

Request for Proposals (RFP)

Demand Side Management (DSM) Program Portfolio Planning (PPP) Studies for Alberta's Major Provincially Regulated Utilities Electricity & Natural Gas



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Revision History

Date	Revision Description
January 30, 2023	Original RFP
February 8, 2023	Page 3: corrected submission due date to read “Wednesday, March 1, 2023”

Request for Proposals (RFP)

Project Background

Demand Side Management (“DSM”) has been identified as an opportunity in Alberta’s utility system to support customers, manage costs and reduce emissions. Alberta’s major provincially regulated electricity and natural gas distribution utilities (“the Utilities”) are issuing this Request for Proposals (“RFP”) for DSM Program Portfolio Planning (“PPP”) studies (“the Studies” or collectively “the Project”) in order to further identify potential customer costs and benefits from DSM, and reduce duplication of effort. The Project scope includes electric and natural gas studies for each of the participating utility service territories.

The contract for the Project (the “Contract”) will be awarded to the successful RFP proponent by the Alberta Energy Efficiency Alliance (“AEEA”) industry association, which will administer the Project on behalf of the Utilities, and which, along with the Utilities, will be engaged in the Project work. Proponents are expected, at the discretion of the Utilities, to make themselves available to support the use of the Studies in subsequent regulatory proceedings, but this work is not explicitly included in the immediate scope of this RFP.

The Utilities are regulated by the Alberta Utilities Commission (“AUC”). Recent AUC decisions with respect to DSM or utility-led energy efficiency (“EE”) programming during 2023 cost-of-service (“COS”) rebasing proceedings have referenced DSM specifically^{1,2}. Accordingly, as further discussed below, the primary audience for the Studies is the AUC while the Office of the Utilities Consumer Advocate (“UCA”) is a key stakeholder. The UCA is a government agency with a mandate “to educate and mediate for Alberta’s small business, farm, and residential electricity, natural gas and water consumers, and advocate for energy consumers.”³ A key component of the Project will be consideration

¹ Decisions 26615-D01-2022 and 26616-D01-2022

² Excerpt from para 170 from Decision 26615: “The Commission sees no reason why these utilities could not continue to work collaboratively among themselves and with the UCA to deliver coordinated DSM programming, particularly because the utilities have indicated that DSM programs are in the public interest and that they serve similar customer demographics.”

³ Utilities Consumer Advocate (UCA) [website](#).

of opportunities for collaboration among the Utilities and with the UCA in delivering DSM benefits to consumers.

Project Goals and Objectives

The goal of the Project is to create a report providing background for and recommendations on an appropriate framework for DSM in Alberta, including a set of detailed electricity and natural gas portfolio plans to support future utility applications to the AUC for approval. The reports should identify customer costs and benefits resulting from investment of each Utility into DSM alongside consideration of opportunities for collaboration among Utilities and with the UCA.

Further details on Alberta's policy and regulatory context with respect to DSM, recent AUC rulings, and the anticipated final scope and intended use of the PPP Studies is provided subsequently.

Overview of the RFP Process

The maximum budget for the project is \$950,000 (CAD): \$570,000 for the electric related work and \$380,000 for the natural gas related work recognizing there will be common themes that apply to both. The Utilities would prefer to award the studies to one proponent. However, the Utilities reserve the right to award the electric and natural gas work to separate proponents at their sole discretion. The successful proponent(s) will be required to provide the finalized agreed-to scope of deliverables for the PPP Studies on a fixed fee basis.

The purpose of this RFP is to:

- Enable the Utilities to short list a limited number of proponents who will individually be invited to provide a presentation and participate in a question-and-answer session;
- Enable the Utilities to award the work to the successful proponent after the presentation sessions; and
- Allow the Utilities to obtain input on the proposed PPP Studies deliverables per this RFP, and to work with the successful proponent to finalize the scope of work leveraging the selected consultant's expertise.

Submissions which demonstrate the proponent’s ability to maximize and balance the quality and depth of analysis with the project budget, and the proponent’s ability to communicate in a compelling way to regulatory authorities and stakeholders will be scored highly. Proponents who provide thoughtful input to the Utilities with respect to refining and enhancing the scope of deliverables outlined in this RFP will also be evaluated favourably.

Other factors the Utilities will consider in awarding the work include: the qualifications and expertise of both the proponent and the proponent’s team members to be assigned to the work, the quality of submissions received, the proponent’s availability to commence and complete the work according to the timeline set out below, and the proponent’s approach to the work.

RFP and Project Timeline

The following timeline shall apply to this RFP, proposals by proponents and the award of this RFP. The Utilities reserve the unilateral right, at their sole discretion, to modify any of the dates set forth below and/or any of the steps noted below.

RFP Issued on www.aeea.ca/dsm	January 30 th
Proponent Questions submitted to contact@aeaa.ca	Ongoing – final deadline for questions February 15 th (5:00 pm MT)
Responses to Questions posted on www.aeea.ca/dsm	Ongoing – final responses to questions provided by February 20 th
RFP Submissions Due by email to contact@aeaa.ca	Wednesday, March 1, 2023 (Noon -12:00 pm MT)
Presentation Sessions with Selected Invited Proponents	March 2023
Successful Proponent Selected	March 2023
Scope Finalized / Contract Executed*	March 2023

The Utilities desire to award the PPP Studies work to the successful proponent by March 2023. The Utilities have some flexibility with respect to the timing of commencement of the work, but desire that the work commence as soon as is practical and ideally no later than April 2023. The Utilities anticipate that the work will take between six to nine months to complete. When evaluating responses to the RFP, proponents able to deliver studies of high quality in a reasonable timeline will be scored favourably.

*Should finalization of the Scope and/or the Contract by the Utilities with the successful proponent fail, the Utilities reserve the right at their sole discretion to negotiate with other proponents who have submitted acceptable proposals, to not award this RFP or to issue a new RFP.

About Alberta's Utilities and the AEEA

Electric Utilities (in Alphabetical Order)

ATCO Electric Ltd. ("ATCO Electric")

Headquartered in Alberta, with approximately 6,200 employees and assets of \$22 billion, ATCO is a diversified global corporation with investments in the essential services of Structures & Logistics, Utilities, Energy Infrastructure, Retail Energy, Transportation (ports and transportation logistics), and Commercial Real Estate.

ATCO Electric owns and operates approximately 88,000 kilometres of transmission and distribution lines delivering electricity to approximately 230,000 customers in 242 communities in northern and east-central Alberta. ATCO Electric's service area covers nearly two-thirds of Alberta by geography; accordingly, many of ATCO Electric's customers are in rural areas.

ENMAX Power Corporation ("ENMAX Power")

Headquartered in Calgary, Alberta, with operations across Alberta and Maine, ENMAX Corporation is a provider of electricity services, products and solutions. Between three business units, ENMAX Corporation operates across the energy value chain — as a regulated wires company, a competitive power generator and an energy retailer. ENMAX Corporation's sole shareholder is the City of Calgary.

ENMAX Power is a regulated Alberta-based wires business which owns, operates and maintains the transmission and distribution system in and around Calgary, serving approximately 533,000 customers.

EPCOR Transmission and Distribution Inc. ("EPCOR")

EPCOR builds, owns and operates electrical, natural gas and water transmission and distribution networks, water and wastewater treatment facilities, sanitary and stormwater systems, and infrastructure in Canada and the United States. EPCOR's sole shareholder is the City of Edmonton.

EPCOR Distribution and Transmission Inc. is the wires service provider for the City of Edmonton, serving approximately 430,000 customers.

FortisAlberta Inc. (“FortisAlberta”)

Fortis Inc., headquartered in St. John’s, Newfoundland and Labrador, is an energy delivery business serving 3.4 million electric and gas utility customers in Canada, the U.S., and the Caribbean. Fortis has 9,100 employees. FortisAlberta is a wholly owned subsidiary of Fortis Inc.

FortisAlberta Inc. delivers electricity service to more than 60 per cent of Alberta’s total electricity distribution network, including more than 570,000 residential, farm and business customers across central and southern Alberta. FortisAlberta operates more than 127,000 kilometres of power lines serving 240 communities.

Gas Utilities (in Alphabetical Order)

Apex Utilities Inc. (“Apex”)

TriSummit Utilities Inc. is headquartered in Calgary, Alberta, and owns rate-regulated distribution and transmission utility businesses through its operating subsidiaries including Apex Utilities Inc.

Apex, with its head office located in Leduc, Alberta, serves over 82,000 natural gas customers in more than 90 communities. Apex operates over 21,000 kilometres of natural gas pipelines through a network of 16 district offices. Apex serves approximately six per cent of natural gas customers in Alberta.

ATCO Gas and Pipelines Ltd. (“ATCO Gas”)

ATCO Gas is Alberta’s largest distribution utility serving approximately 1.3 million natural gas customers in nearly 300 communities. ATCO Gas builds, maintains, and operates more than 40,000 kilometres of natural gas distribution pipelines and serves approximately 85 percent of natural gas customers in the province.

