April 28, 2011

Honorable Commissioners of the Board and Honorable Minister and Deputy Minister of Energy,

While it may fall outside of the scope of the Utility and Review Board, the Ecology Actioo Centre recommends to both the Board and Government that immediate actions be taken to publicly communicate and comment on the status and relevance of the numerous matters and issues described in this final submission with respect to questionable successful implementation of the COMFIT program.

Steps should be taken to remedy outstanding enabling environment considerations as soon as possible, so that, COMFIT may be successful over the next 18 months for an important part of it's intended audience: small scale renewable investors, developers and community stakeholders such as Mi'kmaq First Nations, municipalities, CEDIFs, not-for-profits and co-operatives.

These steps are required to ensure COMFIT succeeds for it's intended beneficiaries: the Nova Scotian rate-payers who benefit through reduced energy insecurity and fuel import costs, as well as through the local economies of rural Nova Scotia beneficiary to renewable developments in support of the 2015 renewable target of 25% of which up to 10.6% could be from COMFIT, should stakeholder be able to overcome the obstacles that remain to be dealt with (NSPI ACE CIP, 2011).

In this context, the EAC believes that there is more than one path to growing the renewable electricity supply market, including through COMFIT or the more aggressive FIT approaches. At these critical cross-roads, Government and the regulator must make prudent decisions in the interest of rate-payers and the future success of the province in meeting goals and targets.

Renewable energy is about the dual local economic and global environment benefits, such as a decreased reliance on price-volatile, polluting imported fossil fuels such as coal and pet coke that are precipitating the climate crisis and driving up Nova Scotia electricity rates simultaneously.

Given the current global uncertainties with respect to climate change and energy, the Government and the Board should consider the current opportunities and the usefulness of a **multi-stakeholder dialogue on creating a competitive renewable supply market in Nova Scotia**, with consideration of market restructuring opportunities to cost-effectively and aggressively meet renewable goals and targets, while spreading economic benefits as widely as possible throughout Nova Scotia.

This should include considering an alternative scenario and opportunities for supporting decentralized, distributed renewable generation through more aggressive FITs, and, grid ownership restructuring to ensure equitable accessibility for renewable developers, large and small.

As well, alternative import scenarios are publicly required to compare and contrast cost-effective import substitution opportunities for the province's sole utility, NSPI. Plans to

import hydro from other provinces (Labrador versus Quebec) should be analyzed as a means of legitimately assessing the best pathway for displacing coal burning and providing a stable, low-carbon base load alternative for Nova Scotian electricity consumers, while supporting the growth of intermittent renewable supplies through FITs.

Thus the EAC maintains that the best defense against energy insecurity and best offense for climate change mitigation and sustainable economic development in Nova Scotia are the combined opportunities of aggressive FITs, electricity supply market restructuring and hydro import substitution comparison and evaluation.

Government and the Board should consider action as soon as possible, under the auspices of developing widespread and long-term benefits for Nova Scotian rate-payers and simultaneously supporting renewable economic development opportunities, as intended and envisioned by the Environmental Goals and Sustainable Prosperity Act (2007).

A necessary public dialogue is required about Nova Scotia's energy future. An open stakeholder process could complement the more technical integrated resource planning process, to ensure that the best, consensual and popularly supported design for the Nova Scotia electricity supply market to cost-effectively stabilize rates, provide jobs through developing clean, low-carbon electricity supplies for Nova Scotians, and aggressively mitigating the climate crisis are developed and implemented without further delay.

As we all know, the global atmosphere is in a dire state without concerted action on the part of Government's worldwide to reduce greenhouse gas emissions to 80%+ below 1990 Levels by 2050, with emissions peaking and decreasing in the next 5-15 years.

As a province, it appears that Nova Scotia is not on track to cost-effectively achieving the 10% below 1990 greenhouse gas levels by 2020 without more concerted actions, including addressing how 25% below 2007 levels by 2020 from NSPI (half the target) could be better achieved.

In a country embarrassingly negligent on climate action and not on track to meeting its own climate targets, the time for more populist approaches seems perhaps prime and necessary.

