NOVA SCOTIA UTILITY & REVIEW BOARD

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

IN THE MATTER OF: An Application to Approve Efficiency Nova Scotia Corporation's Electricity Demand Side Management (DSM) Plan for 2013-2015

Minutes of Settlement

WHEREAS on February 27, 2012, Efficiency Nova Scotia Corporation ("ENSC") filed the 2013-2015 Demand Side Management (DSM) Plan Evidence and 2011 DSM Plan Evaluation Report ("the Application") with the Nova Scotia Utility & Review Board ("UARB"), with a hearing originally scheduled to commence April 16, 2012;

AND WHEREAS ENSC filed various responses to Information Requests (IRs) on March 30, 2012, Revised DSM Plan Evidence on April 18, 2012, and additional responses to Supplementary IRs on May 9, 2012, and ENSC appreciates the support of the UARB and the Parties in being granted the opportunity to correct certain aspects of the Evidence resulting in a revised hearing date to commence May 29, 2012;

AND WHEREAS Intervenor Evidence was filed on May 22, 2012, and ENSC remains committed to working with engaged Stakeholders across Nova Scotia in an open and transparent manner to continue development of effective and efficient DSM programs in all sectors;

AND WHEREAS the undersigned Intervenors have reached agreement and wish to resolve certain aspects of the Application before the UARB, as represented in the attached Schedule "A" to these Minutes of Settlement;

AND WHEREAS these Minutes of Settlement are subject to review and approval by the UARB, the Undersigned Parties ("the Parties") respectfully request the UARB approve this agreement.

ALL OF WHICH is hereby agreed to and signed by legal counsel or other authorized representative this 28th day of May, 2012.

Efficiency Nova Scotia Corporation

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Per: Allan Crandlemire, CEO

Avon Group

Per: Nancy Rubin

Consumer Advocate

Per: Bill Mahody

Small Business Advocate

Per: Nelson Blackburn

Bowater Mersey

Per: David MacDougall

Canadian Oil Heat Association

Per: Nancy Rubin

AND WHEREAS these Minutes of Settlement are subject to review and approval by the UARB, the Undersigned Parties ("the Parties") respectfully request the UARB approve this agreement.

ALL OF WHICH is hereby agreed to and signed by legal counsel or other authorized representative this 28th day of May, 2012.

Efficiency Nova Scotia Corporation

Per: Allan Crandlemire, CEO

Avon Group

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Per: Bill Mahody

Small Business Advocate

Per: Nelson Blackburn

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Canadian Oil Heat Association

Per: Nancy Rubin

AND WHEREAS these Minutes of Settlement are subject to review and approval by the UARB, the Undersigned Parties ("the Parties") respectfully request the UARB approve this agreement.

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Canadian Oil Heat Association

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Per: Nancy Rubin

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AND WHEREAS these Minutes of Settlement are subject to review and approval by the UARB, the Undersigned Parties ("the Parties") respectfully request the UARB approve this agreement.

ALL OF WHICH is hereby agreed to and signed by legal counsel or other authorized representative this 28th day of May, 2012.

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Per: Allan Crandlemire, CEO

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Per: David MacDougall

Canadian Oil Heat Association

Per: Nancy Rubin

Schedule "A"

2013-2015 DSM Plan (Appendix A)

1. The Parties agree with the proposed investments and Programs planned for 2013 and 2014 in the DSM Plan as filed, preserving all rights respecting future positions which may be taken respecting DSM planning, cost allocation, forecasting, investment levels and any measures or programs.

Multi-Year Regulatory Process (Appendix B)

2. The Parties recommend the Board adopt the following process beginning in 2013:

(a) **Annual Progress Report** - in the first quarter of the calendar year of each intervening year between multi-year filings, ENSC will publically file an Annual Progress Report, which may be the subject of questions and comments, consisting of:

a. a summary of the context, activities and milestones achieved in the prior year ; and
b. a Management Discussion and Analysis of any major discrepancies relative to the original plan's intent and forecasts; and
c. a summary of costs and savings for each program or target market area; and

if reported results fall below 75 percent of the original plan's forecast cumulative annual incremental savings up to that point, ENSC will also file a Corrective Action Plan designed to achieve the total approved energy savings target, within the approved multi-year budget.

(b) **Significant Changes** - If ENSC proposes to make any "Significant Changes" to the approved 2 year DSM Plan, advance notice will be provided to the UARB and Stakeholders within its Annual Progress Report. Significant Changes include: adding a new Program or terminating an existing Program; increasing or decreasing the 2 year plan budget for the total Residential sector Programs or total BNI sector Programs by more than 25%; or, increasing or decreasing the 2 year plan savings target for the total Residential sector Programs or total BNI sector Programs by more than 25%;

(c) **Evaluation Activities** – ENSC will move toward a layered approach with ongoing tracking, ongoing free ridership surveys and a rolling schedule of full-scale evaluation, including ex-post spillover surveys. ENSC will report to program managers, contractors, stakeholders and the UARB:

i) On a quarterly basis, reports consisting of preliminary net-to-gross (NTG) values, based on a combination of tracked data, initial NTG estimates and updated free ridership results from quarterly surveys; and

ii) Initial progress reports incorporating the results of more comprehensive evaluations of the program areas selected for full-scale evaluation; and

iii) Subsequent annual reports providing further adjustments to previously reported values within the multi-year plan timeframe, as the results of additional evaluations, including spillover surveys, are available

(d) **Quarterly Meetings and Reports** - ENSC will continue to meet quarterly with the UARB and regularly meet with the DSM Advisory Group no less than twice a year. The meetings and reports will provide quarterly status updates and highlights, as well as communicate course changes within the approved DSM Plan.