Further information on Alberta’s gas utilities is provided in Appendix D and further information on the electric utilities is provided in Appendix E.

The Alberta Energy Efficiency Alliance (AEEA)

The Alberta Energy Efficiency Alliance (“AEEA”) is a member-based organization with a diverse group of stakeholders actively working to maximize Energy Efficiency (“EE”) in the province of Alberta. EE plays an important role in creating a sustainable Alberta,

economically and environmentally. AEEA's members include municipalities, educational institutions, utilities, product and service providers, other industry associations, and individuals.

Since its founding in 2007, AEEA has brought people together to collaboratively solve problems, coordinate action, be a common voice, and share resources and ideas. The goal of AEEA is to reduce the barriers to the adoption of EE technology and activities, recognizing that there is a need for all orders of government, businesses, non-profit organizations and individuals to realize the benefits of energy efficiency.

More information about AEEA, including its vision, mission, beliefs, guiding principles and values is available on its [website](#).

PPP Studies Background & Scope of Deliverables

Alberta Policy & Regulatory Framework Context

Rates for provincially regulated distribution utilities in Alberta are currently set according to performance-based regulation ("PBR") plans set by the AUC. The Utilities are currently in one-year cost-of-service rebasing year in 2023 which will be followed by a five-year (2024-2028) third generation PBR plan. The final details of the PBR will be determined by the AUC through a proceeding that is currently underway.

Alberta is relatively unique among jurisdictions in North America in that there is no specific policy or regulatory framework enabling DSM programming, whether utility or government led. Alberta's utilities must, therefore, include expenditures for DSM programs in rate cases before their regulator that demonstrate the prudence of DSM investments and how these programs are in the public interest. This may include speaking to the cost savings associated with DSM, its role in energy transition and the need to meet the changing needs and expectations of customers, municipalities, investors and society as a whole.

In the past, the provincial government had set up organizations to deliver province-wide energy efficiency programs (Climate Change Central from 2002 to 2014 and Energy Efficiency Alberta from 2016 to 2020). Various distribution utilities also included elements

of DSM in their 2023 COS rebasing proceedings with most of the requested funds not approved by the AUC. The AUC decision related to the ATCO Electric and FortisAlberta COS applications did include, however, the following excerpt from para 170 from Decision 26615: “The Commission sees no reason why these utilities could not continue to work collaboratively among themselves and with the UCA to deliver coordinated DSM programming, particularly because the utilities have indicated that DSM programs are in the public interest and that they serve similar customer demographics.” The AUC decision in the gas proceeding mirrored the electric proceeding decision. More information on these decisions can be found in Appendices B and C.

High-Level Scope of Studies Deliverables

The PPP Studies RFP will enable the Utilities and AEEA to select, in their sole and absolute discretion, a successful proponent to provide the required deliverables:

1. Common background research supporting all PPP Studies
2. Electric PPP Studies for each of the participating electric Utilities
3. Natural gas PPP Studies for each of the participating gas Utilities

Each PPP Study is intended to:

1. Plan a comprehensive portfolio of DSM programs and quantify a range of costs, anticipated ratepayer savings, and emissions reductions specific to each utility service territory. Descriptions of the individual programs and collaboration opportunities among Utilities and with the UCA shall be provided. Energy efficiency opportunities will be included in both the gas and electric studies while demand response and other potential approaches to DSM programs shall also be included in the electric studies.
2. The successful proponent should provide guidance to assist the Utilities in developing both collaborative and individual utility program delivery plans, and guidance with respect to an evaluation framework for assessing results.
3. The successful proponent should provide guidance on a suitable regulatory framework for Alberta’s context. This should include an assessment of financial model alternatives.

The Utilities intend to independently present the findings of the PPP Studies to the AUC and seek utility-specific funding approval for program delivery in future proceedings. The

Utilities and AEEA will also utilize the PPP Studies and background research in discussions with provincial government policy makers and other stakeholders as needed.

Detailed Scope

A detailed scope of deliverables is provided in Appendix A.

Ongoing Engagement with the UCA During the Course of the Work

To support ongoing discussions between the Utilities and the UCA, the successful proponent will be required to support engagement of UCA staff during the course of the Project.

Ongoing Coordination with the Successful Proponent During the Project

The Utilities and AEEA will assign an appropriate team including representation from each Utility to engage with the successful proponent over the course of the life of the Project. The Team Leader will be Jesse Row, Executive Director of the AEEA.

Possible Future Consultant Assistance with Regulatory Filings

It is expected the successful proponent will make themselves available to assist with regulatory filings to the AUC seeking approval for DSM programs and may be asked to appear as an independent expert at a hearing. Any potential future assistance the Utilities may seek in this regard is out of scope for the PPP Studies deliverables and would be contracted and budgeted separately. Prospective proponents are to provide hourly rates expected to apply to this work.

Proponent Submissions

Proponent Questions

All documents pertinent to this RFP will be publicly posted on the [Alberta Energy Efficiency Alliance \(aeea.ca\)](http://Alberta Energy Efficiency Alliance (aeea.ca)) website. Prospective proponents should advise AEEA at contact@aeea.ca of their intent to submit a proposal. Questions from proponents seeking clarification or additional information should also be emailed to contact@aeea.ca. The

Utilities and AEEA will periodically provide answers to the questions received to all prospective proponents via the AEEA website. The organizations submitting questions will not be individually identified.

Lead Proponent & Collaborative or Consortium Submissions

The Utilities recognize that to provide the requested deliverables, proficiency in multiple areas is needed – including DSM program planning and design; electricity and natural gas system knowledge; expertise in the regulation of utility-led DSM programs and EE policy; familiarity with evaluation, measurement and verification (EM&V) frameworks; insight into DSM program best practices; and emerging trends particularly with respect to programs and decarbonization. Accordingly, proponents at their sole discretion are welcome to collaborate with other organizations and subcontract elements of the work. Any collaborative or consortium submissions must identify a lead proponent organization with whom the Utilities through AEEA would execute any Contract for the work and who would be paid for the work. Any contractual and payment arrangements between the lead proponent and that proponent's subcontractor or subcontractors are the sole responsibility of the lead proponent. The lead proponent bears ultimate accountability for the quality and accuracy of consortium submissions and for all contractual deliverables.

RFP Submissions

Proponents should provide a submission in accordance with the outline below.

Cover Letter

- Include contact information for a representative who can answer any questions the Utilities and AEEA may have with respect to the submission.
- Signed by an authorized representative indicating acceptance of all the terms and conditions set out in this RFP.

1. Executive Summary

2. Legal Name of Organization (or Lead Proponent)

3. Organizational Profile

- Provide a brief profile of your organization
- Provide a brief profile of any subcontractor(s) if applicable

4. Overview of DSM Expertise

- Briefly outline your organization's expertise consulting for North American utilities and/or regulatory bodies with respect to DSM programs.
- Include in the profile a comprehensive list of all DSM related consulting services offered by your organization which could include: baseline studies; potential studies; consulting for utilities commissions; providing professional expertise to utilities with respect to policy or regulation and financial frameworks; providing expert witness testimony on behalf of utility clients; program planning; detailed program design; program implementation; trade ally network development; EM&V services; and any other services offered. Please summarize where your proposed project team members were directly involved in the organizational experience outlined.
- Similarly, briefly outline the expertise of subcontractor(s), if applicable.

5. Regulatory Framework Expertise

- Provide a detailed profile of your organization's expertise consulting for utilities commissions or supporting North American utilities clients with respect to regulatory and financial frameworks concerning DSM programs.
- Include the expertise of subcontractor(s), if applicable.
- Highlight the expertise of your organization (including subcontractors if a consortium submission) working with North American electric utilities.
- Highlight the expertise of your organization (including subcontractors if a consortium submission) working with North American natural gas utilities.
- Summarize where your proposed project team members were directly involved in the organizational experience outlined.
- Provide at least one electric client reference and at least one natural gas client reference for whom you have provided consulting services regarding regulatory and/or financial framework expertise and confirm each reference has provided permission to be contacted by a representative of the Utilities.

6. Program Planning & Design Expertise

- Provide a detailed profile of your organization's expertise with respect to planning DSM program portfolios and providing detailed program design consulting services for North American utilities.
- Include the expertise of subcontractor(s), if applicable.
- Summarize where your proposed project team members were directly involved in the organizational experience outlined.

- Provide at least two electric client references and at least two natural gas client references for projects of this type and confirm each reference has provided permission to be contacted by a representative of the Utilities.
- Indicate (yes or no) if your organization provides detailed program design services and also provides program implementation services for the same client for whom the programs were designed. If yes, please briefly comment on any potential conflicts of interest your organization may perceive with respect to providing both types of services for the same client, and any organizational policies followed to address such conflicts.

