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File No.: 10-2190

May 13, 2011

Via Email

Nancy MacNeil
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
3rd Floor - 1601 Lower Water Street
Summit Place
Halifax, NS B3J 3P6

Dear Ms. MacNeil:

Re: Efficiency Nova Scotia Corporation - Application for Approval of Electricity Demand Side Management Plan for 2012 - E-ENSC - R-10/ Matter No. M03669
Final Submissions Filed on behalf of the Nova Scotia Department of Energy (NS DOE) and Nova Scotia Environment (NSE)

Please accept the following as final submissions submitted jointly in the above noted application on behalf of the Nova Scotia Department of Energy (NSDOE) and Nova Scotia Environment (NSE). Comments made herein which are stated on being made on behalf of NSDOE should be considered as also being made on behalf of NSE.

NSDOE makes these submissions upon review of the testimony given at the hearing held in this matter before the UARB on April 19, 2011, and the pre-filed evidence.

Proposed 2012 Programs and Expenditures

The 2012 DSM plan is the first plan filed by the new administrator of electricity DSM programs for Nova Scotia, Efficiency Nova Scotia Corporation (ENSC). NSDOE echoes the comments of Dr. Peach given at the hearing on the excellent performance of NSPI as the interim administrator of DSM programs in Nova Scotia, and the smooth transition of administrative duties by NSPI to ENSC.

The suite of programs being offered by ENSC as part of its 2012 DSM plan are an expansion of programs previously approved by the Board in 2008, 2009, 2010 and 2011. As noted by Mr. Whalen in his evidence, the DSM package of programs are very similar to the programs approved for 2011 with the exception of four changes:

1. The low income program has been subsumed into other programs;
2. A new Home Energy Report program has been added; and
3. The education and outreach program and the development and research program have been classified as "enabling strategies" (rather than "multi-sector") and a new "other enabling strategies" has been added.
4. The names of some programs have been slightly changed.

The 2012 slate of programs, with these changes, reflect ENSC's experience to date as well as its consultation with experts. NSDOE sees the proposed programs as effectively building upon the experience gained with programs approved in previous years, and recommends Board approval of the package of DSM programs for 2012.

Program Energy Savings and Expenditures

In its evidence ENSC forecasted its annual energy and demand savings as 233.6GWh and 44MW, respectively. ENSC's proposed investment in its 2012 DSM programs is $43.7million. ENSC's proposed plan for 2012 will result in cumulative energy savings of 541GWh, which is above the IRP target of 500GWh for 2012. Cumulative demand savings arising from the plan will be 99.6MW, which is slightly below the cumulative IRP target for 2012.

However, in arriving at its cumulative energy and demand savings ENSC has included savings from large industrial customers of 80GWh and 20MW and savings from legislated codes of 10GWh and 2.7MW. ENSC has also included as part of its incremental annual net energy savings and incremental demand savings overachievements from 2008-09 DMS programs, totaling 19.5GWh and 6.1MW. After deducting energy and demand savings by others, and overachievements from previous program plans, energy savings from DSM programs for 2012 total 124.1GWh compared to 158.5GWh approved in the 2011 plan; and demand savings from 2012 DSM programs totaling 23.2MW compared to 30.9MW savings in the 2011 plan.

ENSC says that with the inclusion of electricity savings by others the IRP energy savings targets for 2012 have been exceeded, while keeping the investment for electricity savings close to the 2011 level and below the IRP target program cost of $61 million.

Savings Verification Study

A Savings Verification Study of the DSM's administrator's 2010 Demand Side Management Programs was prepared and filed by H. Jill Peach and Associates as Exhibit E-3. Dr. Peach's Savings Verification Study concludes that all of the 2010 DSM programs were competently administered by the DSM administrator. This finding was based on the verification of savings estimated by NMR Group Inc. (NMR) , the independent evaluator for the DSM administrator's third year 2010 programs, as well as interviews with DSM administrators, management specialists, program managers and staff, as well as discussions with delivery agents and due diligence site visits. Dr. Peach recommends acceptance of NMR's evaluation results for energy savings and demand reductions for 2012, with the exception of a 10% cut for efficient products direct install. NSDOE supports this recommendation.

Socket Study/Free Ridership Evaluation

NSDOE specifically notes for ENSC's review the recommendation that a Nova Scotia socket study be conducted (Recommendation #5); and the recommendation that the DSM administrator or evaluator should construct a table listing all the programs and major subprograms, classifying them by resource acquisition and market transformation programs (or both) and state the free ridership rate for each program and major subprogram. As Dr. Peach notes, the recommended free-ridership analysis is required to be done by the DSM administrator or Evaluator, "to address all programs and subprograms with high free-ridership rates and explain either how the free rider-rates will be reduced or why they are strategically necessary given the current context from a Market Transformation perspective" (Recommendation #10). NSDOE also notes Dr. Peach's recommendation that the DSM administrator should consider whether or not it may be useful to revisit approaches to assessing free ridership (Recommendation #11).

