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Request IR-01:

In its Application, EfficiencyOne (E1) is requesting Board approval to include Lifetime Energy Savings (LES) as an additional performance target. Since the effective useful life of specific measures will greatly exceed the 3-year duration of the 2020-2022 DSM Plan, the LES will be largely based on estimated values.

- a) What is the level of confidence regarding the accuracy of such estimates?**
- b) Will this performance target be given equal weighting to other targets?**
- c) Does including this additional target actually place any greater accountability on E1 during the development and implementation of its DSM portfolio?**
- d) Will omitting this performance target lessen E1's accountability to deliver on the energy and demand savings within the budgeted investment amount?**

Response IR-01:

a) EfficiencyOne does not have quantitative information, either from its independent evaluator or from other sources, on the uncertainty range of Effective Useful Life (EUL) estimates, which form the basis for Lifetime Energy Savings (LES) (estimates). EfficiencyOne understands that its independent evaluator does qualitatively consider the confidence and reliability of an EUL estimate prior to its selection and inclusion within a given Evaluation Report.

EfficiencyOne has observed relatively high consistency in EUL values amongst jurisdictions for common equipment-based measures such as heating systems (e.g. heat

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pumps), refrigeration equipment (e.g. freezers and refrigerators), and other replacement equipment. Areas with less observed consistency include:

- Long-lived measures such as building envelope improvements;
- Control and process-based measures; and
- Measures with large projected future baseline changes, which may vary between jurisdictions (e.g. LED lamps).

EfficiencyOne relies on the technical expertise of its Evaluator to make reasonable decisions relating to EULs for all measures, and in particular, measures with less industry-wide consistency with respect to EULs.

- b) EfficiencyOne is not proposing weighting performance targets. All targets are reported for Nova Scotia Utility and Review Board evaluation and compliance purposes.
- c) Yes, the LES Performance Target would require EfficiencyOne to achieve the LES estimated during the planning process, providing greater transparency to the Lifetime Benefits achieved by the Plan.
- d) Without the LES Performance Target, EfficiencyOne's accountability to deliver on first-year energy and demand savings within the budgeted investment amount would remain unchanged. However, EfficiencyOne believes that the addition of a Cumulative Lifetime Energy Savings Target would provide additional accountability that first-year energy and demand savings targets are achieved in such a manner that delivers the Planned level of Lifetime Benefits.

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Request IR-02:

On page 5 of its Application, E1 stated, with emphasis included:

The Standardized Filing Framework directs that the Preferred Resource Plan identified in Nova Scotia Power’s Integrated Resource Plan (“IRP”) will serve to inform the development of a preferred DSM Resource Plan by EfficiencyOne. EfficiencyOne’s Preferred Plan does exactly that.

On page 11, E1 states:

Until such time as an updated IRP has been vetted by stakeholders and approved by the Board, the 2014 IRP forms the best verified data upon which DSM investment decisions can, and should, be made.

Although the IRP may be considered the primary driver for determining the amount of DSM to be pursued each year, this is largely dependent on inputs such as costs of energy, capacity, and the load forecast projections.

a) Significant transformation of the electricity sector has been underway and will continue in the coming years. If the Preferred Plan resulting from the upcoming IRP analysis determines that a lower level of DSM, compared to the 2014 IRP, should be pursued, does E1 have the flexibility to respond by amending its 2020-2022 portfolio without financial consequences?

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Response IR-02:

a) EfficiencyOne has developed the 2020-2022 DSM Plan utilizing the empirical results of the 2014 IRP. It does not support reliance upon an anecdotal assessment of market transformation as forming an appropriate basis for development of a DSM Plan. On that basis EfficiencyOne fully intends to rely upon the results of any subsequent stakeholder driven, Nova Scotia Utility and Review Board (NSUARB) accepted IRP, to inform development of future DSM Plan.

EfficiencyOne would certainly respond to any NSUARB initiated process seeking to review the implications of a newly developed IRP to an existing approved DSM Plan.

b) EfficiencyOne believes the following factors to be reasonable considerations in determining the appropriate approach to take in response to the 2020 IRP results:

- The level of DSM in the 2020 IRP Preferred Resource Plan and magnitude of difference (increase or decrease) from the approved level of energy savings in the 2020-2022 DSM Resource Plan.
- The impact to ratepayers of a revised 2020-2022 DSM Resource Plan versus responding to the 2020 IRP results in the 2023-2025 DSM Resource Plan.
- Timing of the 2020 IRP final report and acceptance by the NSUARB.
- The timing and cost of the regulatory process to be followed for a revised filing for the 2020-2022 period.
- E1 contractual obligations with suppliers or partners for the 2020-2022 period.