Respectfully:

Brennan Vogel, MA
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Introduction

The Ecology Action Centre has acted on behalf of the Nova Scotian environment and population on a wide range of issues for over 40 years. Brennan Vogel (Bachelors Environmental Studies, University of Waterloo; Masters of Arts in International Development Studies, Saint Mary's University) has prepared this submission on behalf of the Energy Issues Committee at Ecology Action Centre.

1. EAC is of the opinion that Feed-In Tariffs (FITs) can and should play a pivotal role in the rapid development and deployment of a cost-effective and environmentally sustainable supply of renewable electricity generation in Nova Scotia, as has been proven successful in other jurisdictions such as Ontario and several European countries.

2. EAC supports the Community Feed-In Tariff (COMFIT) in so far as it is a positive, albeit small and limited, first step towards the introduction of renewable electricity supply competition in the Nova Scotia electricity marketplace.

3. Based on the multiplicity of issues and evidence presented in the COMFIT hearings, EAC harbors deep concerns that any success the COMFIT program could achieve to help meeting the 2015 renewable electricity targets hangs in the balance of under-performing and furthermore runs the risk of being a failed policy, if not expeditiously addressed by both the Board and Government.

4. The EAC argues that Feed-In Tariffs (FITs) are the best pathway forward to deliver cleaner, low-carbon, renewable electricity to Nova Scotia, while broadly benefiting Nova Scotian rate-payers over the long-term, and supporting the development of the Nova Scotian 'green' economy to achieve environmental goals to reduce harmful, climate-changing greenhouse gases.

5. The EAC supports the ambitious and commendable goals and targets for renewable electricity in Nova Scotia that led to development of the COMFIT. However, relative to Point 3, the EAC harbors deep concerns that the COMFIT contains sufficient levels of risk and uncertainty that it warrants further policy development and clarification, before its implementation.

6. In this final submission with respect to NSUARB-BRD-E-R.10, Community Feed-In Tariffs (COMFIT); Ecology Action Centre (EAC) wishes to address the proposed rate-making assumptions for the different technology classes eligible for COMFIT and to highlight several high-level issues of concern raised with respect to the COMFIT, as well as to offer suggestions for how to address some of these issues.

7. While not exhaustive, this submission from EAC wishes to highlight the main issues that have been raised in the COMFIT hearings and throughout the process, for the Board's consideration in full acknowledgement of the many electricity rate pressures that are facing Nova Scotia in 2011, including but not limited to NSPI's increasing fuel costs, depreciation costs, capital investments, proposed increases to return on equity and other rate-drivers.

8. As articulated in the Opening Letter and throughout this submission, the EAC has made a series of high-level and more detailed recommendations that may or may not be

within the scope of the Public Utilities Act or authority of the UARB, but necessarily require the Board's consideration when setting rates for COMFIT technologies in the Province of Nova Scotia. For purposes of transparency and in the spirit of effective policy cooperation between all stakeholders, a copy of this submission will also be delivered to the Minister and Deputy Minister at the Department of Energy.

9. The EAC takes note of several transcription errors, including on p.885, line 7 where Mr.Chernick's testimony is attributed to Mr.Vogel.

Proposed COMFIT Rates

Wind
$0.452 per kWh for wind projects ≤50 kW
$0.139 per kWh for wind projects >50 kW

1. EAC strongly supports the utilization of the linear interpolation model suggested by Mr. Couture of E3 Analytics to prevent clustering around the 50kW threshold and provide greater flexibility and scalability of project development opportunities for the wide range of targeted and intended participants in the COMFIT program, should stakeholders be capable of overcoming the significant obstacles that are identified in the High Level Issues section.
2. Also, EAC supports the notion that renewable electricity procured from larger COMFIT wind projects can and will be delivered more cost-effectively, efficiently and reliably to the grid through the linear interpolation rate-setting model, while,
3. Avoiding other legitimate issues of concern that are associated with small wind project developments (i.e. potential NIMBYism, landscape impacts, economic inefficiency and unreliability of small wind, potential for small wind 'gaming' of the COMFIT).
4. The amended Electricity Act supports and empowers the Board to set multiple rates for wind classes, both above and below the 50kW threshold.