7. Familiarity with the Alberta Market

- The Alberta market has unique characteristics relative to other jurisdictions with respect to electricity generation, the role of utilities, and the role of energy (electricity and natural gas commodity) retailers.
- Proponents are encouraged to highlight any past work performed for Alberta utilities and work done for utilities operating in jurisdictions with a market structure similar to Alberta's for both DSM and non-DSM related work.
- Proponents should include in this section of their submission a description of their understanding of the Alberta market and the implications of these market characteristics for utility-delivered DSM programs.

8. Approach to the Project

- Describe how your organization (or consortium) would approach performing the work.
- List the key organization personnel (and subcontractors if applicable) who would be assigned to the Project. Outline their roles and responsibilities. In an Appendix, provide a brief biography profiling the relevant experience of the key project team members as it relates to the expertise required for this work. The expectation of the Utilities and AEEA is that the personnel and any subcontractors identified in submissions responding to the RFP would be the same personnel who would be assigned to the Project if the proponent is awarded the work.
- Provide a project schedule and outline key milestones. Indicate what project activities are sequential and which would occur in parallel. In particular, indicate to what extent the electric study work and the natural gas study work are planned to proceed in parallel.
- Indicate the number of proposed in-person meetings and suggested items for discussion during those meetings.
- Indicate how your project team would engage with the Utilities and AEEA personnel over the life of the Project.

- Describe how the Project would be managed to ensure the PPP Studies would be delivered on time and on budget.
- The Project work has added complexity due to the lack of a defined policy and regulatory framework, the involvement of multiple utilities, and the need to address with supporting rationale the respective roles of the Utilities and the UCA. Discuss how your organization proposes to address these complexities.
- Indicate how your organization would approach cost effectiveness screening and cost benefit analysis, given that multiple utilities with differing rate structures are participating in the Project.
- Indicate any recommended customer and/or stakeholder engagement that the Utilities should undertake with respect to the contemplated program portfolio and indicate when, in the program portfolio planning process, such engagement should ideally be conducted.
- Proponents should indicate if they have reviewed the existing Alberta Technical Reference Manual (“TRM”) and if any refinements to the TRM are likely to be recommended during the PPP Studies work.

9. Value Added & Other

- Highlight any unique competitive differentiation or value-added expertise they would provide in performing the PPP Studies work.
- Input from proponents is welcome if there are suggested improvements or refinements to the PPP Studies approach outlined or to the contemplated scope of final deliverables. The rationale and benefits of any suggested modifications should be provided.

10. PPP Study Outline

- Provide a draft table of contents/outline of your organization’s proposed PPP Study Final Report if awarded the work.
- Under each section, briefly describe the type of content that would be included upon completion of the work. Indicate the depth of analysis that would be provided in each section given the Project budget.
- The Utilities will be using this section to evaluate flow and the proponent’s communication proficiency in framing a compelling narrative. (The Utilities recognize that insights will be obtained during the course of the work. The successful proponent will not be held strictly to this outline in the PPP Studies final reports).
- If desired, proponents may include in an appendix an example(s) of relevant work for other utility clients (with client permissions and redacted as may be appropriate), demonstrating their proficiency in compellingly presenting information.

11. Project Budget

- Proponents should provide a budget breakdown indicating the relative amount of effort expected for each area of Project work.
- Indicate any potential concerns with respect to the reasonableness of the Project budget for the contemplated scope.
- Hourly rates expected to apply to potential assistance with future regulatory findings. Rates can be quoted in current year dollars and indicate appropriate year-over-year inflation modifiers would be used for future rates.

12. Timing of the Work

- Proponents should assume that the successful proponent is selected and awarded the work in March of 2023.
- The Utilities have some flexibility with respect to the timing of commencing the work but should be prepared to commence the work as soon as practicable and ideally early in March 2023.
- Proponents should indicate the availability of their Project team, an approximate start date for commencement of the work and the anticipated final completion date for the work.

Appendix – Brief Biographies of Key Project Team Members

Additional Appendices

- Optional at the proponent's discretion

RFP Terms and Conditions

Proponents are instructed to read and understand all requirements detailed in this RFP. Failure of a proposal to meet any such requirements could jeopardize and perhaps eliminate the acceptability of such proposal. The Utilities and AEEA are not responsible for the lack of required information in a proposal or for the accuracy of the information provided in this RFP. It is each proponent's responsibility to verify the accuracy of the information in this RFP by independent investigation and to clarify the interpretation of any provisions of this RFP prior to the RFP submission due date and time set out above (the "RFP Closing Date").

No Obligation to Proceed

Neither this RFP, nor anything contained in the RFP documents, shall constitute a legal offer and is not to be construed as an agreement to purchase goods or services. The RFP and RFP documents are only an invitation for proponents to submit a proposal to AEEA. The Utilities or AEEA shall not be bound to accept any proposal, or to enter into any agreement with any proponent submitting a proposal.

Reservation of Rights

Notwithstanding any other provision in this RFP, the Utilities and AEEA reserve the right, in their sole and absolute discretion, to:

1. At any time, for any reason, reject any or all proposals and terminate the process under this RFP, and proceed with the work as described in this RFP in some other manner, including reissuing a request for proposals or undertaking another procurement process for the same or similar scope of work;
2. Evaluate a proposal that includes one or more variations from the technical or commercial requirements of the draft Contract as permitted by the submission and evaluation criteria (whether such variation is in addition to, or in substitution for, any requirement of the draft Contract) by application of the evaluation criteria to identify the variation most advantageous to the Utilities, and select that proposal based on the identified variation together with the corresponding adjustment, if any, to the proposal price;
3. Amend the scope of work at any time for any reason;
4. Accept the proposal which, applying the evaluation criteria, the Utilities determine is most advantageous to themselves, and, without limitation, select a proposal which does not have the lowest price. For certainty, the proposal with the lowest price will not necessarily be accepted;
5. Waive a defect or irregularity in a proposal and accept that proposal;
6. Reject, disqualify or not accept any or all proposals without any obligation, compensation or reimbursement to any proponent or any of its team members;
7. Negotiate any aspect of a preferred proponent's proposal;
8. Extend, from time to time, any date, time period or deadline provided in this RFP by addendum;
9. Award separate contracts for portions of the Project, including with respect to one or more PPP Study; and

10. If only one proposal is received, reject that proposal and terminate the process under this RFP, and proceed with the work as described in this RFP, including entering into negotiations with that proponent with respect to any matter, including price.

No Representation or Warranty

Each proponent will investigate and satisfy itself of every condition that affects the preparation of its proposal. Each proponent acknowledges and represents that its investigations have been based on its own examination, knowledge, information, and judgment, and not upon any statement, representation, or information made or given by the Utilities or AEEA, the contact person or any other person, other than the information contained in this RFP. Submission of a proposal is deemed to be conclusive evidence that the proponent accepts the terms of this RFP. The Utilities accept no responsibility for any proponent lacking any information.

Confidentiality and Non-Disclosure

Proponents will keep all information received from or on behalf of the Utilities or AEEA relating to this RFP confidential. Proponents shall not disclose such information to any third party or use information for any purpose other than in the preparation of the proposal, and shall take all necessary and appropriate steps to safeguard the information from disclosure. Proponents shall take reasonable steps to ensure that its employees, agents, representatives, subcontractors and other persons under the control of the proponent comply with the foregoing, and shall be responsible for breaches of this section.

The Utilities and AEEA may elect to restrict access to documents pertaining to this RFP which are proprietary or confidential to the Utilities and AEEA by not posting such documents with the RFP and making such documents available in another manner.

The Utilities and AEEA reserve the right to publish the names of proponents and any non-confidential information they deem appropriate or as may be required by law.

Price

Prices proposed shall be in Canadian dollars and exclusive of the Goods and Services Tax and the Harmonized Sales Tax.

In the event of any inconsistency between words and numbers, words shall govern.

Proponent Questions

Unless otherwise advised by AEEA, all questions and any form of communication between the proponents, the Utilities and AEEA in relation to this RFP must be submitted in writing to contact@aeaa.ca. All questions and responses will be documented.

AEEA intends to disseminate all questions and their corresponding responses via website at www.aeea.ca/dsm. If a proponent considers a question to be confidential, and requests that the question and the response not be disseminated to all proponents, then the proponents must provide an explanation as to why confidentiality is being requested. Questions and responses will be treated as confidential only in exceptional circumstances.

If AEEA, in its sole discretion, considers that the question and its corresponding response ought to be kept confidential, it will direct the response only to the proponent that has asked the confidential question, and not to the other proponents. If AEEA determines that the question and the response ought not to be kept confidential, it will advise the proponent and the proponent will have the opportunity to withdraw the question.