3. ENSC shall conduct a Management Audit in 2013, with the results reported to the UARB and stakeholders.

Amended Cost Allocation (Appendix C)

4. The proposed cost allocation as developed in consultation with Stakeholders and outlined in Appendix “C” of the Application should be approved whereby:

a. Part 1 allocates all costs to programs so that the total costs of ratepayer-funded and taxpayer-funded activities can be determined; and

b. Part 2 allocates the ratepayer-funded DSM program costs (EDSM) to NSPI customer classes for purposes of determining the preliminary and final rate riders with:

i. 25% of costs allocated on the basis of system benefits, (allocated as generation plant rate base) and

ii. 75% of costs allocated on the basis of participating class benefits.

5. Enabling Strategy costs will be allocated using the same 25% system/75% participant benefit approach where feasible or total other program costs where participating classes are not practical to identify, and will also be subject to a true-up using actual expenditures and actual customer class participation.

Evaluation & Verification of 2011 Programs

6. The Parties do not object to approval of the Econoler Evaluation Reports and UARB Savings Verification Report with respect to 2011 DSM Programs.

Avoided Costs

7. The Parties acknowledge that review of the cost-effectiveness of ENSC programs will be facilitated by even greater transparency in the inputs and computations that support NSPI's avoided cost estimates. The Parties request that the UARB direct NSPI to engage with ENSC and ratepayer representatives in the development and documentation of avoided costs. NSPI is to file revised avoided cost estimates, based on the documented method, by June 1, 2013. ENSC will review the revised avoided cost estimates and determine what, if any, programming alterations are required and reflect such alterations in the reporting to the UARB and Stakeholders. The Parties agree that in the event that Integrated Resource Planning is undertaken commencing on or before January 1, 2013, a distinct engagement with ratepayers respecting avoided costs is not required.

Dual Baseline for Savings Evaluation

8. The Parties agree that ENSC will conduct further consultation and analysis regarding dual baseline analysis and include this issue in its first Annual Progress Report to be filed with the UARB and Stakeholders.

ENSC Responsibility for DSM Cost Recovery Rider (DCRR)

9. The Parties support the transition of responsibility for filing the annual DCRR from NSPI to ENSC as outlined in the Application.

10. ENSC acknowledges the concern raised by Stakeholders that some time for review, Information Requests and comment on the DCRR filing should be built into the schedule prior to any UARB decision, and ENSC agrees to work with Stakeholders and the UARB to develop a schedule that should accommodate this requirement.

DSM Advisory Group

11. The Parties support the transition from the Program Development Working Group (PDWG) to the DSM Advisory Group generally to provide strategic or directional advice and Stakeholder perspectives on current or emerging issues or concerns and other matters including those identified in these Minutes of Settlement.

12. The Parties recommend that the DSM Advisory Group shall collectively develop Terms of Reference for its operation, and that the DSM Advisory Group shall elect/select a Chair from its constituent members.

13. ENSC agrees to work with Stakeholders, through the DSM Advisory Group:

    a) on development of appropriate and cost-effective evaluation of Enabling Strategies for which ENSC will not be claiming specific energy savings; and
    b) to further refine and develop a methodology for analyzing rate and bill impacts for future reporting and DSM proceedings, to be based on the further recommendations provided by Synapse; and
    c) to improve ENSC’s methods for tracking customer participation, including tracking by customer for each program and in each year, in order to keep track of customers that may be double-counted. The customer participation data will be used to target efficiency programs to maximize customer participation rates.

Canadian Oil Heat Association

14. Whereas ENSC carried out a residential Fuel Switching/Substitution Pilot Program, beginning April 2011 and concluding December 2012 which did not include high efficiency condensing oil heating furnaces;

15. And whereas ENSC proposes a residential Green Heating Systems promotion to incent space and water heating systems that provide all or substantially all of their heat from renewable energy sources including sun (solar thermal), heat in the air (air source heat pumps), ground or groundwater (ground source heat pumps) or biomass (wood or pellet stoves, furnaces and boilers) but will not be specifically incenting fuel switching from electricity to other fuels including fossil fuels upon the expiry of the Pilot Program;

16. ENSC and COHA-NS agree that:

a) COHA-NS will be recognized as a stakeholder in future proposed DSM programs and that oil heat options will be considered for inclusion in energy efficiency and conservation programs; and

b) Outside the electricity ratepayer DSM programs, ENSC and COHA-NS will meet and engage provincial representatives in discussions regarding incentives for upgrades to high efficiency condensing oil heating furnaces.