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Request IR-1:

In a letter to the UARB dated December 18, 2015, NSPI provided, pursuant to the Board's letter dated December 3, 2015, additional detail regarding NSPI's specific cost recovery or accounting treatment proposed for specific DSM components ("NSPI's Dec 18th Submission"). The specific DSM components enumerated in the NSPI's Dec 18th Submission letter are:

(a) 2015 DSM programs;
(b) 2016-18 DSM programs;
(c) 2014 rate-smoothing adjustment;
(d) 2014 DCRR amounts currently in rates;
(e) 2013 Balance Adjustment;
(f) 2014 Balance Adjustment;
(g) true-up proposals

NSPI's Dec 18th Submission states on page 2 that the NSPI "views the approved DSM quantum of $102.2 million as a flow through expense to be fully recovered from customers" and "in accordance with section 79 M (5) of the Public Utilities Act."

(i) Please identify the UARB Order approving the DSM quantum of $102.2 million, and also identify which of the enumerated DSM components are included in this quantum.

(ii) In its review of the Public Utilities Act, Section 79 M (5) also references Sections 45. How does NSPI interpret Section 45 with respect to its decision to recover DSM costs as an operating expense for 2016 and separately for the 2016 – 2018 DSM programs during the 2017 through 2019 period?

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(i) The UARB issued an order on October 7, 2015 in Matter M06733 approving a DSM Plan for 2016-2018 in the aggregate amount of $102,150,000. In its Decision dated August 12, 2015 with regard to the 2016 – 2018 spend and surplus from 2015 program spend the UARB ruled:

> "Having regard to the history of underspending, and the history of overachieving of savings and demand targets, and in an effort to bring greater rigor to the calculation of incentives, the Board is reducing each of the three years in the Quantum Agreement amounts by 10% so that, for example, the amount for 2016 would be reduced by $3,690,000 to $33,210,000. This amount is inclusive of the $8.4 million surplus remaining from 2014, as referenced in the following sections."[1]

The remaining DSM components enumerated in the Company's submission dated December 18, 2015 are not included in the $102.2 million. The Company does note that previous DSM spending included in the components enumerated, has been approved by the UARB in previous processes.

(ii) The Company has requested the Board confirm that the applicable 2015 and 2016 DSM costs are appropriately recovered as an operating expense pursuant to the provisions of the Public Utilities Act, including Section 45. NS Power has not made a determination on DSM costs beyond 2016 and has confirmed that 2017-2019 cost recovery will be provided at the earlier of NS Power's next GRA Application or June 30, 2016.

[1] NSUARB DSM Decision, August 12, 2015, page 26, paragraph 24.

Request IR-2:

NSPI, on page 3 of the Dec 18th Submission, states "given certain changes in the cost recovery model". Please identify the timing and nature of these changes

Response IR-2:

Prior to January 1, 2015, DSM costs were recovered through a specific DSM cost tracking rider – the DSM Cost Recovery Rider (DCRR). This rider had a balance adjustment which allowed for the true-up of variances between DSM costs collected and expended on a per class basis.

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Request IR-3:

Also on page 3 of the Dec 18th Submission, please explain how the changes in the cost recovery model have "hampered" NSPI's ability to rebalance through the 2016 to 2018 DSM plan, and confirm that the term "rebalance" refers to the 2014 Rate Smoothing Adjustment or another enumerated DSM component. Does "rebalance" refer to timing or amount or both?

Response IR-3:

Please refer to SBA IR-2. The changes have eliminated the 2014 DSM cost recovery rider (DCRR) with a defined true-up mechanism. The DCRR has not been replaced with a similar mechanism. The term "rebalance" refers to both the timing and amount of the 2014 RSA.

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Request IR-4:

NSPI also identifies its decision to not seek a general rate increase for 2016 as a contributing factor that "hampers" its ability to rebalance through the 2016 to 2018 DSM plan. Please describe, and, if possible, quantify the impact of this decision on its ability to rebalance assuming no change in the cost recovery model.