The proponent has the responsibility to notify AEEA, in writing, of any ambiguity, divergence, error, omission, oversight, contradiction, or item subject to more than one interpretation in this RFP, as it is discovered, and to request any instruction, decision, or direction required to prepare the proposal.

Questions or concerns must be communicated in writing to AEEA by February 15th (5:00 pm MT). Questions received after this time may not be answered.

Verbal responses to enquiries are not binding on any party.

AEEA is not obligated to respond to clarification requests and no proponent is entitled to any extension of the RFP response deadline by reason of the submission of a clarification request or AEEA's response (or lack thereof).

Proposal Alterations and Irrevocability

Proponents may only amend or rescind their proposal before the RFP Closing Date by submitting a clear and detailed written notice to contact@aeaa.ca.

Subject to the Period of Commitment (defined below), all proposals become irrevocable after the RFP Closing Date.

In either of the following circumstances:

- (a) the proponent has rescinded a proposal before the RFP Closing Date; or
 - (b) AEEA has received the proposal after the RFP Closing Date;
- such a proposal will be deleted by AEEA after the RFP Closing Date.

Period of Commitment

To enable the Utilities and AEEA to complete their approval processes, proposals shall be final and binding on the proponent for ninety (90) days from the RFP's Closing Date (the "**Period of Commitment**") and may not be altered by subsequent offerings, discussions, or commitments unless the proponent is asked to do so by AEEA. The proposal shall be used as the basis for the Contract.

Proposal Return

Proposals and accompanying documentation received prior to the RFP Closing Date, and not rescinded, will become the property of and will be retained by AEEA.

Proponent's Expenses

Proponents are solely responsible for their own expenses in preparing and submitting proposals, and for participating in this competitive procurement process, including for any meetings, negotiations or discussions with the Utilities, AEEA or their representatives and

consultants, relating to or arising from this RFP. The Utilities and AEEA shall not be liable for any such costs and expenses or for costs or expenses of a proponent arising from any withdrawal, amendment, addition, deletion or clarification of this RFP by the Utilities, or the failure of a proponent to have its proposal selected by the Utilities or to enter into a contract with the Utilities and AEEA, howsoever arising.

No Claims

Each proponent, by submitting a proposal, irrevocably:

1. Agrees that it will not bring any claim against the Utilities, AEEA or any of their respective employees, directors, officers, advisors or representatives, or any one of them, for any costs, damages or other compensation in excess of an amount equivalent to the actual and reasonable costs directly and demonstrably incurred by the proponent in preparing its proposal for any matter relating directly or indirectly to this RFP (including, without limitation, in the event that the Utilities reject or disqualify or for any other reason fail to accept a proposal, accept a non-compliant proposal or otherwise breach the terms of this RFP or any duties arising from this RFP), and which amount will not, in any event, exceed \$2,000 in the aggregate; and
2. Waives any claim against the Utilities, AEEA or any of their respective employees, directors, officers, advisors or representatives, or any one of them, for any compensation of whatsoever nature or kind including, without limitation, for loss of anticipated profits, loss of opportunity, indirect, incidental or consequential damages or losses if no agreement is entered into with respect to the work between the proponent and the Utilities and AEEA for any reason whatsoever, including, without limitation, in the event that the Utilities reject or disqualify or for any other reason fail to accept a proposal, accept a non-compliant proposal or otherwise breach the terms of this RFP or any duties arising from this RFP.

Independent Investigation

By delivery of a proposal, each proponent represents, warrants and agrees that:

1. The proponent has fully investigated and satisfied itself of all conditions relating to, affecting or that may affect the work, including site conditions, and the labour, equipment, material and other resources required to be provided to complete the work and fulfil the Contract;
2. The proponent's investigation is based on its own independent examination, experience, knowledge, information and judgement and not upon any statement, representation or information provided by or on behalf of the Utilities or AEEA; and

3. The proponent is willing to assume and does assume all risks regarding conditions relating to, affecting or that may affect the work, including site conditions, whether or not any such conditions are revealed by any information available to, or investigations undertaken by, the proponent, and the labour, equipment, material and other resources required to be provided to complete the work and fulfil the Contract.

Conflict of Interest

Proponents must disclose any potential conflicts of interest and existing business relationships they may have with the Utilities, AEEA or their employees or representatives. The Utilities may reject a proposal from any proponent that they determine would be in a conflict of interest if the proponent were to be awarded the Contract. In making such determination, the Utilities may rely on such disclosure by the proponent and on any other information otherwise obtained by the Utilities.

No Collusion or Solicitation

By submitting a proposal, the proponent, for and on behalf of the proponent and the proponent's team, represents and confirms to the Utilities and AEEA that the proponent has prepared its proposal without any connection, knowledge, comparison of figures, arrangement or collusion with any other person or persons submitting or participating in the preparation of a proposal.

A proponent may not make any representations, solicitations or other communications to any elected or appointed official, director, officer or employee of the Utilities or to a member of the evaluation committee with respect to its proposal, either before or after submission of its proposal, except as expressly provided in this RFP. If any representative of a proponent communicates improperly contrary to this paragraph, then the Utilities may, in their sole and absolute discretion, regardless of the nature of the communication, reject the proposal submitted by the proponent.

Rights to Disqualify: Unfair Advantage

The Utilities reserve the right to disqualify any proponent that in the Utilities' sole and absolute discretion has an unfair advantage (including access to any confidential information not available to all proponents), whether actual, perceived, or likely to arise in

the future. In the alternative, the Utilities may permit any such proponent to continue in this RFP process if it is fair to all proponents and appropriate to do so, and reserves the right to impose such conditions as the Utilities may require.

The Contract

The successful proponent hereby acknowledges that its proposal constitutes acceptance of an offer by the Utilities and AEEA to enter into negotiations with AEEA to finalize the Contract. Upon execution of the Contract and unless the parties otherwise agree in writing and subject to any required regulatory approvals or consents, the Contract shall supercede and replace this RFP and the successful proponent's proposal. Until notification by the AEEA of their determination of a successful proponent or such other alternative determination by the Utilities as set forth in this RFP, each proposal shall bind its respective proponent.

The Utilities, at their sole discretion may award to a proponent or proponents the right to negotiate the Contract with AEEA. The entering into of such negotiations by the Utilities and AEEA shall not bind the Utilities or AEEA to execute the Contract with such proponent or proponents.

Unsuccessful Proponents

Unsuccessful proponents may request a debriefing with the AEEA to discuss relative strengths and weaknesses of that proponent's proposal, but AEEA will not disclose or discuss any confidential information of any other proponent. The requests must be received in a timely manner and granting of such requests will be at the sole discretion of the AEEA.

Governing Law

The RFP, each proposal, the Contract and any ancillary documentation thereto will be governed by and construed in accordance with the laws of the Province of Alberta and the applicable federal laws of Canada. Proponents hereby attorn to the exclusive jurisdiction of the courts of the Province of Alberta.

Dispute Resolution

All disputes arising out of or related to this RFP which the parties are unable to resolve themselves shall be settled by arbitration pursuant to the rules of the *Arbitration Act* (Alberta) (the “Arbitration Rules”). If a binding settlement of a dispute has not been finalized by the parties thereto within 30 days of such dispute arising, any party to the dispute may thereafter initiate proceedings to settle the dispute by arbitration in accordance with the Arbitration Rules. In addition to the Arbitration Rules, the following provisions shall govern the arbitration:

1. the arbitral tribunal shall consist of a single arbitrator;
2. the parties to the dispute shall attempt to agree upon a single arbitrator, but if they are unable to do so within 15 business days of the date of the notice initiating settlement by arbitration, any party to the dispute may thereafter apply to the Court of King’s Bench of Alberta for an order that determines the arbitrator;
3. the place of arbitration shall be Calgary, Alberta;
4. the language of the arbitration, including the hearings, documentation, and award, shall be in English;
5. the arbitration procedures, hearings, documents and award shall remain strictly confidential between the parties;
6. the parties to the dispute shall equally share the fees of the arbitrator and the facility fees and shall each bear their own legal costs and expenses of the arbitration;
7. the governing law of the arbitration shall be laws of the Province of Alberta and the federal laws of Canada applicable therein; and
8. all other procedural and substantive matters related to the arbitration shall be determined by the arbitrator.

Any decision of the arbitrator shall be final and binding on the parties to the dispute and there shall be no right to appeal such decision, whether on a question of law, a question of fact, or a mixed question of fact and law.

Appendix A – Detailed Scope of Deliverables and Information Sources

Detailed Scope of Deliverables

The project work should build on the existing information sources outlined below. Consultant expertise to assist with refining the proposed scope of deliverables is welcomed.

Subject to refinement based on consultant expertise, it is anticipated that deliverables will include a common report including research and analysis applicable to all of the Utilities and a portfolio plan specific to each utility.

Background Research

The Utilities and AEEA propose that the following background research (to be developed by the consultant as part of the Project work) would be helpful in planning the program portfolios, discussing them with the UCA, and in seeking to have them subsequently approved for funding by the AUC.

