# NOVA SCOTIA UTILITY AND REVIEW BOARD

**IN THE MATTER OF:** **THE PUBLIC UTILITIES ACT**

- and -

**IN THE MATTER OF:** **AN APPLICATION** by **Nova Scotia Power Incorporated** ("NSPI") for Approval of the DSM Cost Allocation and Recovery

## NON CONFIDENTIAL INFORMATION REQUESTS

**To:** **David Landrigan**
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Nova Scotia Power Inc.
By e-mail: david.landrigan@nspower.ca

**From:** **Board Staff**
Nova Scotia Utility and Review Board

**Responses Due:** **Monday, January 25, 2016**

**Copies:** 1 electronic copy (PDF searchable)
5 hard copies

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**Issued** at Halifax, Nova Scotia, this 11th day of January, 2016.

Doreen Friis

Doreen Friis, Regulatory Affairs Officer/Clerk

**Request IR-1:**

With respect to the cost allocation methodology proposed on October 30, please discuss how this will relate to NSPI's cost of service methodology used to assign other costs to classes. For example, does NSPI see the DSM cost allocation as an algorithm operating within the overall cost of service, or as a stand-alone DSM cost allocation method? If the former, please confirm that DSM costs would be included in the total costs assigned to a class and used in the calculation of R/C ratios. If the latter, please explain why it should not be incorporated into the overall cost of service method.

**Request IR-2:**

On page 2 of the December 18 submission, NSPI notes that "it views the DSM quantum of $102.2 million as a flow through expense to be fully recovered from customers". Is it correct to interpret this statement to mean that each of the annual amounts that constitute the $102.2 million will be expensed in the year the expense occurs and that none of the $102.2 million is intended to be amortized?

**Request IR-3:**

On page 3 of the December 18 submission, it is stated with respect to 2015 DSM costs that the Company will expense the 2016 amortization amount in its 2016 operating costs. Also on page 3, it is stated with respect to 2016-2018 DSM program costs the Company can absorb the 2016 DSM program into existing rates. Please confirm that these statements mean that as of the end of 2016, the first year of DSM costs associated with the 2015 DSM expenditure and all 2016 DSM costs will have been recovered from customers.

**Request IR-4**:

On page 3 of the December 18 submission, NSPI proposes to defer a determination regarding DSM cost recovery for the 2017 through 2019 period until the earlier of NS Power filing a General Rate Application or June 30, 2016. Legislation requires NSPI to file a GRA by April 30, 2016 if it intends to do so.

a) If NSPI does not file a GRA by April 30th, please explain what factors are preventing it from filing its DSM cost recovery proposal by that date.

b) If NSPI does not file a GRA by April 30th, would that mean that NSPI is of the view that DSM program costs for 2017 and 2018 can be absorbed by NSPI in the same manner in which 2016 program costs are being absorbed, and that by the end of 2018, all DSM program costs for the period 2016-2018 will have been recovered from customers?

**Request IR-5:**

Regarding the 2014 Rate Smoothing Adjustment, NSPI presents three possible options for settling the inter-class imbalance.

a) Given that when the RSA was established it was implemented by a change to the actual rates paid by customers in the classes participating in the RSA, please explain how each of the options proposed would affect customer rates and facilitate the repayment of the loans made as part of the RSA.
b) With respect to Option 1, please summarize any discussion NSPI has had with E1 with respect to the feasibility of this option.
c) With respect to Options 2 and 3, please explain what true-up is required relative to the RSA?
d) With respect to Option 2, please explain how the class imbalance would be calculated.
e) If none of those options materially impact E1's ability to achieve its targets, please state which option, or variation of those options, NSPI would choose and explain the reasons for that choice.

**Request IR-6:**

Re the statement under the heading "DCRR Amounts currently in rates" on page 4 of the December 18 submission, please elaborate on how this is addressed in the comments re: 2016-2018 Program Costs.

**Request IR-7:**

With respect to the 2013 and 2014 Balance Adjustments, please explain how the approach proposed would actually adjust customer rates to reimburse those classes that overpaid for DSM in 2013 and 2014 and charge those classes that underpaid for DSM in 2013 and 2014.

**Request IR-8:**

Regarding True-Ups, NSPI proposes truing up at the end of the contract period and states that "At the end of such period, imbalances could either be worked into the next DSM contract period or rebalanced separately during rate applications".

a) Please elaborate on how imbalance could be worked into the next DSM contract.
b) Please explain what rebalancing separately during rate applications could entail.
c) Does either option result in customer rates being adjusted? If not, what is the purpose of the true-up?

**Request IR-9:**

The last paragraph on page 4 of the December 18 submission notes an issue with respect to 2015 and 2016. On page 5, three potential alternatives are introduced with the sentence "In order to further examine this issue, the Company presents three alternatives for consideration". Please clarify whether the three alternatives apply to 2015 and 2016 only.

**Request IR-10:**

Regarding the first alternative (cost of service) on page 5 of the December 18 submission,

a) Please confirm that this option would identify the difference between budget and actual expenditures and distribute that difference across the classes using the approach referenced in footnote 4. If this is not the case, please clarify what this approach would entail.
b) Please describe how the approach in footnote 4 would affect customer rates.

**Request IR-11:**

Regarding the No Allocation alternative, the first sentence states that "There is also merit in considering whether any initial budget should be set or imbalance calculated during this period". In the subsequent paragraph, it is noted that "there is merit in considering that, for 2016 forward until the next GRA, DSM variances by class not be tracked". Please clarify whether "this period" in the first sentence includes 2015 through to the next GRA. If not, please explain what it does mean.

**Request IR-12:**

In discussing the No Allocation alternative, it is stated in the last sentence on page 6 that "The expectation that E1 would continue to execute its undertaking in accordance with the 2016-2018 DSM program approval issued by the Board would help mitigate some potential inequities of this approach". Please elaborate on what this sentence means and the actions E1 could take to mitigate any inequities.

**Request IR-13:**

Regarding the True-Up Proposals, NSPI presented three alternatives for consideration but stated it does not have a strong preference to which methodology is utilized if it does not materially impact E1's ability to meet its energy savings goals in a cost effective manner. However, NSPI also stated that the cost of service allocation methodology was recommended in its letter of October 30, 2015.

a) Does NSPI still recommend this cost of service allocation alternative?
b) If not, please identify the alternative it does recommend and explain why that differs from the previous recommendation.

**Request IR- 14:**

In Appendix A, referencing the column labelled "2015 DSM Plan Amortized over 8 years",

a) Please confirm that these costs are based on the full amount of approved expenditures capped at $35 million, unadjusted for actual or forecast expenditures.
b) Please show how NSPI calculated the 2016 portion to be $6,144,785.
c) Please restate that column assuming a carrying cost of 3%.
d) The last two columns show the dollar and percent variances between the traditional DSM cost allocation method and a cost of service allocation method. Those rate class variances range from approximately $2,000 to $1.7 million. Does NSPI consider these class variance amounts to be insignificant? If not, please elaborate and explain what benefits ratepayers would receive by choosing the cost of service methodology as recommended by NSPI.

**Request IR-15:**

With respect to page 7 of the December 18 submission where NSPI lists three items that it wishes the Board to acknowledge, please comment on the absence of any item referencing the 2013 and 2014 Balancing Adjustment or the 2014 RSA.