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Request IR-03:

On page 16 of its Application, E1 stated that “Any reduction in the level of investment will risk negatively impacting the DSM supply community and potentially resulting in permanent reduced capacity”.

a) Please quantify the suggested negative risk and the level of DSM reduction that would trigger permanent reduced capacity.

b) Since the level of DSM funding has been relatively consistent around \$34 million for several years, does E1 perceive a negative supply sector risk if the 2020-2022 level remained near that level?

Response IR-03:

a) The intent of the referenced statement is to emphasize that EfficiencyOne’s continued success relies heavily on a skilled and viable network of delivery agents and trade partners in Nova Scotia’s energy efficiency industry. Although EfficiencyOne has not undertaken to specifically quantify the negative risk or determine a specific investment reduction level that would lead to closure to parts of this industry, it understands that diminishing DSM investment levels results in challenges for maintaining and attracting talent in the industry.

b) Although a flat level of DSM investment would likely not have the same negative impact on the energy efficiency industry as a decline, it could be considered as stagnating. Over the past decade, the energy efficiency industry has grown to effectively deliver high-quality and meaningful cost-effective savings for Nova Scotians. With the significant DSM potential for future energy savings, EfficiencyOne believes that even a modest increase in DSM is important to maintain talent in the energy efficiency industry and help build skills that drive deeper and more persistent energy savings in homes and businesses.

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Request IR-04:

In addressing E1's balanced plan approach, page 18 states:

DSM portfolios must be responsive to evolving customer needs, technologies, market conditions and regulatory requirements. Portfolio design is critical to effectively, responsively, equitably and affordably delivering the energy and demand savings identified in the Preferred Plan.

a) In the past, DSM Plans were filed annually but are now based on a 3-year cycle. Please explain how these 3-year commitments constrain E1's ability to quickly modify programs if warranted by changing conditions.

b) If mid-stream amendments are required, is there another design process or approval process that would facilitate quickly responding to such a requirement?

Response IR-04:

a) EfficiencyOne does not believe that filing DSM Plans for a three-year period constrains its ability to modify programs if required. EfficiencyOne continues to revise program design and delivery in response to new insights obtained throughout the plan period in order to achieve the Nova Scotia Utility and Review Board (NSUARB) approved Performance Targets. Adjustments to an approved DSM Resource Plan (e.g. program level savings) have often been made in response to changing market conditions through the mid-course adjustment process. These modifications have been made within the NSUARB approved DSM Plan Performance Targets.

b) EfficiencyOne is not requesting any changes to the existing mid-stream amendment process at this time.

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1 Within the NSUARB approved Performance Targets which are cumulative for the three-
2 year plan period, EfficiencyOne is able to make limited changes to the approved Plan
3 through the mid-course adjustment process as accepted by the NSUARB. This approach
4 includes the following:

- 5 • EfficiencyOne will provide explanations of substantial changes, defined as variance
6 in energy savings or investment of 25 percent or more at a program level.
- 7 • EfficiencyOne will provide written advance notice of its intent to implement mid-
8 course adjustments by program and their customer rate class impacts. The written
9 advance notice of intent to file Mid-Course Adjustments (MCAs) will be included in
10 the Annual Progress Reports (APRs) for the 2020-2022 DSM Resource Plan period
11 and the MCAs for the 2020-2022 DSM Resource Plan will be filed with the Quarterly
12 Report in Q1. It is EfficiencyOne's position that it is not able to provide advance
13 notice of midcourse adjustments resulting from third-party evaluation reports, as
14 these adjustments are made immediately after receipt of these reports.

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Request IR-05:

In its Evidence, NS Power raised the point that E1 has access to substantial additional energy efficiency funding from the federal and provincial governments and therefore should be limited in the amount of electricity ratepayer funding for DSM programs.

a) Please provide a response and elaborate on how that federal and provincial funding will be used to specifically reduce electricity peak demand and electrical energy consumption.

