend expansion of the Furnace Replacement
23 Program to target natural, end-of-life replacement for high-efficiency upgrades, which
24 they maintain is more cost-effective. They recommend (a) financial incentive based on
25 the incremental cost of premium efficiency equipment over standard efficiency new
26 models, (b) bundling heating early retirement into a comprehensive, whole-house retrofit
27 program and (c) preferably targeting high users.¹

28 **Q4: Are the FEU able to put forward a cost-effective program that targets natural gas**
29 **replacement?**

30 A4: At this time, the FEU are unable to put forward a cost-effective Furnace Replacement
31 Program that targets natural gas replacement as suggested by Mr. Chernick and Mr.
32 Plunkett. Without the focus on early replacement, the energy savings opportunity is
33 diminished as described in FEI's responses to BCSEA 1.4.4 and 1.4.5. The FEU are

¹ Exhibit C4-8, pp. 31-32; Exhibit C4-14, FEI/FBC-BCSEA IR 15.1.

1 unable to agree with Mr. Plunkett and Mr. Chernick's assessment of the cost
2 effectiveness of natural replacement of furnaces for three primary reasons:

- 3 • The FEU are unable to replicate Mr. Plunkett and Mr. Chernick's estimate of
4 \$401 for the incremental cost of a natural replacement. FEU's estimate of this
5 cost is \$977, based on the average of contractor feedback on program
6 applications in the 2012 Furnace Replacement Pilot and validated by contractors
7 attending the January 2013 Program Design workshop.
- 8 • Mr. Plunkett and Mr. Chernick do not appear to account for free ridership.
- 9 • Mr. Plunkett and Mr. Chernick do not appear to account for program
10 administration costs of \$353,000.

11 **Q5: Have the FEU considered offering a financial incentive based on the incremental**
12 **cost of premium efficiency equipment over standard efficiency new models as**
13 **recommended by Mr. Plunkett and Mr. Chernick?**

14 A5: Yes, the FEU's incentive is \$800, which is close to the incremental cost of premium
15 efficiency equipment over standard efficiency of \$977 dollars. TNS Consumer Research
16 study (April 2013) surveyed participants from the Appliance Service program to
17 determine the incentive level that would result in appliance upgrades. Results
18 suggested that the rebate should remain at \$800 at which 29% of participants would
19 upgrade in an early replacement program. Lowering the rebate level to \$500 resulted in
20 only 11% participation. Increasing to \$1,000 had minimal effect on increasing
21 participating (33%). Refer also to Exhibit B-1, Appendix I-5, p. 4.

22 **Q6: Have the FEU considered bundling heating early retirement into a comprehensive,**
23 **whole-house retrofit program as recommended by Mr. Plunkett and Mr. Chernick?**

24 A6: Yes, the FEU have discussed in their evidence their intention to include heating systems
25 in a Deep Retrofit Champion Bonus.² The FEU are working with utility partners and the
26 government to transition the LiveSmart platform into a more accessible model in order to
27 provide value to customers in providing "improvements in building thermal integrity as
28 part of a whole-house, comprehensive retrofit program". The Furnace Replacement
29 Program, and other stand-alone gas measures will reside within the "Home Energy
30 Rebate Offer Program" currently under development with phase I to launch in spring of
31 2014.

32 **Q7: Have the FEU considered targeting high users?**

33 A7: Targeting high-users as suggested would add to the administrative costs of the program
34 and is currently not planned by the FEU. However, the Customer Engagement Tool will

² E.g., Exhibit B-1, Appendix I-5, p. 6.

1 allow the FEU to target customers more effectively in the coming years. Refer to Exhibit
2 B-11, response to BCUC IR 1.222.4.1 for a discussion of this issue.

3 **Q8: Mr. Plunkett and Mr. Chernick state the following:³**

4 "A November 2013 workshop was hosted by FEU on the status of
5 the LiveSmart program. Information was presented that
6 demonstrated the need to restore and strengthen financial
7 incentives in order to increase program uptake and the depth of
8 participant savings by encouraging installation of all recommended
9 efficiency measures. Several slides from this workshop, prepared
10 by Dunsky Energy Consulting, are attached as Exh. JPPC-4. See
11 slides 12 through 14, showing close correlation between incentive
12 levels and customer applications, and the decline of savings
13 depths with customer adoption of fewer measures over time."

14 **Do you agree that these slides support the notion that incorporating early
15 retirement into livesmart would increase participation?**

16 A8: Yes. However, the slides show measure uptake when both federal and provincial home
17 retrofit programs were in market. The FEU cannot sustain the level of funding that was
18 in market at that time. Even with provincial contributions of \$15 million or more,
19 customers primarily conducted single measure upgrades such as furnaces or windows
20 which were the key drivers. The FEU are seeking to address this through the Deep
21 Retrofit Champion Bonus.

22 **Q9: Does this conclude the FEU's response to the evidence of Mr. Plunkett and Mr.
23 Chernick?**

24 A9: Yes.

25

³ Exhibit C4-8, p. 32.