

September 30, 2011

Nancy McNeil
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
P.O. Box 1692, Unit "M"
Halifax, NS B3J 3S3

Re: DSM Cost Recovery Rider (E-ENSC-R-10)

Dear Ms. McNeil:

Nova Scotia Power Inc. recovers the costs of DSM programming on behalf of Efficiency Nova Scotia ("ENS"). Consistent with the Board's approval of ENS 2012 Demand Side Management (DSM) Plan and regulatory schedule, attached for approval are the proposed ENS DSM Cost Recovery Rider (DCRR) and DSM Cost Recovery Rider Balance Adjustment (DCRR BA) charges by rate class to be in effect for billing purposes from January 1 through December 31, 2012.

The DCRR and DCRR BA charges for 2012 have been developed in accordance with the Board's August 31, Amended 2009 DSM Order, specifically:

1. The cost allocation methodology, set out for use in a three year period 2010 to 2012 in the approved DSM Settlement Agreement, has been used to determine the DSM costs assigned to each rate class.
2. The cost of service-based load determinants by rate class used in allocation of the 2012 DSM program costs associated with system benefits are derived from the 2012 load forecast filed by NSPI on August 31st¹. The applied load determinants replaced the 2009 Compliance Filing COSS-based determinants used in the calculations of preliminary program cost allocation filed by ENS on February 28,

¹ The load shape class determinants from the 2012 FAM load forecasts have been applied by NSPI in its update to revenue requirement (section 11.1) filed in its reply evidence on September 13, 2011.

2011². The major difference between these two forecasts is that the more recent one reflects the indefinite shutdown of New Page Port Hawkesbury.

3. The total amount of DSM program costs of \$42.7 million approved by the UARB for recovery in 2012 as well as the breakdown of the DSM program expenditures by class, before accounting for the municipal class³, remain the same as in the preliminary calculations submitted on February 28, 2011. The information was provided to NSPI by ENS earlier this year.
4. The sector share percentages for residential, commercial, and industrial sectors that are used to allocate DSM program costs to the Municipal class have been updated with the most recent data inputs for the fiscal year 2011 provided to NSPI by MEUNSC on September 14, 2011. The allocation details behind 2012 DCRR charges are presented in Appendix A.
5. The energy sales forecast by rate class for 2012 reflects NSPI's most recent load forecast as provided on August 31. This forecast is shown in column L of Table 3, of Appendices A and B.⁴
6. The DSM Cost Recovery Rider charges are designed to recover expenses in the year in which they are incurred. Any differences between the amounts actually spent and those collected through the Rider charges will be corrected through the BA component of the Rider⁵. The 2012 application includes the DCRR BA charges in reflection of single true-ups of rate class imbalances between the recovery and incurrence of DSM program costs in 2010⁶. The DCRR BA allocation details are presented in Appendix B.
7. The individual DSM Cost Recovery Rider charges, both DCRR and DCRR BA, by class are presented for approval in Schedule A of the 2012 DSM Cost Recovery Rider

² 2012 DSM Plan, Evidence of ENSC as DSM Administrator, Appendix B Preliminary Program Cost Allocation.

³ Table 2 a) of Appendix A.

⁴ The GRLF load sales as used for the DCRR purposes are gross sales before NSPI's purchases of surplus generation. This sales figure is different from the one used for the FAM purposes which is a net sales figure.

⁵ NSUARB-NSPI-P-884(2) page 38, paragraph [104 & 105].

⁶ Details behind these calculations were presented by NSPI in section 4.3.3.1 Balance Adjustments for the PCR Component of its Evidence filed on April 7, 2009 in its application in the matter of 2010 DSM Plan. The actual expenditure of \$23.05 million dollars is a total of investments made by NSP as interim Administrator up until October 2010 and ENSC for the remainder of the year. Allocation of 2010 expenditures among rate classes have been provided to NSP by ENSC on September 19th, 2011.

(Appendix C). Approved charges will be shown as a separate line item on customer bills beginning January 1, 2012, entitled "Energy Efficiency Programs".

The 2009 DSM Settlement Agreement on cost methodology states:

This approach will be reviewed after three years (i.e., it applies to 2010, 2011 and 2012).

As such, Nova Scotia Power anticipates that ENS and stakeholders will be reviewing whether the existing cost allocation methodology should continue to be applied beyond 2012. The wording of the Settlement Agreement was reflected in the DSM Cost Recovery Rider that was approved as part of the 2010 DSM proceeding, and states:

For the calendar years 2010, 2011 and 2012, the PCR shall be computed for each rate schedule using the cost allocation methodology set out in Schedule B to this tariff. The cost allocation approach may be modified for use after 2012 as approved by the UARB.

