



Dennis Swanson
Director, Regulatory Affairs

FortisBC Inc.
Suite 100 – 1975 Springfield Road
Kelowna, BC V1Y 7V7
Tel: (250) 717-0890
Fax: 1-866-335-6295
www.fortisbc.com

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

September 18, 2014

Via Email
Original via Mail

British Columbia Public Interest Advocacy Centre
Suite 209 – 1090 West Pender Street
Vancouver, B.C.
V6E 2N7

Attention: Ms. Tannis Braithwaite, Acting Executive Director

Dear Ms. Braithwaite:

Re: FortisBC Inc. (FBC)

Application for Approval of Demand Side Management (DSM) Expenditures for 2015 and 2016 (the Application)

Response to the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre known as BCOAPO *et al.* (BCOAPO) Information Request (IR) No. 1

On August 11, 2014, FBC filed the Application as referenced above. In accordance with Commission Order G-115-14 setting out the Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to BCOAPO IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Dennis Swanson

Attachments

cc: Commission Secretary
Registered Parties (email only)



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1 **1.0 Reference: Exhibit B-1, page 4 (lines 9-14), page 11 (lines 32) and page A1 (lines**
2 **9-14)**

3 **FBC 2012 Integrated System Plan Review, BCOAPO 2.12.1 & 2.13.1**

4 **Preamble:** The responses to BCOAPO 2.12.1 and 2.13.1 indicate that the
5 \$111.96/MWh is in nominal 2011\$ and is the equivalent flat price for a 30-
6 year term starting in 2011.

7
8 1.1 For purposes of the current application, was the \$111.96/MWh adjusted to
9 account for the fact that the expenditures being assessed are for 2015 and 2016
10 programs with savings in subsequent years, and if so, how?

11
12 **Response:**

13 The \$111.96 per MWh levelized price was not adjusted for the 2015-16 DSM Plan.

14 As demonstrated in Table 5-1, page 13 (lines 1-2), the plan is not sensitive to the LRMC in that
15 no additional measures or programs become cost-effective even at inflated LRMC values.

16



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1 **2.0 Reference: Exhibit B-1, page 5 (lines 13-16)**

2 2.1 How were the needs of the Company's low income customers determined?

3

4 **Response:**

5 FBC has consulted with the BC Non-Profit Housing Association and BC Housing to explore the
6 challenges and barriers to the implementation of energy efficiency and conservation measures
7 faced by low income customers living in multi-family homes. FBC also consulted with the First
8 Nations in its service territory to determine the optimal approach to making energy efficiency
9 improvements to their residents' homes on reserves. FBC based its program design upon these
10 organizations' recommendations, its previous program delivery outcomes (i.e. direct installation
11 activities for Low-Income MURBs), and research conducted by other utilities..

12 Please refer to the response to BCOAPO IR 1.12.1 in regards to the ECAP program for
13 detached homes.

14

15

16

17 2.2 Please outline specifically how the low income program is designed to meet
18 these needs.

19

20 **Response:**

21 Key among the needs identified by stakeholders serving low-income customers is a lack of
22 available capital to make energy efficiency improvements and lack of awareness and/or
23 knowledge of how to apply for programs. To overcome these barriers, FBC works closely with
24 trusted service providers to promote program participation (i.e., food banks, housing societies,
25 non-profit associations, First Nations). To help address the identified barriers, no-cost energy
26 assessments and direct installation of energy efficient measures are key components in single-
27 and multi-family program design.

28 Please also refer to the response to BCOAPO IR 1.12.1.

29



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1 **3.0 Reference: Exhibit B-1, page 5 (lines 17-21)**

2 3.1 For low income customers that have not been “pre-qualified,” how does FortisBC
3 go about determining if they meet the LICO eligibility threshold (i.e., what is the
4 process used and who conducts it)?

5
6 **Response:**

7 For non-“prequalified” low income customers seeking ESKs, FBC asks that they telephone the
8 Contact Centre to self-declare their household income. If their income meets the modified
9 criteria of LICO plus 30%, an ESK is direct-mailed to the customer.

10 That said, FBC “pre-qualifies” low income customers as much as possible. This is done by
11 collaborating with the BC Ministry of Social Development to direct mail energy savings kits
12 (ESKs) offers, working with local food banks to direct-distribute ESKs and with other low-income
13 service providers (i.e., BC Non-Profit Housing Association, Indian Bands) to provide direct
14 installation of draftproofing and household energy efficiency measures, appliances and common
15 area lighting and controls.

