William Lahey
Chair to the Board of Directors

PO Box 2144 Central
Halifax, NS B3J 3B7

T 902-424-6595
F 902-424-0799

Efficiency Nova Scotia Corporation

RECEIVED
APR 30 2010
Nova Scotia
Utility and Review Board

April 30, 2010

Ms. Nancy McNeil
Regulatory Affairs Officer/Clerk
Nova Scotia Utilities and Review Board

Dear Ms. McNeil:

I am writing on behalf of Efficiency Nova Scotia (ENS) to seek approval from the Utilities and Review Board (UARB) for initial funding of ENS by Nova Scotia Power Incorporated (NSPI). The approach that ENS proposes in this letter is one that reflects discussions we have had with and input we have received from NSPI, as well as helpful guidance that has been provided by Mr. Bruce Outhouse. The proposals contained in this letter are however, solely those of ENS.

The Board of Directors of ENS has developed a provisional / high-level budget for the first twelve months of ENS' operations. That budget is attached. It estimates first year operational expenditures of between $1,155,000 and $1,380,000. It is important to stress that this budget was put together without the benefit of staff analysis or support. It is also important to stress that it is not intended to cover program administration expenses or revenues; expenses that would be incurred to properly develop the DSM electricity plan for 2012; or the expenses of transitioning administration of existing DSM programs from NSPI to ENS. Instead, the budget represents our best estimate of the cost of establishing ENS as a functioning entity and of operating it as such during its first twelve months.

On the basis of this budget, the Province of Nova Scotia (PNS) has contributed $391,600 to ENS in the form of cash grant ($175,000) and the direct payment of various professional advisors and the provision of in-kind assistance (totaling $216,000).

The legislation establishing ENS contemplates the payment of an assessment to ENS by NSPI in relation to the start-up costs of ENS relating to electricity demand-side management, subject to UARB approval. Such funding is essential if ENS is to meet the legislative and regulatory expectations that apply to it relative to preparation of the 2012 DSM plan and assuming responsibility for administration of existing DSM programs prior to the end of 2010.

ENS proposes a block funding approach under which NSPI would pay ENS an amount that is equal to the attached twelve-month budget minus the contribution received from the PNS. In addition, this funding would include an additional amount to fund the work of ENS in developing the 2012 plan, including the engagement of appropriate consultants and participation in the PDWG process. Based on information provided to us by NSPI, ENS estimates the cost of this work to be in the order of $600,000. Finally, NS proposes that the cost of preparing for and transitioning DSM programs to ENS from NSPI should also be separately reflected in the block grant to be paid to ENS by NSPI. Although the estimate of these costs cannot be based on prior experience in the same way as our estimate of DSM plan design expenditures can be, our discussions with NSPI suggest that these costs may be in the order of an additional $450,000.

Adding the above amounts together and working with the higher estimate of general organizational expenses from the attached budget, the block funding proposed is in the order of $2,040,000.

In putting this proposal forward, ENS recognizes that actual expenses incurred by ENS in becoming a functional entity and in discharging its legislative and regulatory responsibilities in the first 12 months of its mandate may be below or above the amount proposed for block funding. ENS proposes that this potential variation be addressed through a "true up" process at the end of the fiscal year.

ENS recognizes that it is essential that it segregates and separately manages ratepayer based funding for electricity DSM spending from funding received from the PNS or elsewhere for DSM programming in respect of other energy sources. Recognizing that this is particularly challenging in relation to the cost of establishing ENS as a functioning entity, we are working on developing the systems that will be needed to ensure this segregation. We appreciate, of course, that no decisions can be made in regard to the design or implementation of this system prior to the establishment of the collaborative transition working group called for in the Integrated Resource Plan.

More broadly, ENS recognizes that the broader work of planning the transition of DSM responsibilities from NSPI to ENS cannot proceed without establishment of this working group. We therefore propose a first planning meeting of the group be scheduled for early to mid-May 2010. ENS will not be ready at that time to engage in detailed transition planning. It will however, be ready to participate in the development of the terms of reference and schedule for the working group and transition process. With these in place, ENS will be ready to participate in more detailed aspects of the working group's mandate starting on or around June 1, 2010.

The members of the Board of Directors of ENS are committed to making sure that ENS discharges its legislative and regulated responsibilities in respect of electricity DSM. While much of the external emphasis has been on the program administration aspects of these responsibilities, we understand that the higher priority must be readiness to file the DSM plan for 2012. To reflect this priority and a range of practical considerations, we are anticipating that transition of program administrative responsibilities would start no earlier than September 30, 2010.

ENS looks forward to discussing these proposals with the Board and / or its staff and advisors in the near future.

Yours truly,

William Lahey
Chair of the Board of Directors
Efficiency Nova Scotia Corporation

cc. Alan Richardson
Vice President, Integrated Customer Services
Nova Scotia Power Incorporated

EFFICIENCY NOVA SCOTIA CORPORATION
INITIAL START-UP BUDGET

All estimates based on critical assumptions (*):

Personnel	460,000 – 520,000
Board remuneration and expenses	150,000 – 200,000
Professional services	240,000 – 280,000
Office Premises	125,000 – 150,000
Technology and website development	95,000 – 110,000
Brand and logo development	25,000 – 35,000
Insurance	20,000 – 25,000
Office equipment rental	15,000 – 25,000
General office	25,000 – 35,000
Total	1,155,000 – 1,380,000

(*) Critical assumptions underlying estimates:

1. Period of start-up estimated at one year.
2. Initial personnel costs estimated for General Manager, Controller, Communications and support staff.
3. Assumes Chair plus three paid Board members for 6 months and Chair plus 7 paid Board members for latter six months.
4. Professional services include Financial (eg, audit, basis of accounting, tax status), Legal (eg, legislative status, contracts, general advice), Consulting (eg, board, organizational structure, stakeholder relations), HR (eg, executive search, role descriptions, compensation design)
5. Capital outlays for office furnishings, application software and significant hardware have not been estimated.