MERRICK JAMIESON STERNS WASHINGTON & MAHODY
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July 4, 2019

VIA EMAIL

28987
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: M09096 – EfficiencyOne Application for Approval of Supply Agreement and Approval of DSM Plan

These are the closing submissions of the Consumer Advocate. The submissions focus on the DSM investment levels / anticipated energy savings and other relevant matters raised at the oral hearing.

DSM INVESTMENT LEVELS AND ANTICIPATED SAVINGS

Following the completion of the discovery and evidence filing phases of the hearing process, EfficiencyOne and NSPI entered a Consensus Agreement. That Agreement has been filed with the Board and marked as Exhibit E-38.

Although not a party to the Consensus Agreement, the Consumer Advocate takes the position that the Consensus Agreement, on balance, represents a reasonable outcome and should be considered favourably by the Board.

This Board has commented previously on the appropriateness of settlement agreements. The principles to be applied in considering settlement agreements were well canvassed by this Board in 2008 NSUARB 140 and in 2016 NSUARB 216. Fundamentally, the Board needs to determine whether the Consensus Agreement is in the public interest. The Consumer Advocate notes the broad support for the Consensus Agreement contained in numerous opening statements filed by interested parties. Furthermore, the Consensus Agreement provides a reasonable balancing of the various interests and views identified in the pre-filed evidence.

The Consumer Advocate's support of the Consensus Agreement does come with an important observation regarding the importance of maintaining reasonable levels of DSM investment. As this Board has previously determined, ratepayers should not be denied the real long-term cost savings that are possible through effectively implemented DSM programs simply out of a concern for short-term rate impacts. To that end, it is important that in the event the Consensus Agreement is adopted, that it not be seen as a shift away from a commitment to DSM investment and the real savings that such investment provides to ratepayers.

OTHER RELEVANT MATTERS

Beyond setting the annual DSM investment amounts and energy savings targets, the Consensus Agreement addresses a number of other issues on which the Consumer Advocate provides the following comments:

(i) Demand Response Initiatives

The Consensus Agreement makes reference to demand response (see E-38, Clause 3). It is the firmly-held view of the Consumer Advocate that NSPI is in the very best position and should have the primary responsibility for demand response initiatives. While E1's expertise in marketing and customer interaction may assist in implementing certain elements of demand response initiatives, the primary responsibility should remain with NSPI.

(ii) Interaction between DSM assessments and the Fuel Adjustment Mechanism (FAM)

In its pre-filed evidence, NSPI suggested that DSM funding should be automated either through the FAM or some other mechanism. At the hearing, NSPI expressed a desire to return to the situation that existed prior to the last legislative change that removed the DSM Rider.

The Consumer Advocate is not in a position to support NSPI's call for automated collection of DSM funding. In the event that the Board determines that there should be further investigation into NSPI's proposal, the Consumer Advocate would appreciate the opportunity to participate in those investigations along with other interested parties. Those investigations would likely include identification of any risk transference associated with the proposal.

On the specific suggestion that the FAM be utilized, the Consumer Advocate has two initial concerns. First, is that this Board, NSPI and a number of interested stakeholders, have worked hard to establish the transparency that is the hallmark of the FAM. Layering DSM expense collection into the FAM <u>may</u> impact that transparency. Secondly, there <u>may</u> be cost allocation implications that arise when mixing DSM and FAM matters on an ongoing basis.

At the hearing, there was some comment from NSPI that the HST refund amount – if put through the FAM – would serve as a pilot project for the future automation of DSM-related cost collection and allocation. It is the view of the Consumer Advocate that automating DSM collection through the FAM is likely a much more complex process than the one-time crediting of an HST refund to customers.

The Consensus Agreement seeks to have the HST refund returned to the benefit of ratepayers. Now that the BCF filing has occurred, it will be open to the Board to confirm that addressing the HST refund in the BCF process will not reduce (at all) the benefit ratepayers would receive if the HST refund was returned via a direct "on the bill" credit.

(iii) Home Warming Program

At the hearing, E1 confirmed that all costs associated with the Home Warming Program would be funded from NSPI's shareholder donation. As E1 increases its involvement in the Home Warming Program, it will be important for E1 to carefully track its costs to ensure that ratepayers are not funding the non-regulated activities that make up the Home Warming Program.

(iv) E1's Track Record of Estimating Resource Costs

In her direct testimony Alice Napoleon, Consultant Board Counsel (E-37 at p. 13), recommended that "E1 investigate factors that led to the overestimation of the budget in the past DSM plans". During the hearing, Mr. MacDonald agree to fulfil Ms. Napoleon's recommendation. It is anticipated that the investigation will also indicate whether the factors that led to overestimation continue to be present in E1's current operating environment.

The Consumer Advocate appreciates the opportunity to make these closing submissions.

Yours truly,

William L. Mahody, Q.C.
Direct: (902) 429-3547
bill@mjswm.com

WLM:dlb

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