



Nova Scotia Utility and Review Board

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December 3, 2015

Via Email: david.landrigan@nspower.ca

Mr. David Landrigan
Vice President, Legal and Regulatory
Nova Scotia Power Inc.
1223 Lower Water Street
PO Box 910
Halifax, NS B3J 2W5

Dear Mr. Landrigan:

Nova Scotia Power Inc. -- DSM Cost Allocation and Recovery (M07151/E-R-15)

The DSM Consensus Agreement signed by parties to Matter M06733, and approved by the Board in its Decision dated August 12, 2015, included the following:

The Parties agree to collaboratively work to develop new DSM cost allocation and DSM cost recovery models to be submitted by October 31, 2015 for approval or Decision by the Board, or within a reasonable period of time in accordance with the Board's regulatory schedule. This engagement will include the following items:

- i) 2015 DSM cost allocation
- ii) 2016-2018 DSM cost allocation
- iii) 2014 rate-smoothing adjustment ("RSA"); and
- iv) Mid-course adjustments.

On October 30, 2015 NSPI filed its cost allocation proposal for the 2016-2018 DSM Plan; however, it was noted that the DSM Advisory Group had not reached consensus on that proposal. In addition, NSPI stated that its proposed accounting treatment and cost recovery for the 2015 DSM programs and the 2016-18 DSM programs will be filed on November 30, 2015.

Furthermore, NSPI stated that a true-up mechanism is needed to track and allocate DSM costs to ensure that customers pay for the DSM they receive at the rate class level. Details of the true-up process were also to be provided in the November 30th filing.

On November 30, 2015 NSPI filed a letter on the DSM Cost Recovery. That letter stated that NSPI will not be applying for a General Rate Application for 2016 and that it believes it can absorb the cost of the 2016 DSM program and one-eighth of the 2015 DSM program costs without seeking an adjustment to its non-fuel rates or a deferral of those costs.

NSPI also requested a filing extension to April 30, 2016 or June 30, 2016 for its DSM proposed accounting treatment and cost recovery for the 2017-2019 period.

This matter was referred to Board Chair Peter Gurnham, Q.C., and Board Members Kulvinder Dhillon, P.Eng., and Roberta Clarke, Q.C.

The Board is very concerned that NSPI has again failed to fully comply with a Board Order. NSPI had committed to filing its accounting treatment and cost recovery for the DSM programs, but no such details pertaining to cost recoveries from rate classes has been filed for the Board and participants to consider.

NSPI is directed to comply with the Board's Order and to file complete details of its proposed cost allocation and cost recovery during 2016 to 2018 inclusive.

As noted in the Board's DSM Decision, NSPI's current rates include collections of \$53.6 million approved in the 2014 DCRR, as well as a further \$1.1 million from the 2008-09 DSM amortization. However, DSM costs for recovery in 2016 will only be about \$29 million, which consists of \$24.7 million for the 2016 programs and about \$4.4 million representing one-eighth of the 2015 programs. This will result in approximately \$25.7 million over-recovery of DSM costs in 2016.

NSPI's filing is to include a complete accounting treatment related to cost allocation and cost recovery for the following:

- 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; and
- h) any further supporting information.

The following timetable will apply:

Filing update by NSPI
IRs to NSPI
NSPI Response to IRs
Submissions by parties
Reply Submission by NSPI

Friday December 18, 2015
Monday January 11, 2016
Monday January 25, 2016
Monday February 8, 2016
Monday February 15, 2016

Yours truly,

A handwritten signature in cursive script, appearing to read "Doreen Friis".

Doreen Friis
Regulatory Affairs Officer/ Clerk

- c. M06733 Participants
S. Bruce Outhouse, Q.C., Board Counsel