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VIA EMAIL

25509
Ms. Nancy McNeil
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
Halifax, NS B3J 3S3

Dear Ms. McNeil:

Re: Electricity Demand Side Management Plan for 2012; NSUARB-ENSC-R-10

These are the closing submissions of the Consumer Advocate.

Although the initial issues list contained a number of elements, the application process has significantly narrowed the outstanding issues and the Consumer Advocate will focus these comments on the remaining contentious issues, namely:

1. Reasons to adopt the 2012 DSM budget and savings targets as filed;
2. The appropriate and fair allocation of costs associated with Enabling Strategies;
3. The prevention of any cross-subsidization by electricity ratepayers for non-electricity DSM activities undertaken by Efficiency Nova Scotia; and
4. The need for distinct reporting relating to progress in allowing low-income households to access DSM programming.

The following addresses each of these issues.

REASONS TO ADOPT THE BUDGET AND ENERGY SAVING TARGETS AS FILED

The Consumer Advocate's support for the budget and savings targets contained in the 2012 Plan is based on the following factors.

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1. Since 2008, electricity ratepayers in Nova Scotia have participated in a significant ramp up of DSM spending and achieved energy savings. DSM programs for the years 2008-2010 have been subject to an evaluation and verification process which provides ratepayers with a level of confidence regarding the prudent spending of ratepayer dollars.

2. The proposed budget for 2012 represents a 100% increase on the 2010 DSM spending. In fact, proposed program spending in 2012 will come close to equaling the cumulative 2008-2010 spending.

3. Efficiency Nova Scotia is a new entity. Management positions were created and filled during mid-year 2010 and operational responsibilities for DSM administration were completely transferred to Efficiency Nova Scotia by December, 2010. 2011 will mark the first full year of Efficiency Nova Scotia operation of DSM programming.

4. From the perspective of program savings verification, 2011 will mark the first year in which the data tracking system will be used for program-wide savings verification. Furthermore, according to the verification consultant retained by the Board, future evaluations will provide a more fulsome review of Efficiency Nova Scotia operations and will yield more meaningful results.

Board counsel consultant Mel Whalen has recommended that the 2012 Plan be enhanced by adding approximately $9.7M in additional DSM program spending, to yield additional projected energy savings of 34.4GWh. At the request of the Board, Mr. Whalen has provided, by way of undertaking (U-3), a brief analysis of the revenue requirement by class associated with his recommendation.

Obviously, any upward pressure on rates is a concern. To the degree, however, that DSM spending has the impact of actually lowering customer bills, rate impacts caused by DSM spending need to be carefully analyzed.

In the submission of the Consumer Advocate, it is not a matter of saying that Efficiency Nova Scotia is right and Mr. Whalen is wrong. Rather, it is a matter of identifying which alternative most adequately fosters ratepayer confidence in DSM spending. At the current time, with the transitional nature of Efficiency Nova Scotia's operations the most prudent course is the more cautious approach represented by the plan as filed.

The Consumer Advocate acknowledges that special attention will need to be paid in 2013 and subsequent years to ensure that IRP targets are met. The 2012 DSM Plan as filed strikes a reasonable balance between the achievement of IRP targets and cautious spending of ratepayer dollars.

Cost Allocation of Enabling Strategies Expenditures

The evidence of Efficiency Nova Scotia (see Transcript pages 50-54) clearly establishes that virtually every enabling strategy has impact and benefits across various rate classes.

As the Board is well aware, the current cost allocation of DSM programming was the subject matter of a settlement agreement involving all of the ratepayer classes. That settlement agreement did not address the issue of cost allocation for spending associated with enabling strategies.

Allocating enabling strategy costs on the basis of customer accounts is not equitable and should be the subject of immediate revision by the Board.

First, an allocation on the basis of customer class is directly at odds with the uncontested cross-class impact of these benefits. Residential ratepayers only have access to approximately 50% of the DSM spending and yet are being asked to pay over 90% of the costs associated with enabling strategies.

Second, the dramatic increase in spending on enabling strategies makes reference to previous compliance filings irrelevant. The fact that $1M in education and outreach costs were apportioned in a certain way two years ago is not justification for the manner in which $5M – to be spent in significantly differently ways – is to be allocated in 2012.

Allocating the cost of Enabling Strategies on the basis of electricity consumption by rate class, spending by rate class, or forecast energy savings by rate class each represents a more equitable and appropriate method of cost allocation given the evidence presented at the hearing.

Efficiency Nova Scotia Role in Non-Electricity DSM

According to Efficiency Nova Scotia, subsequent to the filing of this application, Efficiency Nova Scotia has been designated by the government as the main administrator for all DSM programming – both electricity and non-electricity. As reflected in the Board questioning at the hearing, this raises various concerns for ratepayers.

The Consumer Advocate would respectfully request that Efficiency Nova Scotia be directed to swiftly develop a detailed plan containing specific steps to ensure that electricity ratepayers are in no way subsidizing activities associated with non-electricity users.

Ability of Low-Income Households to Access DSM Programming

Efficiency Nova Scotia has expressed a commitment to the principle of broad access to DSM programs. To date, DSM programming has not been successful in providing low-income householders with an opportunity to participate in DSM programming. During the hearing, the

Consumer Advocate was pleased to hear that Efficiency Nova Scotia would have no difficulty in implementing the recommendation of Mr. Foote contained at Exhibit E-10 at p. 9:

> That energy savings achieved by low-income households and program expenditures on delivering DSM to low-income households be tracked and measured against the benchmarks provided by ENSC as part of the evaluation of the 2012 Plan.

Reporting in such a manner will assist in increasing ratepayer confidence and in determining the future course of DSM spending.

All of which is respectfully submitted.

William L. Mahody

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