Comparative Benchmarking Information on Utility Program Portfolios, Budgets & Performance Results

- Provide comparative information from other North American jurisdictions for the fuel type (electricity and gas). Priority should be given to:
 - Investor-owned utilities (as opposed to Crown corporations for example),
 - Jurisdictions with similar market structures to Alberta (where possible), and
 - Jurisdictions using a PBR regulation framework (where possible);
- Outline low, medium and high scenarios for utility investment. Profile in greater detail both “industry average” and “industry leading” jurisdictions;
- Comparative information should include:
 - A description of the program portfolio,
 - Portfolio budget and/or actual expenditures and savings (both dollars and throughput),
 - Where possible, throughput savings should be provided on an incremental annual and cumulative basis,

- Where possible, more detailed information on savings results by sector is preferred – e.g., residential, commercial, farm, industrial, low-income, Indigenous, etc.,
 - Emissions reductions achieved,
 - Where possible, provide both incremental and cumulative savings,
 - Information for multiple years for the utility or jurisdiction profiled is preferred (where possible);
- Provide a “typical” breakdown of where ratepayer cost savings are realized – e.g., per cent of savings attributable to commodity, transmission rates, distribution rates, carbon taxes (if applicable), etc.,
 - This information for jurisdictions with a competitive electricity generation, and/or competitively electricity and gas retail market structures would be particularly informative;
- Commentary on any correlation between high-performing utilities/jurisdictions and policy/regulatory frameworks would be instructive; and
- Understanding the impact of EE programs on utility customer satisfaction would be informative.

Collaborative Program Delivery Models Utilized in Other Jurisdictions

- Include profiles or case studies from other jurisdictions where collaborative delivery models between utilities and with utility consumer advocates are used. This information will be useful and instructive, and should include:
 - Collaboration approaches between multiple individual electric utilities (in the electric study);
 - Collaboration approaches between multiple individual gas utilities (in the gas study);
 - Approaches where electric and gas utilities collaborate with each other; and
 - Approaches where utility consumer advocates collaborate in DSM programs.
- Best practice principles which inform an Alberta approach.

Regulatory Frameworks in Other Jurisdictions

- Outline best practices used by utilities to propose DSM program funding levels to utility regulators in other jurisdictions.
- Outline best practice principles used by utility regulators in their evaluation of the cost prudence of utility DSM programs and the factors considered which might include:
 - Comparison to previous years’ budgets and utility results/performance;
 - Throughput reduction or savings targets;

- Rate impacts;
 - Market capacity considerations;
 - Policy and/or regulatory framework objectives such as mandates to pursue all cost-effective energy efficiency, energy efficiency resource standards, decarbonization goals, etc.; and
 - Other factors typically included in the evaluation of cost prudence.
- Outline best practices with respect to cost-benefit analysis and its application to the design, monitoring and evaluation of utility DSM programs.
 - Each of the major industry-standard cost-effectiveness screening tests should be described in understandable language (that can be used to inform stakeholders and intervenors who may not have intricate familiarity with the regulation of utility DSM programs).
 - Describe and discuss the financial models most commonly used in other jurisdictions.
 - Specific consideration should be given to addressing the financial disincentives utilities face with respect to DSM program delivery, possibly including, but not limited to:
 1. Program cost recovery;
 2. Various mechanisms used for keeping the utility financially whole, including, but not limited to, lost variable revenue adjustment mechanisms; and
 3. Models for enabling the utility to earn on DSM expenditures while maximizing savings for customers.
 - Information should also be provided on how DSM fits with other components of the utility system, such as rates and tariffs, to deliver targeted outcomes such as a reduction in peak and total consumption, and lower overall utility bills.

Program and Regulatory Framework Evolution to Address Energy Transition and Decarbonization Considerations

- The consultant should provide information on how utility DSM programs and regulatory frameworks are evolving in other jurisdictions in order to address energy transition and decarbonization considerations.

Alberta-Specific Deliverables

The Project should generate the following deliverables specific to Alberta.

Feasibility of DSM

- Existing work ([Demand Side Management — Alberta Energy Efficiency Alliance \(aeaa.ca\)](#)) has already been done by the Utilities and AEEA in this area.
- The consultant should build upon this prior work, providing commentary, particularly relevant to AUC and provincial government audiences outlining the feasibility of utility DSM in Alberta.

Delivery Model Guidance

- Existing work ([Integrating Energy Efficiency into the Utility System: A Review of Delivery & Funding Models](#) and [Energy Efficiency Alberta Utility System Integration Phase 2 Report \(aeaa.ca\)](#)) has already been done on the strengths and weaknesses of various funding and delivery models.
- The consultant should build upon this work and provide guidance to the Utilities on a delivery model suited to Alberta’s context. Considerations within the guidance may include:
 - A delivery model approach for programs best suited to being delivered collaboratively across utilities and with the UCA.
 - Programs best suited to individual utility delivery.
 - The existing consumer education role of the UCA.

Regulatory Framework Guidance

- Based on best practices in other jurisdictions and decarbonization and energy transition considerations, the consultant should provide guidance to the Utilities on a suitable regulatory framework which would best enable DSM in Alberta.
- This should include consideration and assessment of various financial framework models.

Program Portfolio Planning

- This area should be the major focus of the Project.
- The consultant should outline industry best practices for program planning and design. This should include a discussion of the principles used to determine portfolio budgets among customer segments – e.g., residential, commercial, farm, industrial, etc. Principles for allocating DSM program budgets to collective and individual utility programs should be discussed.
- As utility-administered DSM programs would be new in the Alberta context, the consultant should provide guidance to the Utilities as to an appropriate initial funding level and budget ramp up over a 2024-2028 (five-year) planning horizon.

Budget range scenarios may be appropriate (using low, medium and high levels of utility investment based on benchmarking information from other jurisdictions).

- For a selected budget level that the successful proponent and the Utilities will mutually determine during the course of the work, a comprehensive portfolio of programs for 2024-2028 must be provided. Best practices and preliminary program design should be applied to the development of a proposed comprehensive portfolio of programs. The portfolio should include residential, commercial, farming, institutional and industrial sectors as appropriate, and give consideration to both retrofits and new construction. To ensure equitable access to programming, low-income, Indigenous and small-business programs should be included.
 - Given utility-administered DSM programming would be new to Alberta, it is likely appropriate that the program portfolio, particularly in the earlier years, incorporate primarily standard programs that have been well-tested in other jurisdictions. However, the Utilities are open to consultant guidance as to what programs should be included in the portfolio (possibly over time), particularly with respect to energy transition and decarbonization objectives.
- Energy efficiency opportunities will be included in both the gas and electric studies while demand response and other potential approaches to DSM programs shall also be included in the electric studies. A brief description of each program proposed to be included in the portfolio plan for each customer segment should be provided.
- For the selected budget level, budgets for each individual utility will be required, including budgeting for programming to be delivered by the Utilities collectively.
- The portfolio budgets should be provided by major cost component (e.g., incentives, marketing and communications, overhead, EM&V, utility earnings, and other categories as may be appropriate).
 - Ideally, these costs should be benchmarked against other jurisdictions to provide comfort that the amounts are appropriate, and to provide comfort that benchmarking of these types of costs against other jurisdictions is a practice that can be relied upon.
 - The consultant should outline how the suggested portfolio budget fits with the financial framework commentary provided in the regulatory framework guidance section. This will provide transparency into how much projected utility profit is associated with the proposed programs. This will be of key interest to the AUC, the UCA, and other stakeholders.
- The electric and gas program portfolios planned must clearly quantify anticipated ratepayer costs and savings, ideally by customer class and/or program type in a format suitable for presentation in a regulatory proceeding or for advocacy to other stakeholders. The emissions reduction benefits of the programs should also be quantified.

- Modelling projecting the anticipated savings components (commodity, carbon taxes, distribution charges, other) by major program type for the portfolio in Alberta's specific context would be extremely useful.
- While the majority of the items listed within the Detailed Scope of Deliverables are expected to be presented within a common report, individual portfolio plans are expected for each of the Utilities to enable individual DSM-related applications into the AUC if needed.