The DSM Cost Recovery Rider further states:

On or before October 1 in the year preceding the implementation of the approved programs, Nova Scotia Power Inc. shall apply to the UARB to seek approval of the Demand Side Management (DSM) Cost Recovery Rider amounts to be inserted in Schedule A to this tariff for the succeeding rate year. NSPI shall pay to the Administrator the amount approved by the UARB to fund the program costs, on a monthly basis.

Effective October 1, 2010, all DSM administrative accountabilities were transitioned fully to ENS pursuant to the *Efficiency Nova Scotia Corporation Act*. Given ENS's accountabilities for demand side management in Nova Scotia, it is appropriate that the DSM Cost Recovery Rider reflect this reality. As noted above, the rider allocations provided with this filing are based upon inputs primarily received from ENS, the program as approved by the Board, and calculated using the Board approved methodology. Nova Scotia Power has a lesser role in determining the inputs and does not have any discretion to change the allocation methodology. As such, it is appropriate that on a go forward basis, ENS, as administrator with the responsibility for the amount of the rider charges, make the rider filing as an extension of its DSM process.

Nova Scotia Power has discussed this proposed change with ENS, and has confirmed that ENS is in agreement. Nova Scotia Power notes that it has had a positive working relationship, involving mutual sharing of information and consultation with ENS during this first full year of administration by ENS. The change proposed to the rider responsibilities in this regard would in no way remove NSPI's commitment to continue to share necessary information and provide assistance with necessary analysis for DSM and associated processes, as contemplated by the Transition Plan. The clarification of the Rider is reflected in the proposed amendment in Appendix C.

Further, NSPI understands that the cost allocation methodology may be reviewed by ENS and stakeholders leading up to ENS' 2013 filing. The DSM Transition Plan Report filed jointly by ENS and NSPI states at section 6.2:

NSPI will have lead responsibility for reviewing and revising the methodology as appropriate, for approval by the UARB. It is anticipated that revisions for 2013 would be filed coincident with the filing of the 2013 DSM Plan.

The above paragraph contemplates that changes will be proposed, whereas both the Settlement Agreement, and the DSM Cost Recover Rider only contemplated that the methodology would be reviewed following the 2012 DSM Plan. If upon review, it were to be determined that no change was warranted, no changes would need to be proposed. Nova Scotia Power does not have direct knowledge of program participation by class, which is the manner in which costs are allocated today, nor is it aware of other considerations which ENS and customers may consider appropriate in determining a fair allocation of ENS program costs among customer classes. ENS, as administrator, is best positioned to lead any review of the cost allocation methodology, in consultation with its stakeholders. If changes are warranted, they would be proposed by ENS as part of its 2013 DSM filing. NSPI is prepared to engage in the process to support the dialogue among interested parties, if desired by stakeholders. Nova Scotia Power has also discussed this issue with ENS. ENS has confirmed that it shares NSPI's view that ENS is the appropriate party to lead any review of the current cost allocation methodology and to propose changes, if appropriate.

Nova Scotia Power requests UARB confirmation of the 2012 ENS DSM Rider allocations for the 2012 DCRR as well as the 2010 DSM DCR BA, as presented in Appendix C, along with the proposed changes to the DSM Cost Recovery Rider as presented in Appendix C. Nova Scotia Power further requests confirmation from the Board that ENS is best-

positioned to lead any necessary dialogue with stakeholders about the Board-approved cost allocation methodology in advance of its 2013 DSM filing.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Eric Ferguson', with a stylized, sweeping flourish extending from the end.

Eric Ferguson, CMA
Director, Regulatory Affairs

Attach.

c: Rene Gallant
Bruce Outhouse, Q.C.
All Intervenors – E-ENSC-R-10

TABLE 1 Allocation of 25% of program costs associated with system benefits.

COLUMN A B C D E F G H

Program Cost Recovery by Benefits

System Benefits	25.0%	\$10,936,664
Combined Class and Participant Benefits	75.0%	\$32,809,993
Total	100.0%	\$43,746,657

