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File No: SM002557-00003

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July 4, 2019

Delivered by E-mail

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

Dear Ms. Friis:

Re: M09096 - EfficiencyOne ("E1") Application for approval of a Supply Agreement for Electricity Efficiency and Conservation Activities between E1 and Nova Scotia Power Inc. (DSM 2020-2022)

This letter is submitted on behalf of the Industrial Group.

Following questioning and review of responses to undertakings, the following comments are offered in addition to counsel's Opening Statement[1]:

BUDGET LEVEL AND 2020-2022 PLAN

E1's Response to Undertaking U-1[2] explains the adjustments by Program and customer class to accommodate the spending levels contained in the Consensus Agreement. The starting point is noted to be E1's Alternate Scenario investment level. E1 then increased the budget in respect of First Nations and Affordable Multi-Family Housing by $1.5 million each and then decreased the investment in "demand reduction" by $1.6 million. A $2.4 million reduction was then allocated *pro rata* to all program components to arrive at the Consensus Agreement investment level of $110 million.

As shown in Table 6, the DSM expenditures ramp up from $34.4 million in 2020, to $36.5 million in 2021 to $39.1 million in 2022. The budgeted spend is further broken down by customer class.

In Response to Undertaking U-2[3], NSPI provided tables showing the Allocation of Program Costs, by Year to each of the customer rate classes. Inexplicably, while the total annual spending aligns with that provided by E1, the expenditure by rate class differs. Comparing NSPI's annual summary of the three years of spending for the Medium Industrial and Large Industrial classes to the Table 6 prepared by E1, it shows an unexplained discrepancy:

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[1] Exhibit E-49, Opening Statement of the Industrial Group.

[2] Exhibit E-50, E1 Undertaking U-1.

[3] Exhibit E-51, NSPI Undertaking U-2, Att. 2, p.1/13.

E1 U-1, Table 6

Rate Class	2020	2021	2022	Total
Medium Industrial	$1.1M	$1.2M	$1.3M	$3.6M
Large Industrial	$1.5M	$1.6M	$1.7M	$4.8M

NSPI U-2

Rate Class	2020	2021	2022	Total*
Medium Industrial	$1.2M	$1.3M	$1.4M	$3.8M
Large Industrial	$1.7M	$1.8M	$2.0M	$5.6M

* Numbers may not add due to rounding.

A discrepancy of $800,000 over the period is a material difference for the 36 customers in the Large Industrial class. The Industrial Group requests that the Board direct that this discrepancy be explained and/or corrected and addressed in E1's Compliance Filing.

Regarding the budgeted spending specifically for the Medium and Large Industrial classes, the Industrial Group has concerns that these numbers are realistic. As shown in E1's responses to Industrial Group IR-4, Table 1[4], when looking at E1's actual spending for the years 2016-2018 versus its plans, of the six target opportunities, E1 only met planned spending in one year of the rate stability period – i.e., in 2018 for the Medium Industrial group.

In light of the Consensus Agreement regarding the overall budget level agreed to by the two key parties – NSPI and E1 – the Industrial Group is not recommending a reduction in the overall budgeted level for the three year Plan. It does, however, view that the IRP will inform the appropriate level of DSM going forward, considering energy and demand savings from any source and does not accept that the 2022 investment level sets a benchmark going forward. It will also monitoring E1's reports for variances.

DEMAND REDUCTION/DEMAND RESPONSE

In its Preferred Plan, E1 proposed to include $9.9 million ($3.3 million a year) for demand reduction. With the Consensus Agreement, Mr. MacDonald, for E1, explained during the hearing that $5.4 million is the adjusted amount budgeted. While initially he described this spend in relation to "demand *reduction*", in cross-examination, Mr. MacDonald agreed that the monies were equally available for demand *response* initiatives developed through engagement with NSPI, which engagement is to begin imminently.

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[4] Exhibit E-50, E1 Undertaking U-4.

The Industrial Group refers to the evidence of Mr. Drazen who outlined the difference between demand reduction and demand response, distinguishing between “scheduled” and “real-time” demand management. [5] As he explained, real-time measures reflect actual system conditions whereas a scheduled approach cannot. In cross-examination, Mr. Landrigan, on behalf of NSPI agreed during questioning that real-time measures are more effective at reducing system peak loads.

The Industrial Group is not in favour of prescriptive demand reduction activities which are uncoupled from the dynamism of the Nova Scotia system peaks. E1 built its demand reduction Plan based on the 2019 DSM demand reduction *pilot*. However, as of April 30, 2019, E1 has spent just under $30,000 of the $1 million budget allocated for this pilot. Even now, halfway through the year, it is still only in the planning stage and is not expected to launch until Q3 2019.[6] E1 itself identified risks in its plan for prescriptive demand reduction measures, including:

- uncertainty regarding levels of customer uptake given the lack of E1’s experience in offering these measures;
- timing interdependencies associated with the 2019 Locational DSM pilot; and
- unforeseen challenges with products and technologies.[7]

While Clause 3 of the Consensus Agreement is vague as to the plans in relation to demand response initiatives, through cross examination, Mr. MacDonald and Mr. Landrigan elaborated on the work and what is possible. Mr. Landrigan described types of demand response measures which are feasible within the toolbox of NSPI and E1:

