MERRICK JAMIESON STERNS WASHINGTON & MAHODY
BARRISTERS

TRUSTED COUNSEL. SKILLED ADVOCATES.

February 16, 2016

VIA EMAIL

27235

Ms. Doreen Friis
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
Halifax, NS B3J 3S3

Dear Ms. Friis:

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

The Consumer Advocate offers comments on the following issues:

1) Recovery of 2017-18 DSM Costs;
2) True-up of 2015 and 2016 DSM Expenditures; and
3) Allocation of Enabling Strategies Costs.

1. Recovery of 2017-18 DSM Costs

At page 2 of its submission of December 18, 2015, NSPI states:

> On November 10, 2015, following the changes to Nova Scotia's electricity policy, the Company announced that it will not apply for a General Rate Application for 2016. This means that for the 2016 period NS Power is forecasting that it can absorb the associated 2015 and 2016 DSM program costs into existing rates.
>
> The Company has not yet determined whether it can absorb DSM amounts for years beyond 2016 in existing rates. In accordance with the Legislation, NS Power must make a determination on whether it requires an increase to general rates by April 30, 2016.

The Consumer Advocate disagrees with NSPI's contention that DSM program costs for the years 2016-2018 are not found in existing rates.

In its 2016-2018 Demand Side Management Resource Plan decision (M07151), this Board noted:

> NSPI appeared to take the position that all of its costs must be recovered (including repurposing the $53 million already in rates for DSM) and that the difference between NSPI's costs, and the room in rates that can absorb DSM without a rate increase, is the amount available for DSM. However, the Board finds that it is all of NSPI's costs which will determine whether a rate increase is required, and not just DSM costs. (p. 29)

The Board further noted:

> As noted earlier, in 2014 approximately $53 million was in rates in the DSM rider. By Order of the Board, at the request of the various customer classes, those funds which were not needed for DSM in 2015 because of the legislated deferral, were diverted to pay excess fuel costs. However, those amounts continue in rates and, as El argued, and the Board agrees, were put there for the purposes of paying for DSM. (p. 31)

Absent a GRA filing in 2016, NSPI proposes to file no later than June 30, 2016 a proposal for recovery of 2017 and 2018 DSM costs should NSPI believe it cannot recover DSM costs from current rates as NSPI is doing for 2016 DSM costs.

NSPI's approach does comport with the composition of current rates or the previous findings of the Board.

The Consumer Advocate maintains that the $53 million was in rates in 2014 and was used in 2015 to pay for excess fuel costs, remains in rates as a DSM "charge". The $53 million is more than sufficient to cover approved DSM expenditures for 2016 plus repayment of one-eighth of the deferred 2015 expenditures plus interest. The same holds true for 2017 and 2018.

The Consumer Advocate strongly objects to any attempt by NSPI to apply for additional rate revenue to recover DSM costs for 2017 and 2018.

2. True-up of 2015 and 2016 DSM Expenditures

At page 5 of its submission of December 18, 2015, NSPI states:

> The issue for 2015 and 2016 is that there is no specific class rate rider nor is there a similar allocation for DSM in NS Power's general rates during this period. As such, there is no agreed upon starting point for allocating a budget to each class and, as such, nothing to compare to actual expenditures that would result in the need for a true up between classes.

The Consumer Advocate maintains that the starting point for allocating a budget to each rate class is the allocation used in 2014. The $53 million in rates for 2014 (under a rate rider) was allocated by rate class and should serve as a starting point for allocating a budget to each rate class.

First, the percentage allocated to each rate class in 2014 would be determined. Next, actual DSM expenditures by rate class for 2015, 2016 and beyond could be compared (on a percentage basis) with the 2014 allocation. Those results could be used to true-up by rate class during the next General Rate Application.

3. Allocation of Enabling Strategies Costs

At page 6 of its 2016-2018 DSM Plan Cost Allocation Proposal dated October 30, 2015, NSPI proposes the following with respect to cost allocation of Enabling Strategies expenditure:

> Specifically, the Company proposes that Enabling Strategies be allocated along the same 25/75 per cent split, except in the following two cases:
>
> (i) where the benefit of a particular Enabling Strategy clearly benefits a rate class(es) and the cost exceeds $100,000 CDN, the costs shall be fully allocated to that rate class (for example, the Small Business study currently contemplated in E1's 2016 plan will be allocated to the SBA if the cost of such study exceeds $100,000); and
>
> (ii) where the cost of a particular Enabling Strategy can be attributed to a particular rate class(es) based on historical average(s), up to 2014, such cost will be allocated to that rate class(es) without ongoing tracking.

The Consumer Advocate disagrees with this recommendation.

The allocation of Enabling Strategies expenditures should proceed in the manner described at Page 3 of Elenchus' May 14, 2014 memo to E1, wherein Elenchus suggested allocation of the Participant Benefit portion of Enabling Strategies on the basis of Program Benefits. Elenchus further noted:

> Given that only a small proportion of enabling strategies spending can be identified, it raises the concern that rate classes which have more identifiable expenses may in effect be double charged by being charged once for identifiable costs, and then again for a share of general expenses. If most Enabling Strategies costs could have been directly assigned, the exposure to this possible double counting was minimal. However, with such a small proportion directly assigned, and that amount heavily skewed to one rate class, it is a significant concern. (p. 3 Elenchus memo May 14, 2014 to E1)

According to its response to Consumer Advocate IR-6, NSPI does not view double counting as "a significant concern". However, NSPI offers no evidence to counter Elenchus' contention that double counting is a significant concern. Elenchus reached its recommendation after a thorough review of Enabling Strategies expenditures. NSPI conducted no such review.

The Consumer Advocate is in favour of the previously used 75/25 split for allocation of Enabling Strategies expenditures with the amounts used to be determined by program benefits as recommended by Elenchus.

All of which is respectfully submitted.

Yours truly,

John Merrick

William L. Mahody

#222499