Functionalization of System Benefit DSM Costs

	Factors
Generation	100%
Transmission	0%
Distribution	0%
Retail	0%

Classification of System Benefit DSM Costs

	Factors¹
Demand-related	34.39%
Energy-related	65.61%
Total	100.0%

Rate Class	Demand-related Costs		Energy-related Costs		Total	
	3 CP kW Demands ²	Demand-related	MWh Energy Requirement ³	Energy-related	\$ Amount	Relative Share
Residential Total ⁵	3,436,064	56.2%	4,688,270	43.7%	\$3,134,642	48.0%
Small General	158,456	2.6%	244,313	2.3%	\$163,351	2.4%
General Demand	1,327,383	21.7%	2,605,840	24.3%	\$1,742,300	23.4%
Large General	162,035	2.6%	423,192	3.9%	\$282,952	3.5%
Small Industrial	105,852	1.7%	273,548	2.5%	\$182,898	2.3%
Medium Industrial	206,862	3.4%	535,156	5.0%	\$357,813	4.4%
Large Industrial	328,690	5.4%	980,028	9.1%	\$655,260	7.8%
ELI 2P-RTP	153,819	2.5%	450,383	4.2%	\$301,132	3.6%
Municipal	124,153	2.0%	204,103	1.9%	\$136,466	1.9%
Unmetered	72,094	1.2%	124,400	1.2%	\$83,175	1.2%
Bowater Mersey (AE only) ⁴	42,857	0.7%	183,599	1.7%	\$122,756	1.4%
Gen. Repl./ Load Foll.	716	0.0%	19,199	0.2%	\$12,836	0.1%
Wholesale Market Backup/Top-up	-	0.0%	-	0.0%	\$0	0.0%
1P-RTP	-	0.0%	-	0.0%	\$0	0.0%
Total	6,118,981	100.0%	10,732,030	100.0%	\$7,175,583	100.0%
Classification Breakdown		34.4%		65.6%		100.0%

(1) The classification is the weighted average of the fully classified total generation plant portion of rate base as shown in the Base Cost of Fuel Cost of Service Allocation of Fuel Expenses among Rate Classes table as per the 2012 GRA Settlement

(2) Source: Base Cost of Fuel Cost of Service Allocation of Fuel Expenses among Rate Classes table under Cost Allocation Factors as per the 2012 GRA Settlement

(3) Source: Base Cost of Fuel Cost of Service Allocation of Fuel Expenses among Rate Classes table under Cost Allocation Factors as per the 2012 GRA Settlement

(4) Source: Base Cost of Fuel Cost of Service Allocation of Fuel Expenses among Rate Classes table under Cost Allocation Factors as per the 2012 GRA Settlement

(5) All residential rate classes will use the same unit fixed cost estimate.

TABLE 2 Allocation of 75% of DSM Program Costs associated with benefits realized by participating classes.												
Line #	COLUMN FORMULA	A	B	C	D	E	F	G	H	I	J	Σ col A to H I x 75%
		Program costs incurred on participating rate classes.										
Program		Efficient Products	Existing Houses	New Houses	Home Energy Report	Prescriptive Rebate	Custom	Small Business Direct Install	Enabling Strategies	All Program Costs Combined	Program Costs Directly Assigned to Participating rate classes (75% of the total)	
Rate Class												
Residential		\$3,341,265	\$9,570,112	\$4,220,367	\$885,415	\$342,615	\$371,752	\$839,494	\$4,530,014	\$24,101,034	\$18,075,776	
Small General		\$291,446	\$0	\$0	\$0	\$261,926	\$164,408	\$708,091	\$237,524	\$1,663,396	\$1,247,547	
General Demand		\$291,446	\$0	\$0	\$0	\$2,393,459	\$4,013,500	\$3,982,213	\$116,969	\$10,797,588	\$8,098,191	
Large General		\$0	\$0	\$0	\$0	\$153,543	\$773,687	\$0	\$181	\$927,411	\$695,558	
Small Industrial		\$0	\$0	\$0	\$0	\$212,387	\$543,824	\$314,606	\$22,848	\$1,093,665	\$820,249	
Medium Industrial		\$0	\$0	\$0	\$0	\$397,072	\$1,957,766	\$0	\$1,934	\$2,356,771	\$1,767,579	
Large Industrial		\$0	\$0	\$0	\$0	\$637,161	\$1,235,963	\$0	\$343	\$1,873,467	\$1,405,100	
ELI 2P-RTP		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20	\$20	\$15	
Municipal		\$83,678	\$187,306	\$82,601	\$17,329	\$105,741	\$195,361	\$166,301	\$60	\$838,377	\$628,783	
Unmetered		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$94,887	\$94,887	\$71,165	
Bowater Mersey (AE only)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10	\$10	\$8	
GRLF		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30	\$30	\$23	
Wholesale Market Backup/Top-up		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
1P-RTP		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total		\$4,007,836	\$9,757,418	\$4,302,968	\$902,744	\$4,503,903	\$9,256,261	\$6,010,706	\$5,004,820	\$43,746,657	\$32,809,993	

