2015 M07151/E-R-15

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The ***Public Utilities Act***, R.S.N.S. 1989, c.380 as amended

IN THE MATTER OF: An Application by EfficiencyOne for Approval of a Supply Agreement for Electricity Efficiency and Conservation Activities between EfficiencyOne and Nova Scotia Power Inc., the establishment of a final agreement between the parties and approval of a 2016-2018 Demand Side Management (“DSM”) Plan (M06733).

INFORMATION REQUESTS

To: Nova Scotia Power Incorporated (“NSPI”)

From: The Industrial Group

Responses Due: January 25, 2016

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

Request IR-1:

Please define “Cost Allocation”, “Cost Accounting” and “Cost Recovery” as it applies to DSM.

Request IR-2:

(a) Please outline any differences in what was proposed by NSPI in its October 30, 2015, Cost Allocation Proposal, its November 30, 2015, letter to the Board and its December 18, 2015, letter to the Board.

(b) If there are differences, please explain the impetus or rationale for the change(s).

Request IR-3:

Reference: NSPI October 30, 2015 Cost Allocation Proposal, page 6

The current 25/75 per cent split between system cost and participant cost …. appropriately recognizes that rate class benefits from DSM programs are higher if the class participates in the program.

Since the nature of DSM programs is such that they primarily benefit participating customers through reduced energy bills logic dictates that directly assigned costs should represent the majority of the total DSM spent.

Reference: NSPI November 30, 2015 letter, page 3

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 rate of return – that is, allocated based on cost of service.

(a) Is the proposed allocation based on cost of service specific to the year 2016?

(b) Please reconcile the apparent difference between NSPI's support of an allocation of costs based on the 25/75 approach and an allocation based on cost of service for 2016.

NSPI OCTOBER 30, 2015 COST ALLOCATION PROPOSAL (EXHIBIT N-1)

Request IR-4:

Please provide the source data and any calculations for the 2016, 2017 and 2018 3 CP demand and energy figures, as referenced in Appendix A, pages 1/12, 5/12 and 9/12.

NSPI NOVEMBER 30, 2015 LETTER

Request IR-5:

Reference: 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 rate of return – that is, allocated based on cost of service (p.3).

(a) Appendix A to the December 18, 2015 letter shows an alternative allocation based on “class relative shares in rate base from 2014 COSS”. Is this intended to be the same as allocation “based on cost of service”? If so, please reconcile the different language (viz., “cost of service” versus “rate base”). If not, explain the use of different bases.

(b) Why is the 2014 COSS used when class usage and cost have changed between 2014 and 2016?

(c) Does NSPI agree there is a mismatch between the use of forecasted usage/2016 revenues and rate base figures based on the 2014 study?

DECEMBER 18, 2015 LETTER

- **2015 DSM Amounts (p.2/8) and Appendix A**

Request IR-6:

(a) Please provide the derivation of the $6,144,785 amount for the 8 year amortization of the 2015 DSM plan.

(b) Please explain and provide the derivation and the basis for allocating the 2015 amortization amount among customer classes.

(c) At what interest rate are the 2015 DSM amounts being carried?

(d) Please provide an amortization schedule.

(e) Does NSPI consider that it has any flexibility with respect to the time period or the annual amount to recover these amounts? Why or why not?

- **2016-2018 DSM Program Costs**

Request IR-7:

Reference: NSPI proposes to defer a determination on whether it can absorb DSM amounts for years beyond 2016 in rates until the earlier of a GRA filing (by April 30, 2016) or June 30, 2016.

(a) Why has NSPI suggested June 30, 2016?

(b) What additional information will NSPI have or seek to secure by June 30th that it would not otherwise have by April 30th?

(c) Does NSPI agree that the known 2016-2018 DSM Program Costs would not constitute “exceptional circumstances” as referenced in the Electricity Plan Implementation (2015) Act.

(d) If NSPI determines on June 30, 2016, that it cannot expense 2017 and 2018 DSM amounts within the current rates, please explain the process NSPI contemplates to deal with recovery and the timing thereof, in light of the April 2016 deadline to file for any changes in general rates for non-fuel costs during the three year “rate stability period”.

- **<u>2014 Rate Smoothing Adjustment</u>**

Request IR-8:

NSPI indicated there are a “number of options available” to settle the inter-class imbalance including three listed options.

(a) Please list any other options which may be viable and which would result in repayment of outstanding amounts between or among customer classes.

(b) Please list the pros and cons of each option.

(c) With respect to the first option, does NSPI believe that this could potentially affect the flexibility required by E1 to deliver its planned programs and measures?

(d) With respect to the second option, if NSPI does not apply to change rates by April 2016 such that there is no change in rates at least until 2020, does NSPI agree that this raises an issue of inter-generational equity?

(e) Please elaborate upon the third option of truing-up “as part of the 2017-2019 BCF.”

(f) Is the third option represented by Appendix B of the DSM Cost Allocation Proposal of October 30, 2015? If not, please explain.

Request IR-9:

Appendix A shows the "Inter-class DSM loan" being repaid over 2016-2018 as part of the apportionment using DSM cost allocation methodology. Please explain this treatment, in light of the three options discussed.

- **<u>2013 and 2014 Balance Adjustments</u>**

Request IR-10:

Please explain what is meant by the underlined phrase: "…this variance should be attributed to the 2016 DSM Program and could be allocated such that classes receive their actual over or under recovery **<u>via 2016 programs</u>**".

- **<u>True-up Proposals</u>**

Request IR-11:

At p.4, NSPI states that "imbalances could either be worked into the next DSM contract period or rebalanced separately during rate applications."

(a) Please explain what is meant by "worked into". Is this a financial reconciliation or is NSPI suggesting that Programs be modified to rebalance the delivery of efficiency measures to various customer classes?

Request IR-12:

(a) In the first paragraph, NSPI speaks to the "relevant period on a go forward basis" as the three year contract period for true-up. When does "going forward" begin?

(b) What starting point does NSPI propose against which the true-up would be measured? Is this is the amount allocated based on the 75 customer benefit/25 system benefit allocation for the total of the three years? If not, what is the starting point?

(c) What are the pros and cons of each of the three alternatives proposed for truing up?

Request IR-13:

Reference: NSPI states at page 5 that the "Cost of Service Allocation" alternative

> *…[W]ould allocate DSM funds among customer classes in the same manner as NS Power allocates earnings above its approved rate of return – allocate based on NS power's cost of service. Any true ups would be based on this allocation as compared to actual class expenditures* ***(subject to the 75% class cost / 25% system cost allocation).*** *The rationale for this approach is that customer representatives had recently agreed to the similar allocation and it could be considered a reasonable proxy for how the funds being allocated to DSM were collected.*

(a) Please explain how an allocation based on the cost of service is applied to true-up within an allocation based on a 25/75 allocation.

(b) Please explain what is meant by the underlined phrase above.

(c) Would this method entail constructing an allocator for DSM based on the 25/75 allocation?

(d) Why does NSPI believe this to be a "reasonable proxy"?

Request IR-14:

(a) With respect to the "no allocation" option, discussed at page 6, please elaborate upon the "potential inequities" and how these could be monitored and mitigated/addressed.

(b) Please confirm that NSPI is only suggesting no allocation and true-up until such time as non-fuel rates are re-set (i.e. the next GRA).

Request IR-15:

(a) With respect to Appendix A, please confirm that the two alternative apportionment approaches show the amount each customer class will be deemed to have contributed toward efficiency programs in 2016.

(b) Does the COS apportionment include all the same components of the DSM allocation methodology? If not, please re-file, showing an apples to apples comparison.