   p.889
   Mr.Chernick … I don't know what "a tariff" meant to the government when it wrote that regulation. But ---
   THE CHAIR: I guess it's now open to us to interpret that.
   MR. CHERNICK: I suppose that would be the case.

   p.1086-87
   Mr. Couture: …taking a closer look at the Regulations themselves I direct the Board to Article 18 of the Regulations under the Electricity Act. And I've included this -- the text as well as the link in my opening statement. Article 18, Section 3 reads: "The Board must set separate tariffs for wind power with a capacity greater than 50 kilowatts and wind power with a capacity of less than 50 kilowatts." So as read there's nothing in this -- in the Regulations as currently structured that prohibits or that even stipulates that only two tariffs should be set for wind. In fact it remains plural and the interpretation of that can be left to the Board's discretion.

   See also Mr. Couture, April 7, 2011 p.1083-10

Recommendations:

1. EAC strongly recommends that it is within the scope of the Board and the amended Electricity Regulations to approve the linear interpolation wind tariff model, based on the reasons given through the testimony and evidence of Toby Couture of E3 Analytics.

2. EAC recommends that the inclusion of multiple baseline points (i.e. 800kw) can give greater flexibility to the scalability of COMFIT wind project development opportunities.

3. EAC recommends that steps be taken immediately to develop such a wind tariff model for Nova Scotia, thus making it the first jurisdiction in North America to do so.

Biomass

$0.156 per kWh in year 2012 for biomass CHP projects, composed of a fixed component of $0.094 per kWh and an escalating component of $0.062 per kWh representing the cost of fuel

1. EAC is strongly opposed to the utilization of biomass CHP in the COMFIT, until such a time as there is clarity around appropriate definition of biomass CHP and an established minimum efficiency standard for biomass CHP technologies. Until that point, the questionable carbon neutrality resulting from biomass CHP COMFIT applications to Nova Scotian 'renewable electricity' targets and carbon reduction policy objectives remains outstanding.
2. EAC also notes that biomass proponents, due to their exemption from the restrictive community eligibility requirements, have more readily available access to debt financing. The EAC is of the opinion that this will create an 'uneven playing field' and potential unfair advantages between biomass CHP proponents and the various other eligible technologies in the COMFIT, all competing for the scarce and nebulous available capacity on the NSPI-SO distribution grid.
3. Importantly, unresolved provincial biomass policy issues (notably the absence of the Natural Resource Strategy to which the Renewable Electricity Plan was to have deferred on questions of forest biomass utilization), in addition to the questionable carbon neutrality of biomass CHP (in the absence of appropriate definition and minimum efficiency standards), further compounds the acceptability of forest biomass as a source of cost-effective and consensually agreeable "renewable electricity" for Nova Scotia to reduce greenhouse gases from the electricity sector on an ambitious and aggressive schedule.
4. The questionable reliability of forest biomass fuel availability in Nova Scotia raises further questions as to whether or not it is reasonably cost-effective and environmentally sustainable to procure renewable electricity from forest biomass CHP projects and larger scale biomass projects.
5. The major threat remains that rate-payers will be burdened by a COMFIT biomass fuel adjustment escalator, as provincial economically recoverable supplies of forest biomass continue to diminish in Nova Scotia, while policy recommendations for dramatic shifts in Nova Scotian

forestry practices (i.e. 50% reduction in clear-cutting in 5 years) will increase the scarcity of economically viable and environmentally sustainable biomass fuel resources, while increased competition (i.e. New Page Port Hawkesbury, co-firing) for forest biomass additionally contributes to driving up forest biomass prices.

