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COMFIT HEARING FINAL ARGUMENT

BRD-E-R-10 NOVA SCOTIA UTILITY AND REVIEW BOARD In The Matter Of: The Electricity Act and a hearing to determine Renewable Energy Community Based Feed-In Tariffs

1)RE: Undertaking U-13- Cherniak Consumer Advocate and potential for returns to CEDIF shareholders:

As per my written evidence, oral evidence and questions to this witness and Synaspe, we consider the matter of tax breaks for investing in a CEDIF to be separate from returns.

As the President of a CEDIF, the second and third tax rebates Cherniak claims to be active, in our experience to date cannot be activated for the CEDIF investor if the CEDIF is profitable.

Mr. Cherniak fails to calculate that CEDIFs have costs to be run, and that these costs, including taxes, must be deducted before dividends are issued. Dividends can only be issued when a CEDIF is profitable, which is totally different than a positive cash flow.

Mr. Cherniak is completely misrepresenting the amount of cash that could be distributed. Ask any accountant if you do not understand this, and they will agree with this.

Furthermore as stated in my testimony, years 16-20 cannot be assumed to have profits like Mr. Cherniak is suggesting as the wind machine(s) may be in need of a major rebuild.

I suggest years 16-20 should be looked at as cash years only as good as the year 1-15 average. If this was assumed the returns would be what I have suggested in my evidence, or very close to what I have suggested.

2) Small Wind:
There appears to be a full head-on charge by Government, to push the small wind category, even in advance of this hearing, and without understanding the implications on small investors and energy production related to greenhouse gas emissions.

The idea may be to build a community owned small wind society at 50KW and under using CEDIFs, but we have cautioned that from energy produced to profits, Government has put forward this policy, it appears, without doing any analysis as to successful outcomes, especially when compared to solar power.

The other risk to ratepayers, that was mentioned by a number of witnesses at the hearing, and in a number of submissions, was the fact that there is a risk that the small 50 kW and under wind turbines will not have a long lifespan, and will not produce much power.

This raises significant issues related to the reduction of greenhouse gases, and whether or not the capacity or amount of renewable energy that is commissioned onto the grid will stay on the grid or be reliable. If the power provided by these small wind turbines is not reliable, then there is a risk to the CEDIF shareholders, and also to the ratepayers, because this will result in new construction and likely more expensive construction for the needed capacity, which has not been fulfilled by the small wind turbines.

It is unclear why government has chosen to focus on the small wind category, because larger wind turbines produce significantly more power, and it is as if the policy is driven without any notion of producing reliable power, and without reliable power there is an increased risk to the ratepayers.

It is within the jurisdiction of the Board to raise a significant concern with the government about this, and to tell government that they need to work out this policy more clearly before having rates approved.

It is incumbent upon the Commissioners to ensure that the government's renewable energy policy makes sense. The Board has to be sensitive to the fact that the end result of a poorly designed policy can make a mess for ratepayers, and also for many Nova Scotians who may choose to invest their savings into renewable energy projects. If a mess is created, the public is going to think that a significant amount of this responsibility for making this mess may indeed rest with the Board, because these issues about risk have been addressed at this hearing, and therefore should not be ignored.

3) Biomass:

Similar to small wind, there seems to be a significant risk to the ratepayers from biomass generated power. As well, environmental considerations are significant and serious in relationship to biomass wood supply, and are controversial with the public.

We would suggest that price volatility, and security of supply from biomass are also significant issues that could affect the ratepayers on the long term, and thus on the short term are not necessarily good choices, until there is better clarity in regards to these matters from biomass power generation.

The government also modified the rules for biomass to give this sector a feed in tariff, not the community feed in tariff, and this change of policy is highly controversial. The creation of a non-level playing field between different sectors can be understood regarding price, but not terms through which capital can be brought to the projects. To give both biomass and tidal power different sets of rules for finance, is quite unfair and in the long-term not in the best interests of the ratepayers.

4) Finance - Large Wind being the discussion point for this at the hearing:
We would hope that the commissioners embrace the issues we presented at the hearing, as well as put forward by others, regarding the reality and difficulty to finance renewable energy projects in Nova Scotia.

At the outset it appeared that the commissioners were not prepared to entertain this discussion as part of the terms of reference for the hearing. We were encouraged that by the end of the hearing the commissioners seem to understand fully the points that Black River Wind and others were making about finance conditions, and how important this was to understand in regards to rate setting, and therefore whether or not projects will get built. The government to date seems to be incapable of listening to those of us who have tried to address these points, which we think has led to mediocrity in the design of this renewable energy policy.

5) Are CEDIFs the right community finance structure for locally owned renewable energy projects?
There was significant evidence put forward by Black River Wind and others at the hearing, regarding the matter of whether or not CEDIFs have been a successful model for work financing renewable energy projects in Nova Scotia in the last decade.

Based on the evidence so far, it is clear that the CEDIFs that have been organized for renewable energy projects have not been successful for the shareholders and investors. Therefore, a government policy based on CEDIFs as the only finance structure for projects coming from non-government sources seems to be highly risky, based on the evidence presented at the hearing. The fact that the government would base its new policy on this structure, and not directly present evidence to support the structure as being even functional, leaves the commissioners in a somewhat odd position, regarding the decisions that the Board is being asked to make.

We would therefore suggest, that since there is clear evidence that this model is very risky, or as I like to say “broken”, and I am the President of a renewables CEDIF, that the Board should refer this matter back to the government, and ask the government to provide evidence, or a means test, that provides the Board with enough confidence, to ensure that the ratepayers are not at risk, from this whole policy matter being poorly thought out and poorly developed.

In Conclusion;

We are of the opinion that Nova Scotians want to have a renewable energy policy that is as good as any that can be found today in the world. It is our opinion that the government's COMFIT policy will not result in giving us the best renewable energy policy we can have in Nova Scotia. The government simply had to hire outside expertise, and go outside its limited purview, to understand which jurisdictions have the best policies, and how we can adopt those best policies here, which is what we need to have today in Nova Scotia, and what Nova Scotians want.