16 For ECAP, similar pre-qualification channels will be used where possible. Where pre-
17 qualification cannot be attained, FortisBC will require documentation that the participant's
18 household income fits within the criteria as set out in the DSM Regulation amendment.

19



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1 **4.0 Reference: Exhibit B-1, pages 8-9**

2 4.1 BCOAPO notes that in 2013 FortisBC's actual program spending was 15% less
3 than planned (\$5.4 M vs. \$6.4M). Please explain why this was the case.

4
5 **Response:**

6 The Company manages its DSM programs prudently and achieved 94% of plan savings with an
7 expenditure of 87% of plan, including portfolio-level expenditures.

8 The Commercial sector expenditure at 92% of plan was commensurate with the 91% of plan
9 savings achieved, with the majority of the underspend due to the low uptake in the Irrigation
10 program. The Industrial sector costs were at 89% of plan due to a low uptake of EMIS
11 technology.

12 Expenditures in the residential sector were the lowest compared to plan, at 80% of plan costs.
13 However, FBC delivered 95% of plan savings. Specifically, the cessation of provincial
14 LiveSmart incentives at the end of the first quarter significantly reduced customer participation in
15 the Home Improvement program resulting in 62% of savings at 43% of plan cost.

16
17

18
19 4.2 Given this underspend, does FortisBC foresee any issues regarding its ability to
20 meet its 2015 and 2016 planning expenditure levels (and associated MWh
21 savings targets)?

22
23 **Response:**

24 The ability to meet 2015-16 DSM targets will depend partly on a timely decision from this
25 regulatory process. The 2015-16 DSM Plan already incorporates savings targets that were
26 adjusted to reflect 2013 results, and the budgets were based on those targets.

27 A timely decision to accept the DSM expenditure schedules will provide the Company with lead
28 time to ramp up DSM activities. Conversely a late decision will likely impact savings results and
29 expenditures.

30



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1 **5.0 Reference: Exhibit B-1, page 10 (line 9-10)**

2 5.1 How does FortisBC establish what the “best practices” are for program design,
3 implementation, marketing, outreach, monitoring and evaluation?
4

5 **Response:**

6 FBC is a member of the Consortium for Energy Efficiency, which provides a forum for DSM
7 managers across North America to learn from each other. FBC also uses E-source, a well-
8 known energy efficiency consultancy, to conduct scans for similar programs offered by other
9 utilities, and to provide more in-depth literature reviews of other utilities’ programs to determine
10 the challenges and successes, and the elements that made the programs successful. FBC
11 may also conduct interviews with other utilities and request information from them.

12 FBC also partners with BC Hydro and FortisBC Energy Inc. (FEI) to conduct research and
13 analysis and/or program design and implementation recommendations.

14 In the case of monitoring and evaluation, an M&E expert consultant was hired, through an RFP
15 process, to prepare the current M&E Plan.

16



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1 **6.0 Reference: Exhibit B-1, page 12 (lines 20-25)**

2 6.1 Does the \$112/MWh only represent the value of energy, or does it also include
3 generation capacity?
4

5 **Response:**

6 The \$112/MWh levelized price is for firm energy, i.e. inclusive of capacity.
7
8

9
10 6.2 In what year's dollars is the \$35.60/kW expressed, and is this a nominal or real
11 dollar value?
12

13 **Response:**

14 The \$35.60/kW-yr value for Deferred Capital Expenditures is a levelized figure in nominal
15 dollars.
16
17

18
19 6.3 Does the \$35.60/kW represent the value of deferred capital expenditure for
20 generation capacity or for transmission/distribution capacity or for both?
21

22 **Response:**

23 The number represents the value of deferred capital expenditures for transmission/distribution
24 capacity. As stated in the response to BCOAPO IR 1.6.1 the value of generation capacity is
25 included in the firm energy price of \$112/MWh.
26
27

28
29 6.4 Please indicate how the \$35.60/kW was determined.
30

31 **Response:**

32 Please refer to the response to BCUC 1.3.4.1.



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1 **7.0 Reference: Exhibit B-1, page 13 (lines 13-14 and 20-25)**

2 7.1 The text at lines 13-14 suggests that the new DSM Regulation allows for a 15%
3 boost for non-energy benefits for up to 10% of the DSM portfolio. However, the
4 text at lines 20-25 suggests that the 15% can be applied to the entire portfolio.
5 Please reconcile and clarify.