6. These price increases are ultimately passed on to fatigued electricity rate-payers, through the biomass fuel escalator.
7. Within this current climate, the Board must consider whether rate-payers are capable of absorbing these types of rate volatilities which are more reflective of poor government policy decisions and lack of coordination with respect to allowing forest biomass to be applied to renewable electricity goals and objectives, in the absence of clarity around efficiency standards and the conclusion of the Natural Resources Strategy.
8. Other biomass markets affected by increased demand and competition driving up increased prices for forest biomass (i.e. cord-wood home heating, hardwood mills) must also be given careful consideration within this complex biomass policy landscape.
9. Many Nova Scotians heat their homes with cord-wood as it can be more cost-effective, and if done efficiently, more environmentally sustainable than electric home-heating. Too much increased competition for forest biomass electricity could negatively affect cord-wood markets and have undesirable and unintended consequences for average Nova Scotians.

Recommendations:

1. The EAC strongly recommends that Board defer to the Minister of Energy and Natural Resources on the acceptability of approving the proposed COMFIT rate for biomass CHP, given the current policy landscape, lack of appropriate definition of biomass CHP and lack of minimum efficiency standards, and as well as the current provincial climate regarding the acceptability of forest biomass as an eligible source of renewable electricity in the absence of the conclusive Natural Resources Strategy.

2. The approval of a COMFIT rate for biomass CHP in absence of minimum efficiency standards and Natural Resource Strategy may undermine provincial attempts to achieve GHG reductions from the electricity sector, given recent scientific evidence of the carbon reduction potential of forest biomass (Manomet, 2010).

3. Such an approval would also negate and obfuscate the intentions of the Voluntary Planning process for Natural Resources (Bancroft and Crosslan) which recommended dramatic changes to Nova Scotian natural resource management in the forestry sector.

4. Further evidence with regards to the potential rate-payer burdens associated with forest biomass COMFIT projects must be given careful consideration, as forestry policy changes drives further supply scarcity.

5. While the Renewable Electricity Plan caps demand for forest biomass, it has neither appropriately substantiated and validated the Nova Scotia forest biomass fuel supply, nor yielded to the Natural Resource Strategy, as it was intended to do. Increasing demand for biomass with the inclusion of ill-

defined biomass CHP with a fuel adjustment mechanism in this context is a heavy risk to rate-payers.

6. The Board could play an instrumental role in correcting an already tenuous situation, by delaying the approval of a biomass CHP COMFIT rate, until the government provides the required level of leadership on the multiple layers of this controversial issue.

Hydro
$0.140 per kWh for run-of-river hydro projects

1. EAC Supports Mr.Giroux's assertions that Hydro projects in acid rain-impacted systems are in all likelihood the only systems in Nova Scotia where COMFIT hydro is possible because of the negligible impact on endangered and remaining salmonid and trout populations.
2. This introduces a significant environmental regulatory barrier to COMFIT hydro, due to the potential fisheries impacts on endangered fish populations, and should be considered as a regulatory risk to COMFIT investment potential in hydro projects.
3. As was alluded to throughout the hearings, further evidence of the actual 'untapped' run-of-river hydro potential in Nova Scotia seems also to be required to legitimately justify its inclusion in the COMFIT, otherwise it runs the risk of a low-level of uptake with potentially negative environmental repercussions on Nova Scotian fish populations.

   Geoff Keith in response to Neal Livingston re: hydro size and resource availability April 4, 2011, pg.264-65
   Mr.Keith: Now, we also didn't have the resources to do any kind of a resource review, or, you know, walk around the province looking at sites and trying to figure out how many viable sites there were for 1-megawatt [hydro] projects, and you may well be right that there are very few.
   Neal Livingston:… So I think it's problematic to be building a model that's probably between 10 times and four times as large as what anybody potentially is going to be able to build.
   MR. KEITH: … the government should do one of two things: Either test the market, establish a tariff, a lower tariff rate and see what happens, or, two, do a very comprehensive resource assessment and determine that, indeed, there are no opportunities to do 1-megawatt projects and, therefore, we need to target a different feed-in tariff rate.

Recommendations:

1. As suggested by Mr.Keith, a resource assessment of the actual hydro potential in Nova Scotia is further required, giving consideration to environmental impacts and endangered species legislation, to justify setting a COMFIT rate for this technology.
2. As such, this matter should also be deferred to the Minister of Energy and Natural Resources for validation.

