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April 11, 2014

Via Email
Original via Mail

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130
Three Bentall Centre, 2900 – 595 Burrard Street
Vancouver, B.C. V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

Re: FortisBC Inc. (FBC)

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

Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1 on FBC Rebuttal Evidence

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On July 5, 2013, FBC filed the Application as referenced above. In accordance with Commission Order G-10-14 setting out the Amended Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to CEC IR No. 1 on FBC Rebuttal Evidence.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Dennis Swanson

Attachments

cc: Commission Secretary
Registered Parties (e-mail only)

1. Reference: Exhibit B-42, Question 2

> A2: The DSM program savings targets are fundamentally a function of the economic potential and a market take-up (ramp rate), adjusted for past program results – which are a measure of the market's capacity. Increasing the "relatively more cost-effective" programs requires higher measure incentives, which drives up program costs for all participants – not just for the incremental participants.
>
> Mr. Plunkett's suggestion ignores the inequities that may arise as a result of increasing DSM expenditures in the Commercial/Industrial sectors relative to residential customers.
>
> In establishing the mix of customer DSM programs, FBC looks at a number of factors, including addressing key end uses, the cost-effectiveness tests, customer payback periods, and the take-up rate of customers.
>
> The FBC commercial/industrial programs already have higher Participant Cost Test ratios (7.9 and 6.4 respectively) than the Residential programs (2.9), meaning that where everything else is held equal, the payback is faster for Commercial/Industrial customers as compared to Residential customers. Based on FBC's considerations in establishing incentives, this disparity is a basis for concern in increasing incentives for commercial or industrial customers.

1.1. Please explain if having a portfolio consisting of more cost-effective programs requires higher measure incentives and drives up the cost for all participants versus having a portfolio of less cost-effective programs and please explain why.

Response:

Incentives levels are not linked to program cost-effectiveness (as measured by the Total Resource Cost test prescribed by regulation). This is because the incentive amount is a transfer payment (from utility to participant) which does not directly affect the TRC calculation. Thus whether a program is more or less "cost-effective" won't automatically drive up (or down) the cost for all participants.

1.2. Please explain what FBC is referring to with respect to 'where everything else is held equal'.

Response:

FBC means that other market conditions are held constant.

1.3. Please provide the FBC Revenue to Cost ratios for the Residential, Commercial and Industrial customers.

Response:

Revenue to Cost Ratios were last calculated during the Company's 2009 Cost of Service Analysis (COSA). The results at the time were as follows:

Residential	93.3%
Small Commercial	107.6%
Commercial	128.2%
Large Commercial Primary	112.8%
Large Commercial Transmission	103.1%

Exact ratios at the current time cannot be known with certainty without another COSA being performed; however, as the Company has largely completed its rate rebalancing efforts, these classes are assumed to all have R/C ratios very close to unity (with the exception of the Commercial class which was only forecast to be at approximately 102 percent at this point in time).

1.4. Please confirm that it is FBC's position that a faster payback for Commercial/Industrial customers 'where everything else is held equal' means that these programs are more cost-effective (please provide this answer assuming that the cost for all participants or rate impacts are not part of the cost-effectiveness of the program).

Response:

Not confirmed. There is no direct correlation between the customer payback period and program cost-effectiveness. Customer payback is calculated using the customer's rate and portion of cost (measure cost less DSM incentive) whereas the TRC is calculated using the LRMC to value energy savings divided by the total measure cost.

1.5. Please define the FBC view with respect to what is meant by equitable and or what represents inequities between customer classes.

Response:

Equitable can be defined by a number of parameters, including accessibility (to information and relevant program offers), incentive rate ($/kWh), incentive amount as a portion of measure cost and customer benefits (payback periods).

1.6. Please confirm that the issues involved here involve a judgment with respect to the balance between cost effectiveness and diverse distribution of some level of benefits among ratepayer classes.

Response:

Confirmed.

1.7. Please confirm that there is no definitive bright line with respect to the appropriate balance for the issues involved in establishing the programs and levels of incentives.

Response:

Confirmed.