Efficiency Nova Scotia Corporation

IN THE MATTER OF *The Public Utilities Act*, R.S.N.S. 1989, c.380, as amended.

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IN THE MATTER OF An Application to Approve Efficiency Nova Scotia Corporation's Electricity Demand Side Management (DSM) Plan for 2012.

Reply Evidence of ENSC As DSM Administrator

April 13, 2011

1. INTRODUCTION

On February 28, 2011, Efficiency Nova Scotia Corporation (ENSC or the Corporation) filed Evidence in its role as the new administrator of electricity DSM programs for Nova Scotia, in support of a conservation and energy efficiency program for 2012.

On April 8, 2011, Evidence was received from two Intervenors and both consultants to UARB Counsel, as follows:

A. George Foote, Consultant, on behalf of the Consumer Advocate;

B. Glenn Reed, Energy Futures Group, on behalf of Ecology Action Centre;

C. Mel Whalen, Multeese Consulting, on behalf of Board Counsel; and,

D. Tim Woolf, Synapse Energy Economics, on behalf of Board Counsel.

This Reply Evidence provides a brief response by ENSC as DSM Administrator.

ENSC acknowledges the support for components of the proposed 2012 DSM Plan by the Intervenors and consultants to Board Counsel. Aside from the issue of the budget amount of $43.7M for 2012 DSM-funded programs, there appears to be general support for the mix of new and expanded programs, including Enabling Strategies, Codes & Standards, the approach taken by ENSC in including energy savings from the ELI sector (as supported by the Consumer Advocate, NPB, Avon Group and the MEUNSC), and for application of the TRC test at the program level.

While all Parties appear to agree that the IRP targets are not prescriptive, and that the 2012 DSM Plan in total provides cumulative energy savings of 541 GWh (which exceeds the forecast cumulative energy savings target in the IRP of 500 GWh for 2012), Mr. Whalen has raised concerns that the lower budget amount for 2012 DSM-funded programs from that forecast in the IRP may be regressive.

Mr. Woolf, while leaving budget issues to Mr. Whalen, also has concerns that "clear evidence" has not been provided regarding rate impacts to justify a deviation from the forecast energy savings targets contained in the IRP.

ENSC understands the concern that has been raised, but would emphasize the following points and Evidence in support of the 2012 DSM Plan as filed.

It must be emphasized that the 2012 DSM Plan meets, and exceeds, the <u>energy savings targets</u> contained in the IRP. The difference is that the 2012 DSM Plan exceeds the cumulative energy savings target of 500 GWh by spending $17M less than the original budget forecast within the IRP. ENSC supports the view that the primary purpose of DSM expenditures is to meet the forecast IRP targets for <u>energy savings</u>, not the forecasted budget.[1]

The energy savings target for 2011 is approximately double the target for 2010. While NSPI and ENSC have been recognized for meeting (and in some cases exceeding) past energy savings targets, all Parties agree on the challenges that lie ahead in continuing to ramp up to meet such aggressive targets.

While ENSC is pleased with the smooth transition of programs from NSPI to ENSC as DSM Administrator, the experience of managing and implementing a $40M+ annual investment (double the 2010 level) in DSM programming is just beginning. ENSC has given extensive consideration to various options regarding the appropriate level of program spending and energy savings in the development of the 2012 DSM Plan, including expert opinion and experience from leading sources and advice and input from stakeholders.

[1] See paragraph 22 of the UARB's decision approving the 2011 DSM Plan [2010 UARB 155], where the Board references the testimony from Allan Richardson of NSPI regarding the primary purpose of DSM expenditures within the IRP as being "…those kilowatt hours and kilowatts for no more than those budgeted amounts".

ENSC is concerned with the approach expressed by Mr. Reed (at page 6 of his evidence), where he suggests there is "little if any downside to front loading savings". This approach appears to be built on assumptions that there are still significant spending and savings to be recognized from such programs as promoting CFL's within the Efficient Products component of the 2012 DSM Plan.

In response, ENSC would emphasize the comments from NMR in its Evaluation Report (at page 14) where it states that "…the CFL program component will reach the limits of its value for securing energy savings over the course of 2011 and 2012". In essence, ENSC is concerned that such "low hanging fruit" may already be harvested by 2012.

While ENSC generally agrees that it is appropriate to consider implementation of all cost-effective DSM that can reasonably be achieved in each year, ENSC has strong concerns with the opinion from Mr. Woolf that ENSC should not be permitted to "deviate" from the energy savings targets contained in the IRP or consider mitigation of rate impacts without providing some form of detailed rate impact analysis.

Nominal budgets contained in the IRP are not prescriptive and energy savings should not be based on set forecasted expenditures from the IRP. In addition, it is not possible in developing each annual DSM Plan within the current regulatory schedule to complete a detailed rate analysis to support the test proposed by Mr. Woolf. While ENSC acknowledges the concerns that have been raised, ENSC has a mandate to engage and consider the interests and concerns of stakeholders, which may include short-term rate impacts.

Finally, it is recognized that the proposed savings from the ELI sector included in the 2012 DSM Plan represent a conservative reduction by ENSC in the energy savings that were identified and subjected to a conservative preliminary verification.

Keeping in mind that such additional savings from the ELI sector and Codes & Standards are inherently conservative, ENSC contends that the proposed 2012 DSM Plan providing overall cumulative energy savings of 233 GWh with a program investment of $43.7M strikes a reasonable balance at this point in time by respecting the interests and concerns of stakeholders while maximizing the continued success of cost-effective DSM programs for the benefit of all Nova Scotians.