Tidal
$0.652 per kWh for in-stream tidal projects

1. Tidal is an experimental technology with an unproven technological track record to reliably and cost-effectively deliver renewable electricity to market.
2. While the long-term potential exists in Nova Scotia to develop a vibrant tidal industry and certainly the EAC applauds the vigor of interest in the Government's support for research and development into this burgeoning growth industry for the province,
3. But it seems untenable and ill-advised to incentivize tidal in a COMFIT, while excluding the potential for a proven, reliable and similarly priced COMFIT rate for Solar PV,
4. The glory of the first tidal COMFIT should not blind policy-makers and regulators to the inherent rate-payer risks associated with giving a significantly lucrative COMFIT rate to this as-of-yet unproven technology.
5. Furthermore, exclusive privileges and exemptions for tidal investors and developers from the COMFIT eligibility restrictions applied to community stakeholders, obviously does not seem to conform to the COMFIT policy intention.
6. Opportunities exist for improving the tidal COMFIT rate by:
    a. Reducing the length of the tidal PPA
    b. Introducing a degressive tariff design that over time reduces the COMFIT rate thus driving technological innovation and increased performance and efficiency
    c. Re-assessing the tidal tariff on a regular basis to ensure that it is cost-effective and performing to the expectations

    Mr.Couture's evidence and testimony elaborated further on these opportunities.

Recommendations:

1. The Board should consider opportunities for considerable improvement to the tidal tariff if it is to be approved in the COMFIT, otherwise the matter should be referred to the Minister of Energy for further policy development.

HIGH LEVEL ISSUES

Distribution Grid Availability and Capacity

1. EAC advocates for creating publicly accessible information about the NSPI-SO distribution grid availability and capacity as a means of facilitating and supporting collaborative COMFIT project developments, based on the technological suitability and distribution grid availability factors. It is critical that this information be made publicly available as soon as possible to support the success of the COMFIT program and COMFIT investor confidence.
2. The Net Metering decision earlier this year highlights the issues that NSPI-SO has with respect to accommodating distribution zone study requests and the technical constraints with the distribution grid in Nova Scotia.

Mr. Vogel, Mr .Keith and Mr. Rickerson: p.290-291

Mr. Vogel: …in your experience from other jurisdictions, how important is grid accessibility information to feed-in tariffs?

Mr. Rickerson: In Hawaii it's been pretty critical…

Mr. Vogel: In your stakeholder consultations or consultations with NSPI and government, could you comment on what provisions are being considered with respect to distribution zone capacity and availability?

Mr. Keith: We didn't look -— didn't do any kind of confirmation of the government's estimates of available capacity.

Mr. Vogel: In your estimation, how important is transparency and accessibility to information with regards to distribution zone capacity and availability for the development of COMFIT projects?

Mr. Keith: I would say it's very important.

Mr. Vogel: And would making grid capacity information publicly available create a more efficient development of COMFIT projects?

Mr. Rickerson: It would…

Mr. Vogel: If you were a Nova Scotian interested in investing in a CEDIF and you saw that NSPI has issues with regards to its distribution level capacity [EAC Exhibit A, Section 2, Sub-Section 40] and ability to accommodate connection requests, would it affect your ability -- would it affect your level of confidence in investing in a COMFIT project?

Mr. Keith: So are you asking whether the attempt to cap that is --- going to cause potential investors in COMFIT projects to be less inclined to invest?

Mr. Vogel: That's my question.

Mr. Keith: It could

Mr.Chernick, p.898

MR. CHERNICK: … I cannot think of why it would be a problem to have a map of the province with the distribution lines sketched in and the capacity on each of the sub-stations indicated...

