MCINNES COOPER
LAWYERS | AVOCATS

David S. MacDougall
Direct +1 (902) 444 8561
david.macdougall@mcinnescooper.com

Purdy's Wharf Tower II
1300-1969 Upper Water Street
PO Box 730
Halifax NS
Canada B3J 2V1
Tel +1 (902) 425 6500 | Fax +1 (902) 425 6350

Our File: DM-448
January 30, 2012

Nancy McNeil
Regulatory Affairs Officer/Clerk of the Board
Nova Scotia Utility & Review Board
3rd Floor, 1601 Lower Water Street
Halifax, NS B3J 3P6

Dear Ms. McNeil:

Re: Efficiency Nova Scotia Corporation: Net-to-Gross Evaluation Methodology

Please accept this letter as comments on behalf of Bowater Mersey Paper Company Ltd. ("Bowater Mersey") with respect to the above-noted report.

Bowater Mersey has reviewed the report and notes in particular with respect to the Custom-Retrofit and New Construction section of the report (page 14) that Efficiency Nova Scotia anticipates utilizing a telephone survey to evaluate the potential free-ridership level of this program, and that participants will be considered to be free-riders when they declare they would have implemented the efficiency measures without the incentive offered through the program.

Bowater Mersey is concerned that this approach will not be successful in truly determining free-ridership, in that it is Bowater Mersey's understanding that DSM funding in these situations is not meant to be available for efficiency measures which would in any event be carried out without the incentive. Thus, it appears doubtful, particularly with respect to these larger custom programs, that any participants will in fact state that they would "have implemented the same energy efficiency measures without the program" or have "implemented the energy efficiency measures at the same time without the program," which are the questions proposed to be asked.

Asking participants if they would have carried out programs in any event, when the incentive is meant only to be available to participants who would not have carried out such programs, does not appear to Bowater Mersey to be an effective way of attempting to verify free-ridership in this program. The approach suggested by Efficiency Nova Scotia may be self-defeating in that the questions proposed to be asked will likely invariably be answered that the programs would not have been implemented absent the energy efficiency measures, thus not determining whether there are in fact free-riders in the program.

Bowater Mersey does note that Efficiency Nova Scotia states that free-ridership for this program is expected to be low in any event, considering the process requirements, but nonetheless feels it is important that there be a proper method for evaluation of potential free-ridership in the program, considering the potential order of magnitude of some of the DSM incentives in this program.

For example only, a more appropriate line of questions to be asked as part of the verification process might be to ask "Were there any energy efficiency projects you would have undertaken that you might have used the funds you spent on the DSM energy efficiency initiative if the DSM program did not exist?"

This approach would at least illicit:

1. Whether the DSM incentives are taking away funds that would otherwise have been invested in an energy efficiency improvement project in any event; and
2. Whether entities are undertaking improvements they would not have considered in the absence of DSM.

Bowater Mersey believes there should be a more sophisticated protocol, and the development of a more thorough series of questions, with respect in particular to the custom program, rather than the formulaic questions proposed by Efficiency Nova Scotia, which do not appear any more probative than the approach taken for other programs such as asking an individual whether they would have purchased CFLs without the program rebate.

Bowater Mersey hopes these comments are of assistance to the Board and Efficiency Nova Scotia with respect to the manner in which the issue of free-ridership would be best dealt with with respect to the larger incentives under the custom program.

Yours very truly,

David S. MacDougall

cc: Board counsel
Efficiency Nova Scotia
Interested Parties

(12172755_1.doc)