Notes:

1 Enabling Strategies allocated based on Customer counts COSS, 2012 Settlement

TABLE 2 a) Estimate of DSM Program participation by rate classes before accounting for the Municipal Class									
COLUMN		A	B	C	D	E	F	G	
		Relative shares of program costs incurred on participating rate classes before Municipal Class.							
Program		Efficient Products	Existing Houses	New Houses	Home Energy Report	C & I Prescriptive Rebate	C & I Custom	Small Business Direct Install	
Rate Class									
Residential		85.0%	100.0%	100.0%	100.0%	7.8%	4.1%	14.2%	
Small General		7.5%	0.0%	0.0%	0.0%	6.0%	1.8%	12.2%	
General Demand		7.5%	0.0%	0.0%	0.0%	54.8%	44.7%	68.3%	
Large General		0.0%	0.0%	0.0%	0.0%	3.5%	8.6%	0.0%	
Small Industrial		0.0%	0.0%	0.0%	0.0%	4.8%	5.9%	5.3%	
Medium Industrial		0.0%	0.0%	0.0%	0.0%	8.9%	21.3%	0.0%	
Large Industrial		0.0%	0.0%	0.0%	0.0%	14.3%	13.5%	0.0%	
ELI 2P-RTP		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Municipal		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Unmetered		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Bowater Mersey (AE only)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
GRLF		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Wholesale Market Backup/Top-up		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
1P-RTP		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

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TABLE 2 b) Estimate of DSM Program participation by rate class after accounting for the Municipal Class							
COLUMN							
	A	B	C	D	E	F	G
Program	Calculation of relative class shares in DSM load reduction effects.						
	Efficient Products	Existing Houses	New Houses	Home Energy Report	C & I Prescriptive Rebate	C & I Custom	Small Business Direct Install
Rate Class							
Residential	83.4%	98.1%	98.1%	98.1%	7.6%	4.0%	14.0%
Small General	7.3%	0.0%	0.0%	0.0%	5.8%	1.8%	11.8%
General Demand	7.3%	0.0%	0.0%	0.0%	53.1%	43.4%	66.3%
Large General	0.0%	0.0%	0.0%	0.0%	3.4%	8.4%	0.0%
Small Industrial	0.0%	0.0%	0.0%	0.0%	4.7%	5.9%	5.2%
Medium Industrial	0.0%	0.0%	0.0%	0.0%	8.8%	21.2%	0.0%
Large Industrial	0.0%	0.0%	0.0%	0.0%	14.1%	13.4%	0.0%
ELI 2P-RTP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Municipal	2.1%	1.9%	1.9%	1.9%	2.3%	2.1%	2.8%
Unmetered	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bowater Mersey (AE only)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GRLF	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Wholesale Market Backup/Top-up	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1P-RTP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Relative Shares of Municipal sales in total NSPI sales by sector			
DSM-eligible sales by sector	Breakdown of Municipal Class Sales by Sector ¹		
	NSPI	% of Mun.	% of NSPI
Residential	4,256,431,756	81,707,588	1.920%
General	3,172,936,742	96,492,771	3.041%
Industrial (before ELI 2P-RTP, GRLF, Mersey BB)	1,879,701,844	16,341,518	0.869%
	9,309,070,341	194,541,877	2.090%

1) Source: Municipal electric utility sales and purchase forecasts for 2012 provided by MEUNSC

