



Nova Scotia Utility and Review Board

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June 1, 2010

William Lahey
Chair to the Board of Directors
Efficiency Nova Scotia Corporation
PO Box 2144 Central
Halifax, NS B3J 3B7

Dear Mr. Lahey:

Efficiency Nova Scotia Corporation Funding - P-199

On April 30, 2010 Efficiency Nova Scotia Corporation ("ENS") sought approval from the Nova Scotia Utility and Review Board (the "Board") for initial funding of ENS by Nova Scotia Power Incorporated ("NSPI"). In its April 30, 2010 submission ENS states as follows:

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.

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.

As noted, the initial start-up budget is within a range of \$1,155,000 to \$1,380,000.

ENS goes on to say:

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.

Accordingly, the total funding sought by ENS is three components as follows:

1.	2012 DSM development plan	-	\$ 600,000;
2.	Transition planning / execution	-	\$ 450,000;
3.	Start-up funding (\$1,380,000 minus \$391,600)	-	<u>\$ 988,400.</u>
TOTAL			\$2,038,400

Section 43 of the *Efficiency Nova Scotia Corporation Act* provides that NSPI shall pay an assessment for start-up costs to ENS as approved by the Board and that NSPI may recover this assessment through rates as the UARB determines.

The Board requested that NSPI review and comment on the ENS request. In a letter dated May 21, 2010 from Alan Richardson, Vice President, Integrated Customer Services of NSPI, NSPI stated as follows:

NSPI believes the overall estimate of \$2.04 Million for the components described above to be reasonable and appropriate. Upon approval from the UARB, NSPI is prepared to forward these initial funds to ENS.

Following receipt of Mr. Richardson's letter the Board asked for clarification whether this funding had been included in the approved amount of \$22.6 Million for the 2010 DSM program budget or the proposed amount of \$41.9 Million for the 2011 DSM program budget currently before the

Board. NSPI responded in part as follows:

Based on the foregoing points and NSPI's experience to date with 2010 programs, NSPI would expect ENS to manage start up costs within the approved 2010 program budget and the proposed 2011 budget. The DSM Cost Recovery Mechanism is designed to recover actual costs of DSM administration and programs, including to the extent these costs are, in the result, higher or lower than budgeted. NSPI continues to work with ENS to secure efficiency gains and minimize costs, both program and administrative, while achieving kW and kWh savings targets. As interim DSM administrator NSPI will continue to closely monitor progress and will keep the PDWG and the Board updated on the status of overall expenditures and energy savings.

The Board approves the initial budget as submitted by ENS and directs NSPI to fund it as requested by ENS. The Board anticipates that these arrangements will be detailed in a transition plan which itself is subject to Board approval.

This approval is subject to the following conditions:

1. These funds are to be expended exclusively in pursuit of ENS's mandate to develop and support DSM electricity expenditures;
2. ENS shall file a quarterly report comparing expenditures to date to budget and an annual report as part of a true-up process at the end of the fiscal year;
3. Any material change in anticipated expenditures is to be reported to the Board.

The Board looks forward to further reports with respect to the activities of ENS and in particular the transition working group.

Yours very truly,



Peter W. Gurnham, Q.C.
Chair

- cc. Alan Richardson, Vice President, Integrated Customer Services
Nova Scotia Power Incorporated
cc. S. Bruce Outhouse, Q.C.