Implementation Planning and Next Steps

- Portfolio planning deliverables include consultant guidance to assist the Utilities in development of their utility implementation plans. This guidance should outline all major elements that should be considered and included in an implementation plan, which may include, but is not limited to resourcing, process, systems and IT considerations, channel and trade ally network development, marketing and communications, etc.
- The portfolio plan and budget should consider organizational capacity, market capacity and scaling considerations for program implementation over the five-year planning horizon.
- The program planning deliverables include outlining at an appropriate level of detail an evaluation approach for assessing portfolio performance.
- Detailed program design is out of scope as the Utilities recognize that would be premature at this stage. The studies should outline the consultant's recommended next steps the utilities could undertake to enable implementation (assuming AUC approval is received), including how detailed program design could be approached.
- With the goal of cost and regulatory efficiencies, the Utilities intend to collaborate with each other regarding processes for future updating of the existing Technical Reference Manual ("TRM") and the development of other resources that would benefit future program delivery – such as future refreshing of studies such as potential studies or the conducting of a baseline study. Recommendations with respect to the above and regarding processes to keep the TRM updated going forward should be included in each PPP study.
- To the knowledge of the utilities, a baseline study for Alberta has never been conducted. The consultant should provide guidance on the possible need for an Alberta baseline study. If a baseline study is recommended, the consultant should provide guidance as to the recommended timing for the study.
- Other forward-looking considerations based on consultant expertise are welcomed.

Other than as identified above (or unless deliverables are refined based on input from the successful proponent) program design, implementation and evaluation components are out of scope for the PPP studies.

Information Sources

Proponents will likely find the following sources of information helpful.

- Guidehouse (formerly Navigant) October 2018 *Potential Study* conducted for Energy Efficiency Alberta
 - [Energy Efficiency Alberta Potential Study Backgrounder — Alberta Energy Efficiency Alliance \(aeea.ca\)](#)
 - [Potential Study Report — Alberta Energy Efficiency Alliance \(aeea.ca\)](#)
 - The utilities and AEEA have requested from the Alberta government the potential study measure level information. The government has indicated it intends to release this information publicly.
- Alberta *Potential Study* conducted for ATCO in 2015 by Dunskey Energy Consulting
 - This study was a bottom-up study for gas to mid-level accuracy and a high-level top-down study for electricity.
 - ATCO has the gas measure level information which will be provided to the successful proponent.
- [Energy Efficiency Alberta Public Reports and Data — Alberta Energy Efficiency Alliance \(aeea.ca\)](#) including TRM, and Dunskey Energy Consulting reports on integrating EE into Alberta's utility system.
- *Demand Side Management Opportunities for Alberta*, May 15, 2022, prepared for the Alberta Energy Efficiency Alliance (AEEA) by Guidehouse.
 - [Demand Side Management — Alberta Energy Efficiency Alliance \(aeea.ca\)](#)
 - This White Paper focuses on the costs and benefits of DSM programs and includes comparative information from other jurisdictions.
- *AESO Net-Zero Report*, June 27, 2022
 - [Net-Zero Emissions Pathways » AESO](#)

Appendix B – 2022 AUC DSM Ruling – Electric Proceeding

AUC Decision 26615-D01-2022, paragraphs 156-178

5.5 Demand-side management programs

156. Demand-side management (DSM) consists of actions, activities and programs that influence consumer behaviours to lower energy usage.¹³⁷ DSM includes energy efficiency measures that lower total energy consumption typically with no degradation in service quality. It also includes demand response technologies and measures that allow consumers (or a third party on behalf of a consumer) to manage the timing of energy consumption.

157. Both ATCO Electric and Fortis applied for approval to recover the costs of designing and implementing DSM programs. Fortis proposed to operate its projects on a pilot basis with expenditures forecast only to the end of 2023, whereas ATCO Electric’s proposed program was designed, at least in part, to continue into the PBR3 term. While these are separate proposals, the Commission addresses them together in this section of the decision. For the reasons that follow, the Commission denies ATCO Electric’s Emissions Reduction and Energy Efficiency Program (EREE) and Fortis’s low-income DSM initiative, customer education and awareness of smart

¹³⁴ Exhibit 26615-X0422, Preliminary (non-audited) 2021 Actuals, paragraph 36.

¹³⁵ Exhibit 26615-X0422, Preliminary (non-audited) 2021 Actuals, paragraph 42.

¹³⁶ Exhibit 26615-X0412, ATCO Electric 2021 Preliminary (unaudited) Actuals.

¹³⁷ Exhibit 26615-X0051, Appendix G-2 AEG Research in Support of FortisAlberta DSM Program Application, PDF page 3.

services and technology initiatives, but approves Fortis's managed electric vehicle (EV) charging pilot.

158. ATCO Electric stated that its proposed DSM program, EREE, would “reduce total bill costs, enhance customer satisfaction, influence customer behaviour, complement grid modernization and non-wires alternative initiatives, delay or avoid costly infrastructure upgrades and decarbonize electric service offerings.”¹³⁸ It proposed two subprograms under the EREE, with total forecast O&M expenditure of \$885,000 in 2023.

159. The first subprogram is the customer energy literacy program. It would provide residential customers with home energy reports including data on monthly usage disaggregated by individual components (such as entertainment, heating, cooking), together with information on the relative efficiency of appliances, as well as personalized energy insights and energy-saving tips to help customers better understand usage. ATCO Electric forecast that the literacy subprogram would cost \$485,000 in 2023.¹³⁹

160. The second subprogram is a proposal to spend \$400,000 to engage a consultant for an EREE program planning, design and implementation (PPDI) study.¹⁴⁰ ATCO Electric explained that the PPDI study would provide insights on potential programs for implementation, as well as program costs, decarbonization expectations and net customer savings. This information would assist ATCO Electric in planning EREE programs beyond 2023 and provide guidance to both itself and the Commission with respect to a financial framework under which an EREE program could be delivered based on best practices in other jurisdictions.¹⁴¹

161. In its application, Fortis requested approval for three DSM pilot projects totalling \$2.4 million in capital additions in 2023.¹⁴² Fortis stated its proposed DSM program would allow low-income, rural residential and farm customers to manage their consumption and costs by making their demand data available. Fortis indicated that pursuing its DSM programs on a pilot basis would allow it to take a measured approach in investigating solutions to customer issues.¹⁴³ Fortis proposed to capitalize the costs of these programs with deferral account treatment.

162. The three pilot projects proposed by Fortis are as follows:

- (i) **Low-Income DSM Initiative:** A proposed pilot project to provide low-income families with deep home envelope energy efficiency measures (e.g., furnace upgrades, insulation replacements, etc.). Fortis forecast the costs for this pilot to be approximately \$1.4 million.¹⁴⁴ The breakdown in costs is approximately 125 customers at an average cost of \$10,000 per customer, with an additional \$150,000 allotted for program design.¹⁴⁵

¹³⁸ Exhibit 26615-X0023, ATCO Electric application, PDF page 40, paragraph 123.

¹³⁹ Exhibit 26615-X0023, ATCO Electric application, PDF page 40, paragraph 124.

¹⁴⁰ Exhibit 26615-X0023, ATCO Electric application, PDF page 40, paragraph 125.

¹⁴¹ Exhibit 26615-X0023, ATCO Electric application, PDF page 40, paragraph 125.

¹⁴² Exhibit 26615-X0039, Appendix G - Demand Side Management Program DSM, PDF page 32.

¹⁴³ Exhibit 26615-X0039, Appendix G - Demand Side Management Program DSM, PDF pages 9-10.

¹⁴⁴ Exhibit 26615-X0039, Appendix G - Demand Side Management Program DSM, PDF page 24.

¹⁴⁵ Exhibit 26615-X0416, Fortis rebuttal evidence, paragraph 20.

- (ii) **Customer Education and Awareness of Smart Services and Technology Initiative:** This initiative would provide customers with resources on smart home/smart farm technologies and services that enable direct control and understanding of their consumption patterns and costs. There would be separate programs for residential and farm customers.¹⁴⁶ Fortis forecast the cost to be approximately \$600,000, serving approximately 1,100 customers at a cost of \$440,000, with the remaining \$140,000 allotted for program design.¹⁴⁷
- (iii) **Managed Electric Vehicle Charging Pilot:** Fortis explained that it does not have visibility of the location of EV chargers at residential premises, unless a panel upgrade is required to accommodate additional load. Under this program, Fortis proposed to work with customers to understand where and when EV charging is drawing large amounts of power, allowing for a proactive approach to infrastructure investments. Fortis forecast the cost of this pilot to be approximately \$350,000. It anticipated that this budget would allow Fortis to engage approximately 600 customers with a \$200 sign-up incentive and monthly incentive payments of \$5-\$10 per month, with the remaining \$140,000 budgeted being allotted for program design.¹⁴⁸

163. Fortis argued that, in general, DSM programs lower the overall cost of electricity to end-users by optimizing system assets and encouraging customers to use energy more efficiently.¹⁴⁹ Fortis contended that its proposed DSM program would have numerous social benefits, including decreased emissions, addressing energy poverty and reducing costs for vulnerable populations.¹⁵⁰

164. The UCA opposed the respective DSM programs of both ATCO Electric¹⁵¹ and Fortis. The UCA sponsored the evidence of R. Bell, who considered that such programs were unrelated to the provision of safe and reliable service and therefore fall outside of the duties of a regulated utility.¹⁵² R. Bell proposed that a coordinated province-wide strategy would be preferable to separate programs put forward by each individual utility, because a province-wide strategy would avoid duplication and provide consistent messaging.¹⁵³

165. R. Bell also raised concerns that the DSM programs lacked detailed evidence to support the prudence of the proposed expenditures and to demonstrate tangible benefits to ratepayers.¹⁵⁴ He further submitted that updating rates to include a demand component could be a more

¹⁴⁶ Exhibit 26615-X0039, Appendix G - Demand Side Management Program DSM, PDF pages 25-26.