TABLE 3 Allocation of Program Costs among rate classes

TABLE 3 Allocation of Program Costs among rate classes												
	COLUMN	A	B	C	D	E	F	G	H	L	M	
	FORMULA	Table 2 Column K		Table 1 Column H		Table 2 Column L		C + E		I - K		G / L x 100
		Total Expenditure by Rate class	Relative Share	System Benefit Costs (25% of the total expenditure allocated to classes using COS methodology)	Relative Share	Participating Class benefit Costs (75% of the total expenditure directly assigned to participating classes)	Relative Share	Total Allocated Costs	Relative Share	Sales Forecast with DSM Program	DSM Program Cost Recovery (PCR)	
		\$ Amount		\$ Amount		\$ Amount		\$ Amount			cents/kWh	
Rate Class												
Residential Subtotal		\$24,101,034	55.1%	\$5,246,647	48.0%	\$18,075,776	55.1%	\$23,322,422	53.3%	4,256,431,756	0.548	
Small General		\$1,663,396	3.8%	\$260,747	2.4%	\$1,247,547	3.8%	\$1,508,294	3.4%	223,726,062	0.674	
General Demand		\$10,797,588	24.7%	\$2,558,187	23.4%	\$8,098,191	24.7%	\$10,656,378	24.4%	2,439,459,241	0.437	
Large General		\$927,411	2.1%	\$382,549	3.5%	\$695,558	2.1%	\$1,078,107	2.5%	397,470,794	0.271	
Small Industrial		\$1,093,665	2.5%	\$247,961	2.3%	\$820,249	2.5%	\$1,068,209	2.4%	257,632,430	0.415	
Medium Industrial		\$2,356,771	5.4%	\$484,962	4.4%	\$1,767,579	5.4%	\$2,252,540	5.1%	505,845,219	0.445	
Large Industrial		\$1,873,467	4.3%	\$857,293	7.8%	\$1,405,100	4.3%	\$2,262,393	5.2%	936,296,194	0.242	
ELI 2P-RTP		\$20	0.0%	\$395,678	3.6%	\$15	0.0%	\$395,693	0.9%	441,378,432	0.090	
Municipal		\$838,377	1.9%	\$212,778	1.9%	\$628,783	1.9%	\$841,561	1.9%	194,541,877	0.433	
Unmetered		\$94,887	0.2%	\$127,488	1.2%	\$71,165	0.2%	\$198,653	0.5%	112,280,645	0.177	
Bowater Mersey (AE only)		\$10	0.0%	\$149,099	1.4%	\$8	0.0%	\$149,106	0.3%	179,928,000	0.083	
GRLF		\$30	0.0%	\$13,277	0.1%	\$23	0.0%	\$13,299	0.0%	20,280,439	0.066	
Wholesale Market Backup/Top-up		\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	-	N/A	
1P-RTP		\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	-	N/A	
Total		\$43,746,657	100.0%	\$10,936,664	100.0%	\$32,809,993	100.0%	\$43,746,657	100.0%	9,965,271,089	0.439	

TABLE 1 Allocation of 25% of program costs deemed to be associated with system benefits (Source: COSS, Compliance Filing 2009)

COLUMN

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E

D

C

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A

Program Cost Recovery by Benefits

System Benefits	25.0%	\$5,761,652
Combined Class and Participant Benefits	75.0%	\$17,284,956
Total	100.0%	\$23,046,608

Functionalization of System Benefit DSM Costs

	Factors
Generation	100%
Transmission	0%
Distribution	0%
Retail	0%

Classification of System Benefit DSM Costs

	Factors¹
Demand-related	32.9%
Energy-related	67.1%
Total	100.0%

Rate Class	Demand-related Costs		Energy-related Costs		Total	
	3 CP kW Demands ²	\$ Amount	MWh Energy Requirement ³	\$ Amount	Relative Share	Total Amount
Residential Total ⁵	3,200,476	\$922,891	4,683,148	\$1,423,421	40.7%	\$2,346,312
Small General	179,891	\$51,873	283,859	\$86,278	2.4%	\$138,151
General Demand	1,290,681	\$372,182	2,743,968	\$834,016	20.9%	\$1,206,198
Large General	177,953	\$51,315	452,098	\$137,413	3.3%	\$188,728
Small Industrial	109,669	\$31,624	268,699	\$81,670	2.0%	\$113,294
Medium Industrial	249,246	\$71,873	615,341	\$187,030	4.5%	\$258,903
Large Industrial	369,028	\$106,413	1,004,336	\$305,263	7.1%	\$411,676
ELI 2P-RTP	749,730	\$216,193	2,141,160	\$650,796	15.0%	\$866,988
Municipal	113,817	\$32,820	208,330	\$63,321	1.7%	\$96,141
Unmetered	86,672	\$24,993	128,418	\$39,032	1.1%	\$64,025
Bowater Mersey (AE only) ⁴	42,861	\$12,359	182,999	\$55,622	1.2%	\$67,981
Gen. Repl./ Load Foll.	(650)	(\$187)	11,322	\$3,441	0.1%	\$3,254
Wholesale Market Backup/Top-up	-	\$0	-	\$0	0.0%	\$0
1P-RTP	-	\$0	-	\$0	0.0%	\$0
T total	6,569,374	\$1,894,348	12,723,678	\$3,867,304	100.0%	\$5,761,652
Classification Breakdown		32.9%		67.1%		100.0%

(1) The classification is the weighted average of the fully classified total generation plant portion of rate base as shown under the heading "Fully Classified Rate Base" on line 6 of schedule 2b of the COSS.