Recommendations:

1. Based on the Board's own consideration of distribution zone constraints in the Net Metering decision earlier this year (EAC Exhibit A), The Board should consider distribution zone availability and capacity issues as unresolved, as such, the EAC suggests the following:

a. As soon as possible, a distribution grid assessment must be provided by NSPI, and the Board should direct NSPI-SO to provide this information in a transparent and accessible manner,\
b. An access guarantee requirement is introduced that NSPI connect a certain MW capacity of COMFIT projects by 2015, with grid upgrade costs following on NSPI,

2. These issues of grid access must be shown to be resolved by Government and NSPI through the implementation of, for example, a transparent and accessible grid information resource, perhaps in the form of perhaps an Online Mapping Tool showing the available distribution zone capacity levels throughout the Province of Nova Scotia (as has been done in other successful FIT programs in other jurisdictions)
3. This should be required before a rate is set for COMFIT in the province of Nova Scotia to boost investor confidence, invigorate community stakeholders renewable development interest and support collaborative and technologically suitable COMFIT projects.
4. Such a level of informational transparency will support investor confidence and thus investment through CEDIFs and other equity raising and debt-lending mechanisms that are absolutely required to financially support eligible stakeholders in cost-effectively developing COMFIT projects in Nova Scotia, as was intended to be the case through the COMFIT policy and amendments to the Electricity Act.

Issues with Stakeholder Eligibility, Variability in COMFIT Stakeholders Abilities to Access to Debt Financing from Private Lenders and Raise Equity for Capital

1. EAC questions the abilities of all COMFIT stakeholders to equitably access debt-financing and raise equity to develop COMFIT projects.
2. The proposed COMFIT rates carry several risks with unintended consequences, based on:
    a. the differential financial abilities of eligible stakeholders to participate in the COMFIT and develop projects.
    b. This is of particular concern given the proposed eligibility restrictions, the unequal differences in the restrictions and/or exemptions of eligible COMFIT stakeholders, and, the risks these differences may carry into the processes of
        i. raising equity or accessing debt financing to develop COMFIT projects (i.e. due to eligibility exemptions tidal and biomass CHP stakeholders may have capital and financial advantages versus the restrictions placed on other community stakeholders).
3. Other eligible stakeholders (First Nations & municipalities) are unlikely to participate in the COMFIT program, given financial constraints (restrictions on accessibility to debt financing) and other eligibility constraints and restrictions.
4. The creation of an ‘enabling environment’ for COMFIT stakeholders is a crucial and necessary supplement to the successful implementation of the COMFIT program.

See Evidence Attached to Support this Position in Appendix A

Recommendations:

1. Given that there appears to be unreasonable inequity between eligible stakeholders in access to debt and abilities to raise capital through equity mechanisms such as CEDIFs, and this is partially based on inequitable restrictions and risks to CEDIF, not-for-profit and co-operative community investors; and,
2. Conversely, there is disproportionately less risk presented to private sector equity investors interested in lucrative biomass CHP and tidal rates, and this was clearly not the intention of the COMFIT program as described in policy and the amended Electricity Act;
3. There is a lack of ability to develop COMFIT projects within Nova Scotian municipalities and Mi'Kmaq First Nations, for multiple different reasons, and this was clearly not the intention of the COMFIT program as described in policy and the amended Electricity Act;
4. There is a need for clarity and deliverance on the 'enabling environment' required for COMFIT eligible stakeholders to participate in the COMFIT program, and this includes but is not limited to resolving the following matters:
    a. Amendments to the lending restrictions placed on municipalities through the Municipal Government Act, if municipalities are to participate in the COMFIT; for example granting exemption to COMFIT borrowing from the Municipal borrowing cap;
    b. Providing underwriting or providing loan guarantees to private sector financiers for COMFIT eligible stakeholders;
    c. Providing forgivable loan programs for COMFIT eligible stakeholders, in particular for soft costs, and providing other 'capacity-building' mechanisms, such as the proposed Facilitation Office mechanism that has been alluded to by the Department of Energy in the Renewable Electricity Plan;
    d. Providing other supportive and complementary mechanisms, utilized by Governments implementing FITs in many other jurisdictions to support the development of a robust renewable electricity supply market and to create 'Green Jobs' in the process (i.e. Green Lending Institutions, Green Bonds etc.).
5. Since this exercise is supposed to be the spirit of the Environmental Goals and Sustainable Prosperity Act (EGSPA), which has driven the commendably ambitious Renewable Electricity goals and targets for the Province of Nova Scotia, and given that,
6. The development of a robust and competitive renewable electricity supply market could:
    a. reduce the long-term volatility of Nova Scotia electricity rates by allowing for the development of domestic renewable resources,
    b. and could assist in achieving sustainable economic development for the province while stabilizing rates, over the long-term,
    c. and could assist in achieving environmental goals and targets for emissions reductions and renewable supply substitution of fossil-fuel burning,
7. Given that it appears as though the COMFIT is a small and limited step towards achieving this vision because it does not exude the appropriate design structure to achieve rapid and robust investment in renewable energy development that could be achieve at an industrial scale through FITs, and that,