Response IR-05:

a) EfficiencyOne receives provincial government funding for a variety of pilots and programs. The vast majority of this funding is used for incentives to reduce non-electrical energy use in low-income Nova Scotian residences.

Federal funding from the Low Carbon Economy Fund (LCEF) flows through the Province to EfficiencyOne with the primary purpose of reducing CO₂ emissions. The majority of these funds are used to provide incentives to non-low income Nova Scotian residences to offset non-electrical energy use.

Within the LCEF there is funding available for rebates to homeowners and landlords to substitute or replace their current non-electric heating system with a heat pump(s). While this provides a variety of benefits from reduced energy use in the home, it also adds to overall electrical energy use and demand. The only program using LCEF funds to provide incentives to reduce electrical energy use is the SolarHomes program. This program provides incentives to Nova Scotia residences to install solar photovoltaic systems on their homes. While EfficiencyOne had considered offering

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- 1 this type of program in the past, it was deemed not cost effective as a stand-alone
2 program (i.e. as a program it did not pass TRC).

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Request IR-06:

For several years E1 has been able to achieve or exceed its energy and peak demand targets while underspending the approved investment amounts by about 8% to 10% annually. This could be attributed to effective cost control and project management, or it might also indicate that contingency amounts were included in the budget estimates, or perhaps a combination of both factors. Please explain the impact if the requested funding amount was reduced by 10%.

Response IR-06:

EfficiencyOne believes it has a proven track record of effective cost control and project management in achieving its energy and peak demand savings. EfficiencyOne wants to assure the Nova Scotia Utility and Review Board that there are no contingency amounts included in its budget estimates.

In addition to effective cost control and project management, EfficiencyOne believes that its focus to achieve first-year savings Performance Targets on budget, may have, in part, resulted in a greater focus on lower-cost and lower-lifetime measures thereby achieving lower-than-planned lifetime energy savings. EfficiencyOne aims to mitigate this with its proposed Lifetime Energy Savings (LES) Performance Target for its 2020-2022 DSM Plan. EfficiencyOne believes that the reduced focus on lighting measures is appropriate at this juncture. This approach carries with it increased unit costs for the portfolio as a whole.

If the 2020-2022 DSM investment level is reduced by 10 percent or \$12.9 million, EfficiencyOne would need to re-design the portfolio of service offerings. This re-design would be informed by any corresponding changes to its Performance Targets while continuing to align with a balanced plan approach.

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Request IR-07:

Regarding the approximate \$7 million surplus remaining from the 2016-2018 DSM Plan, please provide E1's perspective on how that might best be used to benefit electricity ratepayers.

Response IR-07:

EfficiencyOne proposes that the \$7 million surplus from 2016-2018 be applied, on an equal basis, across each year of the 2020-2022 DSM Plan. EfficiencyOne considers this to be the preferred approach for the following reasons:

- there is an alignment with the original use of funds;
- there is a maximum benefit to electricity customers; and
- this approach is consistent with past practice.

The surplus funds of \$7 million were collected and reported as DSM costs by NS Power for the years 2016, 2017 and 2018. By investing these funds back into the 2020-2022 DSM Plan, ratepayers will receive an annual return on investment of 19.4 percent over the period of 14.2 years (\$4.80 return for every \$1.00 invested).

EfficiencyOne would also note this approach of applying the surplus funds against future DSM plans has been the accepted practice since 2015.

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Request IR-08:

Regarding the HST refund of approximately \$15 million, E1 is proposing to apply that amount equally each year against the costs of the 2020-2022 DSM Plan. Please explain whether E1 considers that directly refunding that amount to customers on their electricity bills or applying that amount against the 2015 financing costs would be perceived as being more beneficial or acceptable to ratepayers.

Response IR-08:

EfficiencyOne noted in its Application, that applying the HST refund to the 2020-2022 DSM Plan would provide the best return to ratepayers and applies the funds on a basis consistent with the original intent – DSM investment. By investing these funds in the 2020-2022 DSM Plan, electricity customers will receive an annual return on investment of 19.4 percent over the period of 14.2 years (\$4.80 return for every \$1.00 invested).