¹⁴⁷ Exhibit 26615-X0416, Fortis rebuttal evidence, paragraph 24.

¹⁴⁸ Exhibit 26615-X0416, Fortis rebuttal evidence, paragraphs 22-23.

¹⁴⁹ Exhibit 26615-X0416, Fortis rebuttal evidence, paragraph 25.

¹⁵⁰ Exhibit 26615-X0039, Appendix G - Demand Side Management Program DSM, PDF pages 28-29.

¹⁵¹ Exhibit 26615-X0328, UCA evidence (redacted), PDF page 36.

¹⁵² Exhibit 26615-X0328, UCA evidence (redacted), PDF page 35.

¹⁵³ Exhibit 26615-X0410, UCA-AUC-2022MAR14-006(a).

¹⁵⁴ Exhibit 26615-X0410, UCA-AUC-2022MAR14-006(a) and 007.

effective mechanism for managing EV charging load than the rebate system proposed by Fortis in its Managed EV Charging pilot.¹⁵⁵

166. The UCA also stated that when programs, such as DSM, are linked to specific utilities, they may become a branding exercise; that is, a means to keep the utility in the public eye.¹⁵⁶ The UCA explained that it supports efforts to ensure customer bills are as low as possible and recognizes value in customer education. It argued, however, that the current proposals are “haphazard, inefficient and potentially confusing to customers.”¹⁵⁷

167. For the reasons that follow, the Commission denies ATCO Electric’s EREE Program and Fortis’s Low-Income DSM Initiative, and Customer Education and Awareness of Smart Services and Technology Initiative.

168. While DSM programs may be beneficial to all customers, the Commission is not persuaded that it is reasonable to include these costs in Fortis’s forecast revenue requirement. Fortis acknowledged that there is no “right way” to administer energy efficiency programs and that such programs can be run by utilities, government agencies or third parties, with distinct advantages and disadvantages to be considered in deciding which approach is most appropriate.¹⁵⁸ The Commission is not satisfied that Fortis fully considered the advantages and disadvantages of a DSM program run by entities other than a utility, to identify the best approach for its customers.

169. The UCA is the entity tasked by the provincial government to provide customer education on electric and natural gas utilities.¹⁵⁹ In this legislative and policy context, the Commission puts considerable weight on the UCA’s submissions that customer confusion may result from unique and independent DSM programs being undertaken by individual distribution utilities.

170. The Commission agrees with the UCA that there is the potential for cost duplication and that it may be more efficient to take a more coordinated approach to DSM programming. While ATCO Electric’s EERE program and Fortis’s Customer Education and Awareness of Smart Services and Technology Initiative would serve different customers, there could be clear synergies in the development of coordinated planning and implementation, given that the target customers and desired outcomes are similar. ATCO Electric and Fortis indicated that in preparing proposals for their respective DSM programs, they coordinated with other electric distribution entities (referred to collectively as the Alberta Smart Grid Consortium) to hire a third party to conduct market research.¹⁶⁰ The Commission sees no reason why these utilities could not

¹⁵⁵ Exhibit 26615-X0410, UCA-AUC-2022MAR14-006(d), PDF page 17.

¹⁵⁶ Exhibit 26615-X0328, UCA evidence (redacted), PDF page 35.

¹⁵⁷ Exhibit 26615-X0476, UCA oral argument (written version), paragraph 25.

¹⁵⁸ Exhibit 26615-X0052, Appendix G-3 Dunsky Energy Consulting - Integrating Energy Efficiency into the Utility System, PDF page 16.

¹⁵⁹ *Government Organization Act*, Schedule 13.1, Section 3.

¹⁶⁰ Exhibit 26615-X0039, Appendix G - Demand Side Management Program DSM, PDF page 10. The Alberta Smart Grid Consortium consists of Alberta Innovates (a Provincial Crown Corporation), Alberta Energy and the Alberta distribution facility owners, including ATCO, ENMAX, EPCOR, Fortis, Alberta Federation of Rural

continue to work collaboratively among themselves and with the UCA to deliver coordinated DSM programming, particularly because the utilities have indicated that DSM programs are in the public interest and that they serve similar customer demographics.

171. Accordingly, ATCO Electric's EERE program and Fortis's Low-Income DSM Initiative and Customer Education and Awareness of Smart Services and Technology Initiative are denied. The Commission directs ATCO Electric and Fortis to remove their respective expenditures associated with these programs and initiatives from their 2023 forecasts in their compliance filings.

172. For the reasons set out below, the Commission approves Fortis's Managed EV Charging pilot.

173. On December 6, 2018, the Commission initiated the Distribution System Inquiry (DSI) with the express purpose of identifying key issues related to the future of the electric distribution grid, to aid in developing the necessary regulatory framework to accommodate the evolution of the electric system.¹⁶¹ The resulting DSI report¹⁶² set out key findings, one of which identified changes that will challenge the distribution utilities. For example, utilities will need to deal with dynamic energy flows on their systems, changing customer expectations and the implementation of new technologies to help respond to an industry in transition.¹⁶³

174. Following the DSI, in Decision 23943-D01-2020, the Commission recommended that the Alberta Electric System Operator (AESO) and distribution utilities consider operational measures, such as non-wires alternatives, to alleviate pressures for continued growth in utility capital spending.¹⁶⁴ The Commission finds that Fortis's proposed Managed EV Charging Pilot will provide the kind of information that was contemplated in the DSI and that Fortis will need to build, upgrade and improve its electric distribution system. Further, this pilot program responds to the Commission's suggestion to consider non-wires alternatives to lower system costs. The Commission approves the forecast 2023 additions for this program on a pilot basis only. Accordingly, the Commission directs Fortis to define key performance indicators for this pilot, to file these metrics in its compliance filing and to report the results to the Commission within six months of the completion of the pilot. The results of the pilot will be considered by the Commission when reviewing any future EV charging applications made by Fortis.

175. The Commission is also mindful of R. Bell's submission that rates could be preferable to rebates in incenting changes to customers' EV charging behaviours.¹⁶⁵ This submission

Electrification Associations, EQUUS REA LTD. and the Cities of Lethbridge, Medicine Hat and Red Deer. "The Consortium works collaboratively to understand the impacts and opportunities of grid modernization solutions by enabling the development, deployment and use to meet the current and evolving needs of their electricity consumers." See the Distribution System Inquiry – Final Report, Proceeding 24116, footnote 468.

¹⁶¹ Bulletin 2018-17, Electric Distribution System Inquiry, December 6, 2018.

¹⁶² Proceeding 24116, Distribution System Inquiry - Final Report, February 19, 2021.

¹⁶³ Proceeding 24116, Distribution System Inquiry - Final Report, Section 2.2 Key takeaways.

¹⁶⁴ Decision 23943-D01-2020: Alberta Electric System Operator, EPCOR Distribution & Transmission Inc. – West Edmonton Transmission Upgrade Project, Proceeding 23943, Applications 23339-A001 to 23339-A006, March 12, 2020, PDF page 40, paragraph 155. This was also quoted in the Distribution System Inquiry – Final Report, Proceeding 24116, paragraph 414.

¹⁶⁵ Exhibit 26615-X0410, UCA-AUC-2022MAR14-006(d), PDF page 17.

corresponds with the observations in the DSI report, which also identifies improving rate design as a mechanism for managing integration of distributed energy resources onto the grid.¹⁶⁶

176. The Commission is interested in comparing the efficacy of incentive programs against alternative rate design (for example, time-of-use rates) as a mechanism for managing EV charging loads. If it is possible to do so within the forecast costs for this pilot project, the Commission encourages Fortis to include a proposal for an alternative rate pilot on a subset of customers within its managed EV charging pilot in its compliance filing.

177. As directed in Section 5.2, Fortis must adjust its forecast for this program to reflect the approved escalation factors.

178. Fortis also requested a deferral account for its Managed EV Charging Pilot but did not file substantive evidence in support of the request. As a result, the Commission is unclear why a deferral account is required, given that recovery of capital costs occurs over a period of years, based on the depreciation rates of the assets involved. The project does not appear to align with the criteria typically considered by the Commission when evaluating the need for deferral accounts.¹⁶⁷ Specifically, the forecast amount of \$350,000 is not material to Fortis's overall application, and given that the project is proposed and planned by Fortis, the Commission considers the project forecast and actual costs to be within Fortis's control. Consequently, the Commission denies the use of a deferral account.