(2) Source: Exh 9c line (14) 3 Coincident Peak (3CP) demands COS

(3) Source: Exh 9a Annual column (3) Energy Requirement

(4) Statistics for the AE class are predicated on the share of AE class in the total Bowater Mersey figures shown in Exh 9c line (14) and Exh 9a. The Bowater Mersey total include AE and Mersey Basic Block.

(5) All residential rate classes will use the same unit fixed cost estimate.

TABLE 2 Allocation of 75% of DSM Program Costs deemed to be associated with benefits realized by participating classes.													
Line #	COLUMN FORMULA	A	B	C	D	E	F	G	H	I	K	L	Σ col A to J K x 75%
7 Program	8 Rate Class	Efficient Products	Existing Homes	New Homes	Low Income	Prescriptive Rebate	Custom	New Construction	Small Business DI Lighting	Education & Outreach ¹	Development & Research	All Program Costs Combined	Program Costs Directly Assigned to Participating rate classes (75% of the total)
9	Residential												
10	Small General	\$2,698,355	\$1,402,128	\$516,391	\$1,962,142	\$123,489	\$145,885	\$0	\$762,910	\$416,191	\$1,398,854	\$9,426,345	\$7,069,759
11	General Demand	\$1,821,390	\$0	\$0	\$0	\$94,248	\$63,512	\$0	\$563,122	\$22,619	\$76,025	\$2,640,916	\$1,980,687
12	Large General	\$1,956,308	\$0	\$0	\$0	\$864,481	\$1,596,266	\$240,962	\$3,070,689	\$11,014	\$37,019	\$7,776,738	\$5,832,553
13	Small Industrial	\$0	\$0	\$0	\$0	\$53,624	\$306,782	\$0	\$0	\$17	\$58	\$360,481	\$270,360
14	Medium Industrial	\$0	\$0	\$0	\$0	\$76,312	\$213,246	\$0	\$247,179	\$2,183	\$7,338	\$546,258	\$409,694
15	Large Industrial	\$0	\$0	\$0	\$0	\$283,683	\$761,758	\$0	\$0	\$200	\$671	\$1,046,312	\$784,734
16	ELI 2P-RTP	\$0	\$0	\$0	\$0	\$86,266	\$483,075	\$0	\$0	\$38	\$128	\$569,508	\$427,131
17	Municipal	\$269,836	\$0	\$0	\$0	\$39,883	\$278,682	\$0	\$0	\$2	\$6	\$8	\$6
18	Unmetered	\$0	\$4,642	\$15,971	\$27,860	\$0	\$0	\$0	\$2,323	\$6	\$19	\$639,222	\$479,416
19	Bowater Mersey (AE only)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,356	\$31,447	\$40,803	\$30,603
20	GRLF	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1	\$3	\$4	\$3
21	Wholesale Market Backup/Top-up	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3	\$10	\$12	\$9
22	1P-RTP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24	Total	\$6,745,889	\$1,406,770	\$532,362	\$1,990,002	\$1,621,986	\$3,849,206	\$240,962	\$4,646,223	\$461,630	\$1,551,578	\$23,046,608	\$17,284,956
25													

26 Notes:
27 1. Education & Outreach and Development & Research costs were allocated based on Customer counts used in the Cost of Service Studies submitted in 2009 Compliance Filing

TABLE 2 b) Estimate of DSM Program participation by rate class after accounting for the Municipal Class										
COLUMN										
A B C D E F G H I J										
Calculation of relative class shares in DSM load reduction effects.										
Program	Efficient Products	Existing Homes	New Homes	Low Income	C & I Prescriptive Rebate	C & I Custom	New Construction	Small Business DI Lighting	Education and Outreach	Development & Research
Rate Class										
Residential	40.0%	99.7%	97.0%	98.6%	7.6%	3.8%	0.0%	16.4%	90.2%	90.2%
Small General	27.0%	0.0%	0.0%	0.0%	5.8%	1.7%	0.0%	12.1%	4.9%	4.9%
General Demand	29.0%	0.0%	0.0%	0.0%	53.3%	41.5%	100.0%	66.1%	2.4%	2.4%
Large General	0.0%	0.0%	0.0%	0.0%	3.3%	8.0%	0.0%	0.0%	0.0%	0.0%
Small Industrial	0.0%	0.0%	0.0%	0.0%	4.7%	5.5%	0.0%	5.3%	0.5%	0.5%
Medium Industrial	0.0%	0.0%	0.0%	0.0%	17.5%	19.8%	0.0%	0.0%	0.0%	0.0%
Large Industrial	0.0%	0.0%	0.0%	0.0%	5.3%	12.6%	0.0%	0.0%	0.0%	0.0%
ELI 2P-RTP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Municipal	4.0%	0.3%	3.0%	1.4%	2.5%	7.2%	0.0%	0.1%	0.0%	0.0%
Unmetered	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%
Bowater Mersey (AE only)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GRLF	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Wholesale Market Backup/Top-up	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1P-RTP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Line # 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23

DEMAND SIDE MANAGEMENT COST RECOVERY RIDER**APPLICABILITY:**

This schedule applies to all electric rate classes with the exception of the Wholesale Market Non-Dispatchable Supplier Spill Tariff and the Mersey System Tariff (i.e., Mersey Basic Block).