Response IR-4:

Please refer to SBA IR-2. The cost recovery model has changed significantly. An alternative to the DCRR the Company could have forecasted DSM costs in a GRA on a per class basis as part of the Company's forward test year. By not seeking a change to general rates for 2016, the Company has eliminated this possibility for the 2016 test year.

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Request IR-5:

Refer to NSPI's option 3 on page 3 and explain how the class imbalances would be remedied via a general rate application other than the remedy being applied over a three year period.

Response IR-5:

Please refer to SBA IR-4.

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Request IR-6:

How does NSPI's ability to rebalance through the 2016 to 2018 DSM plan preclude the under-recovered rate classes provided for under the 2014 Rate Smoothing Adjustment from repaying the interclass loan provided by over-recovery from other classes?

Response IR-6:

Please refer to Industrial Group IR-8.

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Request IR-7:

Please confirm whether each of the alternatives NSPI presents for consideration on pp. 5-6, as well as the reference on page 7 to "additional variations that could be considered", presume that the true up would be subject to the 75% class cost / 25% system cost allocation.

Response IR-7:

Not confirmed. In its letter dated December 18, 2015, the Company had proposed the following three alternatives for consideration:

(1) Cost of Service Allocation
(2) Actual DSM alignment
(3) No Allocation

NS Power does not propose that the true-up be applied under the third listed method: "No Allocation". Company proposes, however, that under the first two methods that the same true up, subject to the 75% class cost / 25% system cost allocation, be applied.

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Request IR-8:

Please confirm that the method of allocation or true up mechanism is unrelated to whether NSPI is allowed by the UARB to charge any of the DSM components enumerated above as an operating expense.

Response IR-8:

Confirmed. The Company's authority to recovery UARB approved DSM amounts arises Section 79M(5) of the *Public Utilities Act*. The Company has requested the UARB confirm that expensing DSM for 2016 is an appropriate accounting treatment. Please refer to SBA IR-01(ii).

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Request IR-9:

Please explain why NSPI requests that the Board acknowledge points 1) through 3) on page 3? By doing so, is NSPI requesting:

(i) Pre-approval to earn a return on 2015 and 2016 DSM cost recovery?

(ii) Pre-approval to earn a return on DSM Costs recovered for any of the years 2017 through 2019?

Response IR-9:

NS Power assumes the points for which the explanation has been requested are those on page 7 of its letter dated December 18, 2016. Please refer to SBA IR-8. The Board directed NS Power to file its proposed accounting treatment and cost recovery for 2015 DSM programs and 2016-18 DSM programs. The Company has requested the Board confirm that the applicable 2015 and 2016 DSM costs are appropriately recovered as an operating expense and that Company can provide its cost recovery methodology for the 2017-2019 DSM Costs at the earlier of NS Power's next GRA Application or June 30, 2016.

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Request IR-10:

Please provide the class specific balances of the interclass loans as of January 1, 2016. Also please confirm whether these class specific balances equal to the amounts shown in column K of the spreadsheet included with the December 18th letter as Attachment A. Please confirm the meaning of the positive and negative signs associated with each dollar amount in column K.

Response IR-10:

Please refer to column B of Appendix B to NS Power's Cost Allocation Proposal dated October 30, 2015 for class specific balances of the interclass loans as of December 31, 2015.

The Company confirms that the class specific annual, levelized interclass loan balances, as provided in column K of Attachment A to NS Power's letter dated December 18, 2018, correspond to class outstanding amounts at the end of 2015. They are the same figures as presented in column C in Appendix B to NS Power's Cost Allocation Proposal dated October 30, 2015.

The amounts with positive signs represent amounts owed by selected rate classes and the amounts with negative signs represent amounts owed to selected rate classes.

Request IR-11:

What are the alternative cost recovery mechanisms the Company is considering for DSM costs in 2017 through 2019?

Response IR-11:

NS Power has not made a determination as to the cost recovery mechanism for DSM costs in 2017 through to 2019 and has proposed to defer a determination until the earlier of NS Power filing a General Rate Application or June 30, 2016. Please refer to Industrial Group IR-7.