ENSC has signaled in this filing that it intends to refine the evaluation of free ridership and spillover effects as programs evolve, and that it intends to undertake this evaluation through stakeholder consultation. NSDOE endorses this approach as part of complying with the recommendations set out in the Savings Verification Study.

The Savings Verification Study provides specific recommendations for each DSM program. NSDOE endorses each of the recommendations made for these programs, and their implementation by the DSM administrator or evaluator, as referenced in each recommendation.

Peach Recommendations with respect to Process Evaluation-Organizational Study

The Savings Verification Study notes that NMR conducted an excellent process evaluation, primarily directed to interviews and surveys in support of the impact evaluation of each program. Dr. Peach notes that a traditional DSM process evaluation would be structured in the manner of an organizational study, which covers the topics listed on page 47of the Peach Report.

Dr. Peach recommends that once ENSC has been in operation for a year, it may be useful for the evaluator to return more fully to an organizational study focus for 2012. NSDOE supports this recommendation.

Performance-Based Model

NSDOE supports ENSC's proposal to engage the UARB and stakeholders in 2011 to assess the possibility of adopting a performance based model for the delivery and oversight of DSM programs. As part of this process, NSDOE agrees with the Board Chair that ENSC should make an early inquiry into whether the *Public Utilities Act* allows for a performance-based oversight mechanism for DSM, with a view to determining whether legislative changes are required.

Application of TRC test at Program Level

As part of its application, ENSC is proposing that the TRC test for the 2012 DSM Plan be applied at the program level, rather than at the measure level as previously required. The benefits of such an approach are well summarized by Mel Whalen in his evidence (page 11-12). NSDOE supports the application of the TRC test at the program level, rather than the measure level.

Rate Impacts/Bill Impact Analysis

In his evidence filed on behalf of Board Counsel, Tim Woolf points to the need to establish "key principles regarding how to quantify and assess rate impacts" due to increasing DSM budgets, in order that these rate and bill impacts on customers can be properly evaluated when these issues are brought to the Board. In the present hearing, ENSC has noted rate impacts on customers as a factor in its targeting of lower savings from its 2012 programs, compared to 2011 levels, and holding 2012 spending close to 2011 levels.

In the course of the present hearing, the Board commented on the need to have better data on bill impacts (Hearing Transcript, page 382, lines 14-16), and requested rate impact calculations from Mr. Whalen based upon program energy savings being maintained at 2011 levels.

Mr. Woolf in his evidence at p.13-14 sets out several principles which he recommends should be applied when quantifying rate impacts of efficiency programs (including looking at rate and bill impacts, and accounting for impacts over the long-term); and as part of deciding what rate and bill impacts are acceptable, to consider (I) the level of program participation, (II) program design issues, and (III) overall benefits of the efficiency programs. (Woolf Evidence, page 14)

NSDOE submits that the ENSC should engage the PDWG and NSPI in consultations with respect to providing a more comprehensive picture of rate and bill impacts on customers, associated with future DSM plan expenditures.

Multi-fuels Mandate

As of April 1st, 2011, ENSC has officially taken over responsibility for multi-fuel energy efficiency and conservation programs in the province. Negotiations are still ongoing between the province and ENSC to finalize a contract for ENSC's oversight of energy efficiency and conservation programs for other fuels.

With the take-up by ENSC of a multi-fuels mandate, NSDOE sees the potential for cross-subsidization of programs between electricity customers and tax payers, if a clear methodology for tracking electricity DSM (ratepayer funded) and other fuels program costs (non-ratepayer funded) is not developed by ENSC in a timely manner.

NSDOE recommends that the Board direct ENSC to develop a clear methodology for tracking costs associated with electricity DSM program and energy efficiency programs related to the use of other fuels, as ENSC works towards obtaining multi-fuel mandate in time for integration with the 2012 electricity DSM programs.

NSDOE in particular sees a need for the development of a mechanism by way of a code of conduct, or protocol for the identification of time spent by ENSC's employees and executives on electricity DSM matters, and work on efficiency and conservation programs dealing with other fuels, to ensure that ratepayers are not subsidizing costs associated with other fuels efficiency programs.
As the Board Chair commented during the hearing, "it seems to me it's fairly urgent to get the protocol in place." (Hearing Transcript, page 180, lines 4-5). ENSC has indicated that it is working on such a protocol which it expects to present to the Board in late summer.

Multi Sector Cost Allocation for Enabling Strategies

In the 2010 hearing for the approval of the DSM Plan for 2011, an issue was raised with respect to the proper allocation of multi-sector costs. The Board at that time accepted the DSM administrator's allocation of these costs on a customer count basis as consistent with what was previously approved by the Board, and determined that it "did not consider it necessary to revisit these allocations at this time." (Decision on Application for Approval of 2011 DSM Plan, 2010 NSUARB 155, at para. 37).

NSDOE submits that the issue of multi-sector allocation of enabling strategy costs should be addressed in 2013 when the cost allocation methodology is to be reviewed, taking caution to ensure that ENSC is not unduly burdened with excessive administration costs that undermine the value of a joint DSM delivery agent.

All of which is respectfully submitted.

Mark V. Rieksts

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MVR/mjg

cc: Board Counsel
Intervenors