RESPONSIBILITIES OF INDEPENDENT DSM ADMINISTRATOR

It shall be the responsibility of the independent Demand Side Management Administrator (Administrator) to apply to the Nova Scotia Utility and Review Board (UARB) to seek approval of all demand side management and energy efficiency programs and to itemize and seek approval for all related costs.

On or before October 1 in the year preceding the implementation of the approved programs, the Administrator shall apply to the UARB to seek approval of the Demand Side Management (DSM) Cost Recovery Rider amounts to be inserted in Schedule A to this tariff for the succeeding rate year. NSPI shall pay to the Administrator the amount approved by the UARB to fund the program costs, on a monthly basis.

DEMAND SIDE MANAGEMENT COST RECOVERY:

The monthly amount computed under each of the rate schedules to which this DSM Cost Recovery Rider (DCRR) is applicable shall be increased or decreased by the DCRR at a class-specific rate per kilowatt hour of monthly consumption in accordance with the following formula:

$$\text{DCRR} = \text{PCR} + \text{BA}$$

Where:

PCR = PROGRAM COST RECOVERY

The PCR includes all estimated costs for each upcoming twelve month period for demand side management and energy efficiency programs that have been requested by the Administrator and approved by the Board ("approved programs"). Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs, including but not limited to costs for consultants, employees and administrative expenses. For the calendar years 2010, 2011 and 2012, the PCR shall be computed for each rate schedule using the cost allocation methodology set out in Schedule B to this tariff. The cost allocation approach may be modified for use after 2012 as approved by the UARB.

Deleted: In accordance with the agreement between NSPI and the Administrator, the Administrator shall be responsible for providing all data, such as DSM expenditures by rate class, that is required in order to calculate and implement the DSM Cost Recovery Rider.

Deleted: On or before June 1 of the year preceding the implementation of the approved programs and program costs, the Administrator shall advise Nova Scotia Power Inc. of:
 ¶
 <#>the program amount approved by the UARB to be recovered by this Rider, ¶
 <#>the energy savings (reduction in kWh sales by program) anticipated by the approved programs, ¶
 <#>the costs incurred and energy savings achieved by the prior year's programs. ¶

RESPONSIBILITIES OF NOVA SCOTIA POWER INC.¶

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EFFECTIVE: JANUARY 1, 2012

DEMAND SIDE MANAGEMENT COST RECOVERY RIDER

BA = BALANCE ADJUSTMENT

The BA will be calculated for each rate class separately on a calendar year basis and is used to reconcile the difference between the amount of revenues actually billed through the PCR and the revenues which should have been billed, as follows:

- (1) For the PCR, the balance adjustment amount will be the difference between the amount billed in a twelve month period from the application of the PCR unit charges and the actual cost of the approved programs during the same twelve month period.

Each change in the DCRR shall be placed into effect with bills rendered on and after the effective date of such change.

EFFECTIVE: JANUARY 1, 2012

DEMAND SIDE MANAGEMENT COST RECOVERY RIDER**SCHEDULE A: DSM COST RECOVERY RIDER CHARGES**

In addition to standard energy charges, the following Demand Side Management Cost Recovery Rider (DCRR) charges shall apply for the period January 1, 2012 to December 31, 2012.