8. This could be otherwise be achieved through an all-technologies, all-renewable aggressive FIT procurement approach for Nova Scotia electricity supplies, versus the marginal success rate of the NSPI RFP process and limited scope of the COMFIT in cost-effectively developing domestic renewable supply markets,
9. And future ambition for renewable supply competition and market development could be further supported by reforms to support an accessible transmission and distribution grid, as this approach has proven to be more successful and cost-effective in other jurisdictions,
10. Recognizing these issues are matters of political will and strategy,
11. But given that without an appropriate enabling environment, the COMFIT will potentially not achieve the intended results, and thus be a failed policy, and negatively affect ratepayers due to an increased chance of missing the RES target and facing penalties,
12. Given this context and increasingly volatile global energy and climate issues worthy of policy prioritization and discussion,
13. The EAC reverts to the opening letter and recommendations for a multi-stakeholder dialogue on the current opportunities for developing a competitive renewable supply market through aggressive FITs, transmission and distribution reform, supported by hydro-import scenario cost-comparisons as a means of meeting domestic renewable goals, rapidly phasing out coal electricity precipitating the global climate crisis, and providing a consensual and broadly beneficial road-map for the stabilization of Nova Scotian electricity rates and growth of sustainable prosperity in the province of Nova Scotia.
14. At the current time the COMFIT should be consider an incomplete policy, due to the multiplicity of issues described here and that more effective approaches to FITs can assist Nova Scotia in achieving its goals and thus this requires deeper analysis and consensus building to complement both the NSPI IRP and the eighteen months review, January 2013.
15. Government should utilize the next 18 months to facilitate a multi-stakeholder strategy for achieving aggressive renewable supply goals.

Appendix A: Issues with Stakeholder Eligibility, Variability in COMFIT Stakeholders Abilities to Access to Debt Financing from Private Lenders and Raise Equity for Capital

p.1082
Mr. Couture: I don't believe that the anecdotal arguments raised by the Consumer Advocate are substantive or nor are they corroborated by any evidence or data that's been submitted to date.

p.1090
Mr. Couture: I guess what I would dispute is that that [potential community contributions such as land leases and community support] is a material impact on the levelized cost of energy production from community based projects. I don't think the impact is substantive enough and there are -- or that it's even substantive at all.

p. 1100
Mr. Couture: …I don't think it's a sound basis on which to build a policy. To assume hypothetically that that much capital enough to finance 300 gigawatt hours of -- or 50 to 300 gigawatt hours or renewable electricity per year will be forthcoming by assuming goodwill and people accepting a lower than risk adjusted rate of return. I don't -- I would question that as a basis on which to design policy.

Mr.Chernick p.912
Well, so far as I can tell, everybody who's eligible who's spoken up has said that they have tremendous barriers to participating.