> *…*
>
> ***Landrigan:*** *So in terms of types of programs and, you know, we have talked to EfficiencyOne and we are going to engage more in depth in the very near future. And my team is very excited about working together with EfficiencyOne. We could work on programs such as water heaters, such as controlling heating or heat pumps in terms of being able to potentially reduce the temperatures to provide some demand response. There is some battery pilots that are ongoing that would be great to have them involved in and as well as smart charging for electric vehicles. So there’s a bunch of different programs and in terms of our expertise in terms of the network or being the power utility versus EfficiencyOne. They could be critical in design, recruitment of participants, provision of rebates to potentially get participants to participate, in addition to any types of rate enhancements that could be used for them, help with installation - they’re in the customers’ homes so sometimes you have to put a little attachment onto certain appliances to allow it to communicate so you can have a band [sic] response and*

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[5] Exhibit E-29, Evidence of Mark Drazen, p.11.

[6] Exhibit E-50, E1 Undertaking U-3.

[7] Exhibit E-3, E1 (NSPI) IR-40(a).

> *to assist in the rate design. So there's lots of great stuff that we can do to work together and provide the most value from demand savings initiatives.*

When questioned as to whether the $5.4 million could be used to fund these demand response initiatives, Mr. MacDonald agreed:

> ***Rubin:*** *So he [Mr. Landrigan] spoke about things like water heaters, battery chargers, rebates for such things, assistance with installations, design recruitment. Does EfficiencyOne consider that it has the ability to move monies from that $5.4 million in the demand reduction to fund these demand response initiatives if it's determined as between EfficiencyOne and Nova Scotia Power to be efficient?*
>
> ***MacDonald:*** *There is a process involved where through our quarterly reports to the Board if we do shift money between different programs I believe the threshold is 25% variations in budget or under savings that we would report that to the Board. And so that would be the mechanism to do that if that were to arise.*
>
> ***Rubin:*** *So in proposing your plan will it speak to demand reduction or will it speak to demand reduction/demand response to give you the flexibility to achieve some of these, these measures that may be agreed on?*
>
> ***MacDonald:*** *I don't think the reason in our plan that we've carved out a definition for demand reduction versus demand response is to make it clear in what we're proposing what our role would be. I don't think it's necessary in a compliance filing to be so specific that the money can only be used for demand reduction. I think, I think looking down the road there are some initiatives that are clearly in the demand reduction space, some that are clearly in the demand response area. And I think there are a number that would cross both I think, and so I don't think it's necessary in a compliance filing but if we were to find ourselves in a position that we wanted to make a recommendation to the Board to move some of that monies around, I think there are mechanisms in place that do that.*
>
> ***Rubin:*** *I'm not sure I understood what you were saying. My question was when you're filing your compliance filing, will it say demand reduction and if so do you consider that you have the flexibility to move monies into demand response programs if that's deemed to be prudent based on your engagement with Nova Scotia Power?*
>
> ***MacDonald:*** *Yes I believe we have the flexibility to do that.*

The Industrial Group recommends:

(a) the Board confirm that E1 has the flexibility and the mandate to pursue cost-effective demand response as a component of its $5.4 million budget allocation (plus any funding from Enabling Strategies to study the options);

(b) the Board direct EfficiencyOne and NSPI to immediately commence engagement towards the development of the types of rate enhancements and programs as discussed during the evidence regarding demand response;

(c) E1 and NSPI report back to the DSM Advisory Group with respect to their engagement on these initiatives, including possible rate design changes, promptly and no later than June 2020; and

(d) where such initiatives require rate design changes, direct NSPI to bring forward recommended rate designs in a generic rate hearing.

HST REFUND

The Industrial Group supports Clause 6 and the return of the HST refund to customers through the FAM to be applied against fuel costs. With the BCF filing, it is now abundantly clear that the Large Industrial and Medium Industrial customers will experience significant cumulative rate increases over the next three years. The return of the HST refund in the FAM has an immediate effect on rates, and the Industrial Group encourages NSPI to continue to look for opportunities to reduce FAM costs.

DSM ADVISORY GROUP

With respect to the DSM Advisory Group, the Industrial Group supports the reinvigoration of the existing Group and the list of issues to be addressed within that forum. Avoided costs, customer payback periods and the setting of incentives are issues of ongoing concern to the Industrial Group. With respect to the latter, it is noted, for example, that E1 has not completed its review of all measures by Q2 of 2018 as originally planned and instead adopted an “interim alternate incentive review process”. Notably, through the course of reviews in 2017 and 2018, E1 adjusted 38 measures by more than 10%. Of these, only two measures were *increased*. That means 95% of the measures were *reduced*, with some up to a 50% reduction in incentives.[8] With greater awareness of efficiency, the value of measures and an eye on payback periods, it is expected that even more can be reduced with the outcome being that E1 could achieve the same energy and demand savings at lower cost to NSPI ratepayers.

Thank you for the opportunity to submit these comments.

Yours truly,

Nancy G. Rubin

NGR/lmc

cc All Participants in M09096

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[8] Exhibit E-14, E1 (IG) IR-21 and Attachment 1.