DSM Rider Code	Applicable Tariff	DCRR (cents per kWh)	DCRR BA (cents per kWh)
DSM-DOM	Domestic Service	<u>0.548</u>	<u>0.039</u>
DSM-DOM TOD	Domestic Service Time-of-Day	<u>0.548</u>	<u>0.039</u>
DSM-SM GEN	Small General	<u>0.674</u>	<u>0.449</u>
DSM-GEN	General	<u>0.437</u>	<u>0.020</u>
DSM-LG GEN	Large General	<u>0.271</u>	<u>(0.472)</u>
DSM-SM IND	Small Industrial	<u>0.415</u>	<u>0.091</u>
DSM-MED IND	Medium Industrial	<u>0.445</u>	<u>(0.055)</u>
DSM-LG IND	Large Industrial incl. Interruptible Rider	<u>0.242</u>	<u>(0.025)</u>
DSM-MUNI	Municipal	<u>0.433</u>	<u>0.057</u>
DSM-GR&LF	Gen. Replacement & Load Following	<u>0.066</u>	<u>(0.045)</u>
DSM-LOAD RET	Load Retention	NA	<u>NA</u>
DSM-EHV RTP	Extra High Voltage Real Time Price	NA	<u>NA</u>
DSM-HV RTP	High Voltage Real Time Price	NA	<u>NA</u>
DSM-DIST RTP	Distribution Voltage Real Time Price	NA	<u>NA</u>
DSM-WM BU/TU	Wholesale Mkt. Backup/Top-Up	NA	<u>NA</u>
DSM-ELI 2P-RTP	Extra Lg. Ind. Two-Part RTP	<u>0.090</u>	<u>(0.021)</u>
DSM-AE	Mersey System Additional Energy	<u>0.083</u>	<u>(0.017)</u>
DSM-UNMET	Unmetered Services	<u>0.177</u>	<u>(0.378)</u>

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EFFECTIVE: JANUARY 1, 2012

DEMAND SIDE MANAGEMENT COST RECOVERY RIDER**Schedule B
DSM Cost Allocation Approach**

There are 3 kinds of cost benefits resulting from DSM:

1. *System* - Avoided future infrastructure and related costs, reduced fuel costs, and contribution to achieving environmental and emissions restrictions. All customers receive these benefits.
2. *Class* - When customers within a class participate, the whole class benefits by a reduction in their cost of service allocation, even those who do not actively participate.
3. *Participation* - Customers who are able to participate in DSM programs can lower their own electricity usage and therefore their costs.

The recovery of DSM costs from customers should reflect the level of benefit received by customer classes. Those customer classes who receive the most benefit (i.e., in all three categories) would bear the most responsibility to contribute to the costs. A customer class that receives only system benefits would contribute to the costs accordingly despite not directly participating in programs. Given the nature of DSM programs and benefits it is not possible to precisely calculate and allocate costs based upon these various benefits.

Proposed Allocation of DSM Program Costs:

System benefits will be allocated to all customer classes, except for the Mersey System Rate (i.e., Basic Block), in accordance with the COSS methodology reflecting allocation of generation rate base as per the most recent rate case decision.

Once system benefits have been allocated, the remaining costs relate to the class and participant benefits. These costs will be assigned to the class(es) participating in the DSM programs in proportion to amounts invested in each class.

Method:

- Step 1 – Allocate the system benefits to all customer classes, except to the Mersey System Rate (i.e., Basic Block), allocating $s \times DT$, in accordance with the COSS methodology per the most recent rate case decision, where “DT” represents the total approved DSM program costs and “s” represents the percentage of those costs that the parties agree to be system benefits. “S” will be equal to 25%.
- Step 2 – Directly assign to each class 75% ($=1-s$) of the DSM investment made for customers in that class. In the column 1 of the attached table for example, DSM expenditures for customers in the residential class could be labeled DC_{res} . The cost

EFFECTIVE: JANUARY 1, 2012

DEMAND SIDE MANAGEMENT COST RECOVERY RIDER

allocation approach showing allocation of system costs and proportionate participation costs by class for 2010 are shown on the attached table. If Bowater Mersey participates in DSM Programs, Step 2 will apply to the ELI -2P-RTP class (unless Bowater's resultant demand drops below 42 MW in which case, it will apply to the Additional Energy served under the Mersey Agreement, to the extent below 42 MW).

- Step 3 – Add the amounts from Step 1 and Step 2 to obtain the total amount to be recovered from each class.
- Step 4 - Divide the total amount to be recovered from each class by the anticipated electricity sales for the class to derive the cost recovery surcharge for each class for the year.
- Step 5 – Annually, true up the forecasted participation by customer class based upon actual experience so that class and participation benefits are more accurately allocated to participating classes.

Conditions:

- The allocation of costs based on “benefits” in this approach does not create a precedent for future cost allocation methodologies.
- This approach applies to classes as a whole (not to individual customers). As a contract rate predicated on power production specifically from the Mersey Hydro System, the Mersey System Rate (i.e., Basic Block) is not affected by DSM energy savings. This proviso does not affect the interpretation of the Mersey Agreement as it relates to the Basic Block, Additional Energy or any other matter.
- This approach applies to total approved DSM program costs. As such, the attached table is illustrative, and final calculations will depend upon the final approved DSM programs and total program costs.
- This approach will be reviewed after three years (i.e., it applies to 2010, 2011 and 2012).

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