Mr.Couture, p. 1097-99
I don't think there's an average rate of return that a CEDIF project can assure or in any way guarantee… I think the concept that perhaps needs to be introduced here is of a risk adjusted rate of return. If I'm investing in a GIC in Canada, I can currently expect about 3.3 percent over 10 years for a 10-year GIC. Now, compare that to the risk involved in pulling together the financial resources, the developer expertise, all the different performance, force majeure risks that go into renewable energy projects, when you factor all of those things in, it is certainly not the case that a risk adjusted rate of return would be as low as 4 or 5 percent, no. Nor would it be comparable with the GIC, which is considered risk-free, or largely… you know, from a purely financial market standpoint, the return should reflect the amount of risk taken… at this point in time in a fairly new and as yet unexplored area of renewable energy investment, or very rarely explored area of renewable energy development in Nova Scotia, I think the risks remain quite high and that that is -- that's why I broadly agree that the consultants have taken a reasonable view of the required return expectations to finance those projects because the risks are materially higher.

Mr.Keith and Mr.Livingston: p.264, April 4, 2011
Mr. Livingston: So I guess in four or five different ways I've tried to question how analytically important it is to understand the sensitivity and the mechanics of the CEDIF having -- needing to own 51 percent of the project and how you ensure through the rate setting or what the Board is being asked to do whether or not this is going to make -- have any kind of viability for the CEDIF investor because the CEDIF investor is a very different investor than a normal investor. It's working under all sorts of rules that are different. And I guess I can't see how that's functioned in the work that you've done, and maybe you weren't asked to do it, really, to understand that.

Mr. Keith: Yeah. Clearly, we were not asked to look at that and to determine whether people are likely to lose money on the -- you know, certain shareholders are likely to make out like bandits and other shareholders are likely to lose money as a result of the rates that we're setting. That's well beyond the scope of what we're doing here.

Mr. Livingston: Yeah. I think it's a serious risk that has to be methodologically looked at. I think it's important to comprehend fully when you're making recommendations about rates.

Mr.Rickerson in response to Ms.Ashworth, p.353, April 5, 2011
Ms.Ashworth: …for an individual shareholder is there some projection of how much that might result in for that individual?

Mr. Rickerson: I guess it goes back to our discussion yesterday with Black River Wind that we didn't look into how different shareholders in different compositions of community groups might benefit or not benefit.

Mr.Christmas and Mr.Rickerson, p.311, April 5, 2011
Mr. Christmas: Given your review of that evidence would you say that our [First Nations] ability to raise capital is equal to or is it less than those of those other groups?

Mr. Rickerson: I think in addition to the exhibits we reviewed as well as the conversations we had with you, the Cape Fund -- several of the -- the Aboriginal banking section of one of the major banks, and several of their stakeholders, that the ability to raise both equity and debt is constrained both by the amount of equity one can raise and also by the rates that you might get on both.

Mr.Keith in response to Ms.Ashworth, p.345, April 5, 2011
Mr.Keith: …the indications we had gotten from the municipalities we talked to that there's not likely to be robust uptake of COMFIT projects by municipalities…

Mr.Rickerson in response to Ms.Ashworth, p.345 April 5, 2011
Mr. Rickerson: I'm sorry. They, Halifax, were the most likely to provide capital, and they would not. They are not planning to.

Ms. Ashworth: Okay.

Mr. Rickerson: Therefore, they seemed to state that other municipalities would also be not likely.

Mr. Rickerson in response to Mr. Vogel: p.286-287, April 4, 2011
Mr. Rickerson: …Certainly early experience in Denmark and Germany around feed-in tariffs where that farmers were able to self-organize fairly effectively and built relatively small scale projects without, to my knowledge, too many grants. But they were generally a larger scale than what we're contemplating here, a project. In some of the smaller scale projects, governments have -- for example, Massachusetts given pre-feasibility and feasibility study money to kind of community organizations or community groups to facilitate that process. It was my understanding that, again, in a renewable electricity plan it had been made mention that government would provide some type of facilitation or some type of assistance in recognition of the difficulty that stakeholders may or may not face with these types of projects.

Mr. Rickerson and Mr.Vogel: p.288, April 4, 2011
Mr. Vogel: So are you aware of any supplementary government or utility programs that are being developed or are currently operational here in Nova Scotia to address some of these issues with regards to financing either through forgivable loans, grant programs, loan underwriting, tax incentives and so on?

Mr. Rickerson: No, I'm not.