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British Columbia Utilities Commission
Suite 410, 900 Howe Street
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Attention: Mr. Patrick Wruck, Commission Secretary

Dear Sirs/Mesdames:

**Re: FortisBC Energy Inc. (FEI) - 2017 Long Term Gas Resource Plan (LTGRP) ~
Project No. 1598946**

We are counsel for FEI in the above noted proceeding.

In accordance with the Deadline for Intervener Notice on Filing Intervener Evidence established by G-33-18, the BC Sustainable Energy Association and Sierra Club BC (“BCSEA”) provided notice that they intend to file expert evidence in this proceeding regarding FEI’s long-term demand-side management plan (Exhibit C2-4). In a letter dated June 6, 2018 (Exhibit A-5) the Commission requested that BCSEA provide a written submission explaining the basis for its proposed expert evidence by June 28, 2018, and that FEI and the other interveners provide their submissions in response by Friday, July 6, 2018.

FEI respectfully submits that the Commission should not receive the expert evidence proposed by BCSEA. As further explained below, the proposed evidence is unnecessary and will only extend the proceeding without any discernable benefit. BCSEA has been provided with a procedurally fair means of addressing its proposed evidence topics through information requests, and can make any further submissions that it wishes on these topics in its final argument.

BCSEA explains that the proposed expert evidence will address two topics:

1. the regulatory approach from other jurisdictions with respect to determining the potential for causing DSM for capacity savings to defer load growth-related investments; and
2. the appropriate method for estimating long term DSM savings.

1. DSM Capacity Savings

Under the first heading “DSM capacity savings”, BCSEA describes how its expert will provide examples and discussion of regulatory directives and decisions regarding the evaluation of DSM from other jurisdictions. FEI respectfully submits that this kind of expert evidence is unnecessary. Submissions and argument on the basis of decisions from other jurisdictions is the domain of legal counsel. Should BCSEA wish to discuss decisions and approaches from other jurisdictions it is free to do so in argument. The Commission is capable of reviewing and considering regulatory decisions from other jurisdictions on its own, and does not need the assistance of an expert witness for this purpose. For this reason, FEI submits that the first topic of evidence proposed by BCSEA is unnecessary and should not be admitted into the proceeding.

2. Estimation of Long Term DSM Savings

Under the second heading “estimation of long term DSM savings” BCSEA explains how its proposed expert evidence would address the following topic:

2. Regarding the estimation of long term DSM savings, EFG will say that FEI’s approach to developing its “Reference Case” DSM savings trajectory is inadequate. FEI relies on the Conservation Potential Review by Navigant Consulting Ltd. (Navigant), which rejects “Maximum Achievable Savings” and instead provides estimates of what it calls “Market Potential” and “Program Potential.” EFG will say that this leaves an information gap that causes the DSM savings projection in the “Reference Case” to be overly conservative (low) because the full scale of available savings is not considered.

FEI submits that the record in this proceeding provides a sufficient basis for BCSEA to make submissions on this topic. For this reason, FEI submits that the proposed expert evidence is unnecessary.

FEI provides a detailed explanation of how it calculated DSM savings, and its use of the “Market Potential” approach, in sections 4.2.1.3, 4.2.2, and 4.2.3 of the Application (Exhibit B-1). Furthermore, rather than explicitly rejecting “Maximum Achievable Savings”, FEI’s consultant, Navigant, describes the rationale for using the market potential forecast approach in section 5.1 of the British Columbia Conservation Potential Review. For example, Navigant, a recognized industry expert in preparing DSM potential forecasts (including for non-Energy Efficiency Resource Standard jurisdictions, such as Ontario or Washington), states:

Market potential is a subset of economic potential that considers the likely rate of DSM acquisition, given factors like the rate of equipment turnover (a function of a measure’s lifetime), simulated incentive levels, consumer willingness to adopt efficient technologies, and the likely rate at which marketing activities can facilitate technology adoption. The adoption of DSM measures can be broken down into calculation of the “equilibrium” market share and calculation of the dynamic approach to equilibrium market share, as discussed in more detail below.

Market potential differs from program potential in that market potential does not specifically take into account the various delivery mechanisms that can be used by program managers to tailor their approach depending on the specific measure or market. Rather, market potential represents a high-level assessment of savings that could be achieved over time, factoring in broader assumptions about customer acceptance and adoption rates that are not dependent on a particular program design. Additional effort is typically undertaken by program designers, using the directional guidance from a market potential study, to develop detailed plans for delivering conservation programs.¹

BCSEA addressed this second topic of proposed expert evidence in both the first and second round of information requests in this proceeding. In particular, it asked questions on this topic in the following information requests:

- (a) BCSEA-SCBC IRs 1.17.1, 1.17.2, 1.18.1, 1.18.2 and 1.18.3;
- (b) BCSEA-SCBC IRs. 2.62.1, 2.62.2, 2.62.3, 2.62.3.1, 2.62.4, 2.63.1, 2.63.1.1 and 2.63.1.2.