¹⁶⁶ Distribution System Inquiry – Final Report, Proceeding 24116, Section 5.2.1.3.

¹⁶⁷ Decision 2012-237, paragraph 629.

Appendix C – 2022 AUC DSM Ruling – Gas Proceeding

AUC Decision 26616-D01-2022, paragraphs 165-173

6.1.2.2 Emissions Reduction and Energy Efficiency Program

165. In the application, ATCO Gas forecast \$860,000 in O&M expenses for the EREE program.¹⁵⁰ ATCO Gas stated that, as part of its strategy to address the federal *Greenhouse Gas Pollution Pricing Act*, *Canadian Net Zero Emissions Accountability Act*, and requirements to increase building energy efficiency to comply with “net-zero energy ready” building codes as outlined in the Pan-Canadian Framework on Clean Growth and Climate Change, it is proposing to provide the EREE programs to customers.¹⁵¹

166. ATCO Gas stated that EREE programs are fully consistent with leveraging the existing distribution infrastructure and providing multiple pathways toward the goal of efficient energy use with lower emissions. Furthermore, ATCO Gas stated it is globally recognized that increased investment in energy efficiency must be a strategic policy and regulatory priority since it is a low-cost decarbonization pathway essential to realizing emissions reduction goals. ATCO Gas stated that without continued innovations such as EREE, customers concerned with the issue of climate change may bypass natural gas in increasing numbers in favour of other fuel choices, which would in turn further reduce distribution system utilization, place upward pressure on costs for ratepayers who remain on the system, and increase long-term risks to the continued viability of natural gas distribution.¹⁵² ATCO Gas submitted that EREE programs can reduce the cost of customer energy bills, enhance customer satisfaction, complement other decarbonization

¹⁴⁷ Exhibit 26616-X0018, ATCO Gas application, paragraph 117.

¹⁴⁸ Exhibit 26616-X0018, ATCO Gas application, paragraphs 118-121.

¹⁴⁹ Exhibit 26616-X0135, AG-AUC-2022FEB17-003, PDF page 26.

¹⁵⁰ Exhibit 26616-X0018, ATCO Gas application, Table 12, PDF page 44.

¹⁵¹ Exhibit 26616-X0018, ATCO Gas application, paragraph 125.

¹⁵² Exhibit 26616-X0018, ATCO Gas application, paragraphs 125-127.

initiatives, and educate customers on new technologies and services.¹⁵³ ATCO Gas also observed that in other Canadian and U.S. jurisdictions, utility EREE programs provide a widely adopted tool that has been highly successful in reducing gas costs for utility customers, and compared with other Canadian and U.S. jurisdictions, Alberta is an exception with respect to energy efficiency programming.¹⁵⁴

167. The EREE program includes two separate subprograms: Customer Energy Literacy, and the EREE Program Planning, Design, and Implementation (PPDI) Study. ATCO Gas explained the objective of the Customer Energy Literacy subprogram, forecast to cost \$150,000 in 2023, is to provide customers, homebuilders, and property developers with education and outreach materials regarding how the gas distribution system enables an affordable low-emissions future for meeting the space and water heating needs of Albertans. ATCO Gas also forecast an additional \$360,000 to install 10 carbon capture units at 10 different school locations within its service area, and views this school program as part of ongoing and essential outreach to educate students on the innovations occurring in the gas distribution system.¹⁵⁵

168. The EREE PPDI Study subprogram is forecast to cost \$360,000 in 2023, and is intended to provide ATCO Gas with a comprehensive understanding of potential EREE programs for implementation, as well as program costs, decarbonization expectations, and net customer savings. ATCO Gas stated that this will inform its future EREE program delivery beyond 2023 and provide guidance to both ATCO Gas and the Commission with respect to a financial framework under which EREE programs may be delivered based on best practices in other jurisdictions.¹⁵⁶

169. Calgary disagreed that the cost of the carbon capture units should be allowed, and stated that ATCO Gas was unable to provide tangible evidence demonstrating how this initiative will directly benefit the ratepayers, nor were specific figures offered that show this initiative will be a net benefit to ratepayers from either a financial or an environmental perspective. Calgary stated it is clear that this initiative will further the company's goodwill and serve as a community investment primarily promoting ATCO Gas at the expense of ratepayers. Calgary stated that such expenditures should accrue to the account of the shareholder.¹⁵⁷

170. The UCA took issue with the overall EREE program on the basis that ATCO Gas had failed to provide detailed information about the costs and only identified a high-level summary of annual costs. The UCA stated that in this case, it may be more akin to a branding exercise, and education programs of this type should be handled by a centralized agency rather than by individual distribution utilities and entities, as this would avoid duplication of work across utilities and provide consistent messaging for utility customers. The UCA also submitted that implementing programs of this nature is not one of the core functions of a distribution utility. Finally, the UCA submitted that the Commission has already ruled in Decision 2011-450¹⁵⁸ that programs such as this, aimed at customer education and energy efficiency and demand side

¹⁵³ Exhibit 26616-X0018, ATCO Gas application, paragraph 128.

¹⁵⁴ Exhibit 26616-X0018, ATCO Gas application, paragraph 129.

¹⁵⁵ Exhibit 26166-X0018, ATCO Gas application, paragraph 133.

¹⁵⁶ Exhibit 26616-X0018, ATCO Gas application, paragraph 133.

¹⁵⁷ Exhibit 26616-X0199, Calgary written evidence, PDF pages 15-16.

¹⁵⁸ Decision 2011-450: ATCO Gas (a Division of ATCO Gas and Pipelines Ltd.), 2011-2012 General Rate Application Phase I, Proceeding 969, Application 1606822, December 5, 2011.

management, were not intended by the legislature to be among the functions of a gas distributor.¹⁵⁹

171. For the reasons that follow, the Commission denies ATCO Gas's EREE program. The Commission finds that while EREE programs may be beneficial to all customers, it is not possible in the current proceeding to investigate and fully assess the best way to deliver EREE programs in Alberta. While ATCO Gas submitted that over 90 per cent of programming is funded by utility customers,¹⁶⁰ the Commission is not satisfied that ATCO Gas fully considered the advantages and disadvantages of an EREE program run by entities other than a utility to identify the best approach for its customers.

172. The UCA is the entity tasked by the provincial government to provide customer education on electric and natural gas utilities.¹⁶¹ In this legislative and policy context, the Commission puts considerable weight on the submissions made by the UCA that customer confusion may result from unique and independent programs being undertaken by individual distribution utilities.

173. The Commission agrees with the UCA that there is potential for cost duplication and it may be more efficient to take a more coordinated approach to the EREE program. The Commission sees no reason why ATCO Gas could not work collaboratively with the UCA and other utilities to deliver coordinated EREE programming, particularly because ATCO Gas has indicated the EREE programs are in the public interest. Accordingly, ATCO Gas's EREE program is denied. The Commission directs ATCO Gas to remove the expenditures associated with these programs and initiatives from its 2023 forecast in its compliance filing.

¹⁵⁹ Exhibit 26616-X0318, UCA non-confidential oral argument, paragraphs 30-50.

¹⁶⁰ Exhibit 26616-X0233, ATCO Gas rebuttal evidence, paragraphs 116-118.

¹⁶¹ *Government Organization Act*, Schedule 13.1, Section 3.

Appendix D – Gas Utilities Information

Customer Information

	ATCO Gas ² 2021	APEX 2021
Distribution Customers		
Residential	1,160,115	60,219
Commercial/Industrial (incl. Oil & Gas)	103,051	7,647
Farm/Irrigation ¹	750	14,175
Total	1,263,916	82,041

¹ For Apex Utilities Inc. this includes all rural customers. For ATCO Gas this includes only irrigation customers.

² ATCO Gas customers are spread relatively equally over two separate rate zones (north and south).

Full utility financial reports are publicly available at https://www.auc.ab.ca/regulatory_documents/finance-and-operations/

Communities Served

- Information on Apex’s service territory can be found [here](#).
- Information on ATCO Gas’s service territory can be found [here](#).

Appendix E – Electric Utilities Information

Customer Information

	ATCO Electric 2021	ENMAX Power 2021	EPCOR 2021	FortisAlberta 2021
Distribution Customers (not including lighting)				
Residential	158,694	493,524	385,463	434,427
Commercial/Industrial (incl. Oil & Gas)	38,999	39,275	36,084	81,761
Farm/Irrigation ¹	27,061	0	0	43,978
Time of Use	0	0	1,805	0
Transmission Connect	47	0	6	77
Total	224,801	532,799	423,358	560,243

Full utility financial reports are publicly available at https://www.auc.ab.ca/regulatory_documents/finance-and-operations/

Communities Served

- Information on ATCO Electric's service territory can be found [here](#).
- ENMAX Power serves the City of Calgary.
- EPCOR serves the City of Edmonton.
- Information on FortisAlberta's service territory can be found [here](#).