6
7 **Response:**

8 The 15% “boost” cannot be applied to the entire portfolio. FBC’s interpretation is that the DSM
9 Regulation allows for a 15% boost in non-energy benefits for those programs with a
10 Benefit/Cost ratio below unity, up to the Regulation’s limit that only 10% of FBC’s electric DSM
11 portfolio can include such measures under the mTRC provisions.

12



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1 **8.0 Reference: Exhibit B-1, page 15 (lines 2-6)**

2 **Exhibit B-1, Appendix B, page 5**

3 8.1 For the pre-2015 DSM programs that FortisBC is planning to continue in 2015-
4 2016, please provide a schedule that indicates when/if each program was last
5 evaluated. For those that have not yet been evaluated, please indicate when an
6 evaluation is scheduled to occur.

7
8 **Response:**

9 The following table provides the requested information.



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DSM Plan 2015-16 Programs	Approved in 2012 - 2013	Program Areas from table A6-1 that are included in evaluation	Most Recent Evaluation	Planned future evaluations for programs that have not been evaluated yet
Residential				
Home Improvement	Yes	(Building Envelope)	2014-2015	
Appliances	Yes	(Appliances)	2013	
Heat Pump	Yes	(Heat Pumps)	2013	
Heat Pump Water Heater	Yes	(Water Heating)	*	
Water Savers (Low-Flow Fixtures)	Yes	(Water Heating)	*	
Residential Lighting	Yes	(Lighting)	2013	
New Home	Yes	(New Home)	-	2015
Rental Accommodation	New	(Low Income & Rental)	*	
Commercial				
Commercial Lighting	Yes	(Lighting)	2012	
Building & Process Improvement (BIP)	Yes	(Building Improvement, Computers, Municipal, Irrigation)	2013	
Product Rebate	Yes	(Lighting, Building Improvement)	2014	
Custom Business Efficiency Program (CBEP)	Yes	Note: market name for BIP Program	2013	
Commercial Energy Assessment	Yes	(Lighting, Building Improvement)	*	Not part of 2015 – 2016 evaluation plan
Industrial				
Industrial Efficiency	Yes	(Industrial)	2012	
Low Income				
Energy Savings Kit	Yes	(Low Income & Rental)	*	
Energy Conservation Assistance Program (ECAP)	Yes	(Low Income & Rental)	-	Will be planned based on Program launch date – potentially 2017
Direct Install Lighting	Yes	(Low Income & Rental)	-	2015
Conservation Education & Outreach				
Public Awareness	Yes	(Supporting Initiatives)	-	**
School Education	Yes	(Supporting Initiatives)	-	**
Trades Training	Yes	(Supporting Initiatives)	-	**

- 1 * FBC uses information from evaluations conducted in similar jurisdictions for similar
- 2 measures.
- 3 ** Conservation Education & Outreach programs do not generate attributable savings and are
- 4 not the focus of program impact evaluations.



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8.2 Specifically, what DSM programs does FortisBC plan to conduct evaluations for over the 2015-2016 period?

Response:

As indicated in 2015-16 DSM Plan Table A5-2: Monitoring & Evaluation Expenditures (page A12), FBC plans to evaluate the Home Improvement, New Home, Heat pump, Low Income Direct install, Building Improvement (including Industrial and Municipal), and Commercial Lighting programs during the 2015-2016 test period.



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1 **9.0 Reference: Exhibit B-1, page 15 (lines 23-26)**

2 9.1 Is the activity to evaluate and quantify spill-over and free-rider effects separate
3 from or part of the plans discussed in Section 6.1?
4

5 **Response:**

6 The activity to evaluate and quantify spill-over and free-rider effects is part of the Monitoring &
7 Evaluation plan discussed in Section 6.1 and listed in Table A5-2: Monitoring & Evaluation
8 Expenditures (page A12).
9



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1 **10.0 Reference: Exhibit B-1, page A1 (lines 12-14)**

2 10.1 What DSM measures and programs (if any) identified in the 2013 CPR Update
3 were not economic from a TRC perspective prior to the new July 2014
4 Regulation?
5

6 **Response:**

7 Uneconomic measures and programs were in the residential sector (building envelope, new
8 homes, and water heaters) and the commercial sector (new whole buildings, retrofit
9 weatherization).