Through these information requests, BCSEA has been able to explore topics such as:

- (a) Whether the Market Potential savings represent the total of cost-effective savings that can be achieved through programs;
- (b) Whether the Market Potential savings included in the 2017 LTGRP are equivalent to the term “Maximum Achievable Savings”;
- (c) Whether the BC CPR sought to “optimize program design”, and if not, why not;
- (d) How FEI determines how much more savings could reasonably be achieved; and
- (e) What criteria FEI would use to determine the amount of additional savings it *could* capture.

FEI, in consultation with Navigant, provided answers to these questions. BCSEA has not suggested that the expert evidence it proposes to tender is now necessary because FEI was not responsive in addressing the referenced information requests. On the contrary, through the information request process FEI has provided detailed responses to BCSEA’s concerns about the use of the “Maximum Achievable Savings” approach.

FEI’s position, in summary, is that the “Maximum Achievable Savings” approach represents a “theoretical” maximum for program potential that is divorced from realistic constraints imposed by market conditions. As a result, the “Maximum Achievable Savings” approach is not a

¹ B-1, Appendix C-1, Section 5, Market Potential, p. 5.

realistic or useful guide to potential savings.² In its IR responses, FEI acknowledged that its long-range forecast and sensitivity analysis indicate that higher incentive levels will likely lead to higher customer participation, but FEI also points out that the analysis further shows that there is a diminishing rate of acquired savings per dollar of incentive spending.³ Finally, FEI has pointed out that during program design and C&EM planning phases, FEI's C&EM program planners will consider additional factors that are more detailed than those included in long-range forecasts when forecasting expected savings.⁴

In the recent Decision from the Commission in the FortisBC Inc. 2016 LTERP proceeding⁵, the Commission confirmed that while section 44.1 requires a utility to explain and support its preferred DSM scenario, it does not require the utility to defend against the preferences and alternative theories of interveners. In this regard, the Commission stated the following regarding FortisBC's High DSM preferred scenario:

The Panel agrees with FBC that the UCA does not compel FBC to pursue any and all DSM resources that are cost effective, **but rather to provide an explanation for its choice of DSM scenarios.**

The Panel notes BCOAPO's comments that FBC's use of the incremental cost of the Max scenario is problematic, and more will be said on that issue later in this Decision in Section 8.2.

FBC has set out in some detail the basis on which it constructed the alternative DSM scenarios, evaluated the pros and cons of each, and ultimately selected the High DSM scenario. The Panel is satisfied that, whether or not all parties agree that the High DSM is their preferred scenario, **FBC has adequately explained why it is FBC's preferred scenario.**⁶ [Emphasis added.]

FEI submits that the same principle should be applied to FEI's approach to estimating DSM savings. FEI is not required to obtain the consensus of interveners in adopting one approach over another. What FEI is required to do is adequately explain its approach, which it has done in this proceeding. FEI submits that its explanation for why it has used the Market Potential approach eliminates the need for further expert evidence on this topic.

In summary, BCSEA has been provided with a detailed evidentiary record explaining why FEI's CPR uses the Market Potential approach. BCSEA has had two opportunities to probe this approach and to put this issue to FEI through information requests. FEI submits that BCSEA has been provided with a procedurally fair process for addressing this issue. Any further discussion of this topic should be made by BCSEA in its final argument in this proceeding. Further expert

² Ex. B-6, FEI Response to BCSEA IR 2.62.2

³ Ex. B-6, FEI Response to BCSEA IR 2.63.1

⁴ Ex. B-6, FEI Response to BCSEA IR 2.63.1.1

⁵ Order G-117-18 and Reasons for Decision.

⁶ Page 12 of 27 of Reasons for Decision.

evidence on the topic is unnecessary and will only delay the proceeding and add to its time and cost.

Conclusion

For the reasons set out in this letter, FEI submits that the Commission should not receive expert evidence on either of the two topics proposed by BCSEA. The evidence is unnecessary and the topics of concern to BCSEA can be addressed on the basis of the evidence already filed in this proceeding in final argument.

Should the Commission disagree with FEI, then FEI will require the opportunity to submit rebuttal evidence. Should this procedure be required, then FEI proposes the following schedule, which accommodates the availability of key FEI staff responsible for this Application:

- (a) Procedural decision anticipated by July 13, 2018;
- (b) BCSEA evidence due August 3, 2018;
- (c) Information requests on BCSEA evidence due August 24, 2018;
- (d) BCSEA responses to information requests due September 7, 2018;
- (e) FEI rebuttal evidence due October 5, 2018.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[Original signed by David Curtis]

David Curtis

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