Nova Scotia POWER
An Emera Company
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November 30, 2015

Doreen Friis
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: Nova Scotia Power Inc. – DSM Cost Recovery – M07151**

Dear Ms. Friis:

In its Order dated October 7, 2015 in the above referenced matter, the Board provided:

> (8) NSPI is to file its proposed accounting treatment and cost recovery for 2015 DSM programs and 2016-18 DSM programs by November 30, 2015.

Subsequent to the Board's Order, NS Power, in its submission dated October 30, 2015, provided its position on Demand Side Management (DSM) cost allocation and recognized the interplay between cost allocation and cost recovery.

The Board, in response to Nova Scotia Power's submission, acknowledged this relationship and provided the following in its letter dated November 6, 2015:

> In its filing, NSPI stated that its position on cost allocation reflects input received from the DSM Advisory Group but consensus was not reached.
>
> NSPI also stated that the DSM cost recovery is a separate matter which is not within the scope of its cost allocation proposal. NSPI will be filing its proposed accounting treatment and cost recovery for the 2015 DSM programs and the 2016-2018 DSM programs by November 30, 2015. However, NSPI acknowledged that there are certain cost allocation items that will be impacted by the proposed accounting treatment and cost recovery, which it will address in its November 30th filing.

> Given the lack of consensus regarding cost allocation, and the inter-relationship between cost allocation and cost recovery, the Board will defer setting a timetable for stakeholder participation on both of those matters pending receipt of NSPI's November 30th filing.

On November 9, 2015, the Province of Nova Scotia issued its electricity plan titled *Our Electricity Future Nova Scotia's Electricity Plan 2015-204*0 (the Plan). A key element of the Plan is the focus on electricity rate stability and predictability. The Plan includes:

> Consumer demand, coal prices, and the growth in renewables support rate stability, based on clear and predictable fuel costs and limited or no rate increases to cover non-fuel costs. To ensure that these goals are met, a three-year formal Rate Stability Period (2017–2019) will be created, during which:
>
> - The utility has until April 30, 2016, to file a case for a non-fuel-related rate increase. After that date, NS Power will be unable to seek such an increase until 2019.
>
> - NS Power's fuel costs will be forecast and smoothed to make them predictable. The utility will be required to file a three-year fuel stability plan (2017, 2018, 2019), with a strategy to lock in prices to reduce volatility. The fuel stability plan will also include Maritime Link costs, averaged over multiple years and beginning in 2017 or early 2018.
>
> - All costs will continue to be reported. Earnings over the NS Power rate cap will flow into the fuel side to benefit ratepayers, and efficiency charges will be included.[1]

The Plan provides that new legislation will be introduced in Fall, 2015 to enable rate stability, innovation and competitively priced community solar.

Following the changes to electricity policy, NS Power announced that it will not apply for a General Rate Application for 2016. This means that for 2016 period, subject to any extenuating circumstances, NS Power believes it can absorb the cost of the 2016 DSM program as approved by the Board and costs relating to prior periods (e.g. one eighth of the 2015 DSM program costs) without seeking adjustment to its non-fuel rates or a deferral of those costs.

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[1] Our Electricity Future, Nova Scotia's Electricity Plan 2015-2040, Page 6, November 2015, http://energy.novascotia.ca/sites/default/files/files/FINAL%20Our%20Electricity%20Future(1).pdf

Although NS Power believes it can absorb 2016 DSM costs as an operating expense for 2016, there are alternate methods of recovery that may make more sense for future years (2017 and beyond) which the Board, stakeholders and NSP may want to discuss. DSM expenses are somewhat unique in nature as the annual expense is capped (with under spend being refunded), rates automatically being reset every three years, and benefits extending over multiple years.

NS Power is required to file an application with the Board by April 30, 2016 in the event it seeks to change the non-fuel portion of its revenue requirement. For the DSM proposed accounting treatment and cost recovery recommendation for the 2017-2019 period, NS Power requests the Board extend the date for filing its proposal as follows:

(1) If NS Power determines that an application for a non-fuel-related rate increase for 2017-2019 is required, the Company will address its proposed DSM accounting treatment and cost recovery for these years in its Application; or

(2) In the event NS Power does not proceed with a non-fuel-related rate increase for 2017-2019, the Company will file its proposed cost recovery treatment to the Board on this matter by no later than June 30, 2016.

Although there is a cap on funds provided to E1 to carry out its DSM activities, there are likely to be variances between what is allocated to a customer class and what costs are actually incurred by E1 in servicing that customer class. In allocating after the fact variances, NS Power proposes that allocation to classes of NS Power's contribution to E1's 2016 budget be allocated to classes on the same basis as earnings beyond the approved range of return – that is, allocated based on cost of service.[2]

NS Power respectfully requests the Board's approval to:

(1) Incorporate 2016 DSM cost recovery within its 2016 financials according to the process described above; and

(2) Defer application on 2017 and 2018 DSM cost recovery in accordance with the timeline described above.

[2] The 2014 variance between classes will be allocated based on the difference between the 2014 budgeted amounts compared to the 2014 actual amount of DSM funding delivered.

Please direct any questions or comments in connection with this submission to the attention of the undersigned.

Yours truly,

for

David Landrigan
General Manager, Regulatory and Legal Service

c. Tim Wood
**Intervenors**