10
11

12
13 10.2 Does the proposed 2015-2016 plan include all of the DSM programs and
14 measures that are now economic from a TRC perspective? If not, which ones
15 are excluded and why?
16

17 **Response:**

18 With one exception, the proposed 2015-2016 DSM plan includes all economic DSM measures
19 and programs from a TRC perspective. This includes all of the measures previously identified in
20 the 2013 CPR Update that were not economic from a TRC perspective as listed in the response
21 to BCOAPO IR 1.10.1.

22 The exception is consumer electronics as FBC believes such products are better addressed by
23 regulation under the provincial and/or federal governments.

24



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1 **11.0 Reference: Exhibit B-1, page A2**

2 11.1 Please confirm that the Benefit/Cost ratios shown in Table A-1 do not include any
3 allowance for Non-Energy Benefits.

4
5 **Response:**

6 Confirmed.

7

8

9

10 11.2 Please confirm that the Benefit/Cost ratios shown in Table A-1 include the 140%
11 benefit gross-up where applicable under the new Regulation.

12

13 **Response:**

14 Confirmed, as applicable in the low income and rental programs.

15



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1 **12.0 Reference: Exhibit B-1, page A5**

2 **Exhibit B-1, Appendix B, page 11**

3 12.1 Please outline what elements of “best practice” (per page 10) have been
4 incorporated into the program design, implementation, marketing and outreach
5 for the Energy Conservation Assistance Program (ECAP). Please address each
6 of the four elements separately.

7
8 **Response:**

9 FBC will be partnering with BC Hydro and FEI to expand the ECAP program for the whole of its
10 service area in mid-2015. FBC will adopt all elements of the BC Hydro/FEU ECAP program
11 design, including the utilization of the ECAP implementation contractor. This wholesale adoption
12 of the ECAP program is planned so that the program offer is consistent across the province, to
13 make it easier for low-income service providers and customers to apply, and to make it easier
14 and cost-effective for program administrator(s) to implement.

15 Best practices that have been incorporated in to the ECAP program include:

16 **Program Design**

- 17
- 18 • BC Hydro and the FEU did extensive research, stakeholder consultation and held a program design workshop to gain the perspective of low-income housing providers.
 - 19 • BC Hydro and the FEU contracted the services of Dunsky Energy Consulting, which has
20 extensive experience working with Low Income programs in both Canada and the U.S.,
21 to help inform many elements of program design and implementation.
 - 22 • ECAP is a comprehensive whole-house program (as opposed to a single measure
23 program). Low-income customers are “difficult to engage” so when utilities are
24 successful in engaging this customer segment it’s important to maximize the opportunity.
25 A wide array of measures is included in this program, from low flow showerheads, to
26 attic insulation, to conservation behavior education.
 - 27 • ECAP is also comprehensive in that our partnership with FEU allows us to address
28 opportunities for electricity and gas energy savings within a single program.
 - 29 • ECAP does not require the low-income participant to pay any costs. FBC believes that if
30 customers were required to pay any of costs of the retrofits that participation in the
31 program would drop dramatically. When the competing priorities are primary needs such
32 as securing food and shelter, convincing a low-income participant to front the costs of an
33 energy efficiency retrofit is a difficult proposition to undertake.



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1 **Implementation**

- 2 • ECAP utilizes fully facilitated services. One of the reasons the low-income customer
3 segment is difficult to engage is because they have other priorities dominating their
4 capacity and resources. Participation in the ECAP program would drop substantially if
5 the low-income participant was required to source their own contractors and manage
6 their own retrofits.

7 Further, in low-income focus groups, it was revealed that there is a very low level of trust
8 of contractors, because of past experiences. By having the utilities manage the
9 contractors, low-income customers are more likely to agree to have the work performed
10 on their homes. ECAP utilizes skilled contractors and ensures adequate quality control
11 and quality assurance systems are in place to ensure compliance with codes and
12 standards.

- 13 • **ECAP is a collaborative program:** By partnering with BC Hydro and FEU, all utilities
14 achieve cost efficiencies in the implementation and management of the program.

15 **Marketing and Outreach**

- 16 • conventional marketing doesn't work so ECAP marketing efforts use
- 17 ○ face-to-face communication with trusted service providers and outreach staff to
18 promote the program with their clients and networks and provide them assistance
19 with the application process.
 - 20 ○ simple language for program promotional materials.
- 21 • application processes are simplified to make ECAP easy to apply to.
- 22 • when working with First Nations communities, ECAP will often leverage the relationship
23 that the Housing Coordinator has with their community members to engage the
24 community with ECAP. In some cases, a community member will accompany the ECAP
25 contractor in order to more effectively engage and enroll participants in the program.
- 26 • the ECAP program actively seeks out partnerships and has many successful
27 partnerships with non-profit housing providers, housing societies, and social service
28 providers to reach low-income audiences throughout the Province.