Directly applying the HST refund of \$14.1 million (not including accrued interest) to customer's electricity bills would provide a one-time benefit of \$27.00 as compared to \$130.00 if invested in the 2020-2022 DSM Plan. This is based on applying the HST refund equally across each ratepayer using an estimate of 520,000 NS Power customers.

The 2015 DSM deferral financing was negotiated at a fixed interest rate of 2.355 percent. The loan balance owing at the end of May 2019 is approximately \$22.0 million. Early repayment of the loan will incur a penalty. Please refer to EfficiencyOne's response to NSUARB-Pronko IR-09. A partial repayment could be funded by the HST refund. Savings to ratepayers resulting from the early repayment would need to be assessed at that time.

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Request IR-09:

Referencing the financing arrangement to cover costs of the 2015 DSM Plan,

a) What is the current amount outstanding in that financing arrangement?

b) Please explain if there will be any financial consequences attributed to early repayment of some or all of the outstanding amount.

Response IR-09:

a) The balance owing at the end of May 2019 for the 2015 DSM Deferral is \$22,026,314.16. Please refer to Attachment 1 of this IR response for the Loan Repayment Schedule, filed confidentially for the Nova Scotia Utility and Review Board only.

b) Regarding the financial consequences attributed to early repayment, TD has provided the following response: “the IRD [Interest Rate Differential] penalty would not apply, and the pre-payment penalty would be based on three months interest payments.”

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Request IR-10:

Reference: EfficiencyOne's Small Business Energy Solutions, BNI Custom, or Business Energy Rebates programs.

In EfficiencyOne's audited financial statements for the year ended December 31, 2018 (M09163), there is a note to the financial statements, Note 12, which states as follows:

The Corporation has an agreement with NS Power to extend financing to certain BNI customers participating in either the Small Business Energy Solutions, BNI Custom, or Business Energy Rebates programs. Those customers are approved by NS Power for repayment terms up to 48 months. Financing costs related to the principal are paid to NS Power by the Corporation on a monthly basis and are considered part of the applicable program cost. The Corporation is contingently liable to cover defaults on principal amounts outstanding. At December 31, 2018 the balance of total financing extended was \$2,635['000] (2017 - \$1,351 ['000]).

- a) Please explain in detail this arrangement including details of any contract between E1 and NS Power describing the arrangement and any template contract between E1 and its customers.**
- b) How long has this arrangement been in existence?**
- c) What is the total amount financed by NS Power pursuant to this arrangement since its inception?**
- d) Please list all principal amounts under default for which E1 has been liable and provide the associated amounts.**

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e) Are there any interest or financing fees being paid by E1 to NS Power in relation to these loans, and if so, at what rate?

f) Please explain who is responsible for qualifying the customers for the financing and what credit approval process is followed.

Response IR-10:

a) The On-bill financing arrangement with NS Power has been existence since October 1, 2010. This arrangement was included under Schedule C – Discretionary Services and Fees, Section 2 – Customer Financing and Other Payment Arrangements, as part of the Services and Cooperation Agreement between Nova Scotia Power Incorporated (NSPI) and Efficiency Nova Scotia Corporation entered into on the 15th day of October 2010, effective October 1, 2010. Section 2 states, “The Parties will work together to determine whether it is in the interest of both Parties as well as DSM customers for NSPI to provide financing or other payment arrangements (such as leases) to DSM customers.” Under this arrangement, NS Power carries out all credit checks, is entitled to take security in the customer’s assets as necessary and determines the amount of annual funds that would be available. EfficiencyOne is responsible for all financing costs (includes the current value of the Weighted Average Cost of Capital (WACC) and administrative costs associated with the application and collection of the funding) and any bad debt arising from the financing arrangement.

b) Please refer to a).

c) The total amount NS Power has financed from October 1, 2010 to April 24, 2019 was \$14,638,406.86.

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- 1 d) Since 2010, the total amount of financing written off and expensed by EfficiencyOne was
2 \$296,344. The principal amounts financed for these customers were \$471,714.
3
- 4 e) EfficiencyOne is responsible for financing costs related to the customer loan including the
5 current Weighted Average Cost of Capital at the time of the financing and administrative
6 costs related to staff hours spent on both the approval and collection process. These
7 amounts are invoiced monthly by NS Power.
8
- 9 f) NS Power is responsible for a credit checks performed.