Blackburn Law

April 27, 2017

Via E-mail

Doreen Friis
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
3rd Floor 1601 Lower Water Street
P.O. Box 1692 Unit "M"
Halifax NS B3J 3S3

Dear Ms. Friis:

Re: M07544 – EfficiencyOne Incentive Setting Methodology (E-ENS-R-16)

The Small Business Advocate (SBA) provides the following comments based on the document provided for review by EfficiencyOne dated March 31, 2017, entitled Incentive Setting Methodology: CLEAResult Report & EfficiencyOne Implementation Plan ("Report and Plan"). The stated purpose of this document is to give recommendations for business practices and provide EfficiencyOne with the tools and methodology to complement and enhance the process for setting incentives. EfficiencyOne asks the Nova Scotia Utility and Review Board ("UARB" or "Board") to accept both the Report and Plan.

The SBA has reviewed the Report and Plan and finds that many of the concerns previously communicated to the Board and EfficiencyOne have not been fully addressed. The SBA's specific comments on the Report and Plan are as follows:

1. The Report and Plan states that:

> "EfficiencyOne is committed to increasing the frequency of customer research with respect to perceived value, as well (as) the current and forecast state of energy efficient technologies within the province. In addition, EfficiencyOne is committed to discussing and investigating appropriate methodologies for conducting customer research with subject matter experts in both the demand side management and customer research fields. These discussions will inform customer research techniques as EfficiencyOne moves forward with implementation.
> Due to previous budget commitments it is not feasible to complete a large amount of the recommended customer and technology research in 2016. EfficiencyOne commits to perform market penetration research for LED A-lamps for Residential customers in2016. Aspects of this research will be performed by EfficiencyOne's Evaluator as well as market research firms." [1]

[1] Efficiency One Incentive Setting Methodology Filing, Revised: March 31, 2017, page 8 at 16-23.

> "EfficiencyOne commits to developing a market research plan for 2017-2018 within the first quarter of 2017 to address CLEAResult's' recommendations.
>
> EfficiencyOne is currently determining the best approach for conducting technology and market penetration research. Potential options include:
>
> - Frequent research conducted by market research agencies; or
> - More frequent baseline studies (i.e., biannual studies) similar to those conducted within the development of DSM Potential Studies." [2]

Despite the appearance of making commitments to complete customer research tasks, the Report and Plan is devoid of explanations for how this research would be applied now – note that the first quarter of 2017 has ended – and how it would change the level of incentives set for existing programs or determine incentives for any new programs. Finally, the reference to research being done on a residential program illustrates the SBA's concern that the Report and Plan does not explain with specificity how future research directly benefits the small business customers the SBA represents.

2. Further, the SBA notes that the Report and Plan description of the Excel tool developed for incentive-setting has significant limitations in how it can be applied and the information that is gained through its use. At a minimum, the SBA would have expected EfficiencyOne to explain how the findings regarding general principles and threshold methods in the Report and Plan feed into the Excel tool[3] developed for the purpose of incentive-setting.

3. The Report and Plan discusses the five general principles[4] and three thresholds (customer cost, PAC Benefits, Budget) but does not explain how they impact the output from the incentive levels and the robustness of the Excel tool itself.

4. The Report and Plan mentions CLEAResult's recommendation[5] of conducting customer segmentation analysis to develop a commercial market characterization but does not go on to explain how EfficiencyOne would implement these recommendations.

5. EfficiencyOne should be more specific about its plans to conduct customer segmentation analysis in future. EfficiencyOne's discussion of its plans should include not only the methodologies it will evaluate but also how those methodologies benefit customers by rate class, including Small Business customers.

The SBA appreciates the effort that EfficiencyOne undertook to produce this Plan and Report but also notes that expanding the report to include more documentation is not a substitute for developing effective tools for setting incentive levels. This Report and Plan does not show much progress being made in its understanding of how to do a better job of incentive level setting. Instead, EfficiencyOne proposes to take an even longer time (an additional two years) to reach this goal, rather than making a

---

[2] Id., p. 9 at 1-8.
[3] Excel-Based Tool for Considerations in Incentive Setting - Filed June 30 2016
[4] Page 7, "Efficiency One: Incentive Setting Methodology," CLEAResult, March 31, 2017.
[5] Page 70, "Efficiency One: Incentive Setting Methodology," CLEAResult, March 31, 2017.

specific commitment to have actionable results and better tools. Two years is a long time for small businesses to wait when they could benefit from energy efficiency today.

Nonetheless, the SBA remains very interested in seeing more progress being made in determining the appropriate incentive setting methodology that will lead to cost-effective program offerings for all customers and especially for the small businesses the SBA represents. The SBA looks forward to the opportunity to review these improvements with EfficiencyOne and the other members of the DSMAG in the very near future.

Yours very truly,

Melissa P. MacAdam
for
E.A. Nelson Blackburn, Q.C.
Small Business Advocate