29 The ECAP program has benefited from several years of market experience, stakeholder
30 feedback, professional consultants' and internal expertise at FEU and BC Hydro. This has led to



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1 achieving a program framework that is similar to some of the most successful programs in North
2 America.

3
4

5
6 12.2 Has the new ECAP been formally launched? If not, when is the “launch”
7 expected (per Appendix B, page 11)?
8

9 **Response:**

10 FBC is partnering with BC Hydro and FEI to expand the new BCH/FEI ECAP to its service area
11 in mid-2015.

12
13

14
15 12.3 How many customer-owned dwellings does FortisBC anticipate will participate in
16 the ECAP in 2015 and 2016 respectively?
17

18 **Response:**

19 Based on BC Hydro and FEI’s historical participation rates, the anticipated increase in
20 participation due to the increased eligibility criteria, and FortisBC’s mid-year launch, it is
21 expected that FBC will have approximately 30 “basic” participants and 2-3 “advanced”
22 participants in 2015. It is projected that those numbers will increase up to 100 “basic”
23 participants and 6-8 “advanced” participants in 2016.

24 “Basic” measures include a walk-through energy evaluation and the direct-install of household
25 energy efficiency measures like low-flow shower nozzles, tap aerators, CFL lighting, and basic
26 draft proofing. “Advanced” measures include all of the “basic” measures plus more
27 comprehensive draft proofing, based on fan door test results, and installation of adequate
28 insulation in key areas (e.g. ceiling, basement).

29



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1 **13.0 Reference: Exhibit B-1, page A14**

2 13.1 Are the levelized cost values reported in Table A6-1 calculated from FortisBC's
3 perspective or from a Total Resource Cost perspective?
4

5 **Response:**

6 The levelized cost values reported in Table A6-1 are calculated from FBC's perspective, and
7 include program costs (incentives + administration) only.

8 Note that the 2015-16 DSM plan levelized costs, expressed in \$/MWh, are not directly
9 comparable to Table 14 of the 2013 YE DSM Report (Exhibit B-1, Appendix B) as the latter also
10 include customer costs and allocated Planning and Evaluation costs, and are displayed in
11 cents/kWh.

12



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1 **14.0 Reference: Exhibit B-1, Appendix B, page 13**

2 14.1 The evaluation reports provided in Appendices C and D provide specific
3 recommendations regarding changes to the basis for calculating savings for the
4 associated programs. Have these recommendations been factored into the
5 Benefit/Cost calculations provided for the planned 2015-2016 programs as set
6 out in Table A-1?
7

8 **Response:**

9 The impact of those recommendations is fully factored into the benefit/cost results shown in the
10 2013 Year-End Annual DSM Report, and indirectly into the planned 2015/16 programs.

11 Indirectly the issues raised are factored into unit savings and benefit/cost ratios for planned
12 programs in two ways: reviews of conservation potential and expected program performance.
13 Factoring these issues into the planning process has allowed PowerSense to consistently
14 achieve its plan goals.

15 Issues related to market segmentation and improving technology (due to product development
16 and regulations) are factored into the achievable potential identified in FBC's Conservation
17 Potential Review. This review accounts for cost effectiveness, physical barriers, market
18 conditions, and other economic constraints that reduce the total potential savings for energy
19 efficient devices. For example, the hours of operation for the 2015 residential lighting program
20 have been adjusted based on the evaluation report.

21 Furthermore, the Company manages DSM programs with an eye to improving performance.
22 Specifically, FBC adjusts program designs to improve net-to-gross ratios in order to deliver plan
23 targets. For example the heat pump report indicated that new construction participants had a
24 much higher free-rider rate (FRR), and loan participants had the lowest FRR. In response, the
25 Heat Pump program continues to promote the low-cost loan option to existing customers, and
26 will eliminate the New Home "prescriptive" offer for heat pumps, in order to improve the overall
27 NTGR.

28

29

30 14.2 If not, what specific planned programs for 2015-2016 would be affected and what
31 would be the impact?
32

33 **Response:**

34 Please refer to the response to BCOAPO IR 1.14.1.