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Request IR-01:

Regarding EfficiencyOne Audited Financial Statements, Note 1, Nature of Operations:

The franchise agreement in which EfficiencyOne has the exclusive right to supply Nova Scotia Power Inc. (NS Power) with reasonably available, cost-effective electricity efficiency and conservation activities, expires on December 31, 2025.

a) What are EfficiencyOne's options for renewal following this expiration date?

b) What is EfficiencyOne's expectation of how the franchise agreement will continue following this expiration date?

Response IR-01:

a) The grant of franchise by the Minister is governed by s. 79B and 79C of the *Public Utilities Act.* The terms of the franchise are set out in the Grant of Franchise dated November 28, 2014. The Terms and Conditions provide as follows with respect to the expiry and renewal of grant of franchise:

4.2 In the year prior to the end of the Term, or upon termination of the Grant of Franchise for any of the reasons included in clause 4.1, the Grantee will, at the request of the Minister, provide such data and other information to the Province as the Minister deems necessary to facilitate the granting of the next franchise.

EfficiencyOne expects to engage with the Minister in advance of the expiry of the Grant of Franchise.

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b) EfficiencyOne expects to engage with the Minister in advance of the expiry of the Grant of Franchise and expects that the terms of the continuation of the grant of franchise will be determined through such discussions.

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Request IR-02:

Regarding EfficiencyOne Audited Financial Statements, Note 2, Prior Period Adjustments:

a) What prompted the change in the accounting treatment of future incentive payments to customers?

b) Does this prior period adjustment affect the Demand-Side Management (DSM) Fund, and if so, please provide details of the financial effects?

c) Does this prior period adjustment affect any of the costs to NS Power recorded in the past 4.5 years of operations? If so, please provide details.

Response IR-02:

a) In preparing the 2019 financial statements, EfficiencyOne considered the accounting treatment of future incentive payments, which are reported within the Commitment Fund and determined it was not in alignment with the organization's revenue and expense recognition policies. EfficiencyOne's method of accounting for revenue is the deferral method. The deferral method recognizes revenue at the same time as expenses are incurred. EfficiencyOne's expense recognition policy for incentive costs is to recognize these costs at the time the associated energy savings are recognized. This is the point at which the DSM Fund incurs the incentive costs. Future incentive payments, as reported within the Commitment Fund, have no associated energy savings to be recognized at the time of the commitment and therefore recognition of incentive costs and corresponding revenue in the financial statements is not appropriate. Note disclosure provides information about future incentive payments as commitments and maintains alignment with the revenue and expense recognition policies.

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b) The prior period adjustment relates to future incentive payments recorded within the Commitment Fund and therefore has no impact to the DSM Fund.

c) The prior period adjustment has no impact on costs recorded by NS Power in the prior 4.5 years of operations.

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Request IR-03:

Regarding EfficiencyOne Audited Financial Statements, Note 3, Significant Accounting Policies:

In the 2019 'Fund Accounting' policy for DSM Fund states that "Cash received under the DSM Fund is only used for operations of the fund." In the 2018 note to the Financial Statements, it stated that "Cash received under the DSM fund is only used for operations of the fund, with the exception of transfers to cover the cost of capital assets."

a) Please detail the reasoning for the omission of this exception in the 2019 statements, and what effect this change has for the 2019 fiscal year.

Response IR-03:

a) The line "with the exception of transfers to cover the cost of capital assets" was removed in the 2019 statements as there were no capital assets held or being amortized by EfficiencyOne within the Capital Fund. This change had no impact on the DSM Fund for the 2019 fiscal year.

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Request IR-04:

Regarding EfficiencyOne Audited Financial Statements, Note 3, Significant Accounting Policies:

There is a mention in the 'Use of Estimates' note that states that EfficiencyOne uses estimates when accounting for items such as the allowance for doubtful accounts. Although there is no amount shown for this allowance in the 2019 statements, please advise how this estimate would be determined.

a) Please confirm that by not including any amount for the allowance for doubtful accounts, this signifies that EfficiencyOne believes that there is no risk of any receivables being uncollectible.

b) Given that there is a Bad Debt Expense of $7,000 included in the DSM Fund 'GL account 6330' for the year ended December 31, 2019, please advise what the nature of this expense was and how this does not constitute the need for an allowance for doubtful accounts.

Response IR-04:

EfficiencyOne continually reviews the necessity of an allowance for doubtful accounts in conjunction with the preparation of its financial statements. This review includes an analysis of past trends of customer accounts, general aging of current receivables, and the aggregate amount of the receivables. At this time, EfficiencyOne has limited receivables and has determined that none of the receivables are likely to become uncollectible.

a) Yes. EfficiencyOne does not believe there was any material risk that accounts receivables were uncollectible as of December 31, 2019.

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b) The bad debt expense reported in the DSM fund is related an uncollectible amount for a participant in an EfficiencyOne program where financing for the project was extended through NS Power's on-bill financing program. Please refer to EfficiencyOne's response to NSUARB IR-06 c).

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Request IR-05:

Regarding EfficiencyOne Audited Financial Statements, Note 5, Revenue:

a) Please provide a detailed breakdown of the amounts in the table provided for the Fee-for-service revenue, Other revenue, and Recognition/(Deferral) of current year revenue. Please ensure that the breakdown includes the reconciliation of payments received/ revenue recognized from different sources to the totals included in the table provided.

b) Please indicate the nature of the 'Recognition/(Deferral) of current year revenue' line item and how this is calculated.

Response IR-05:

a) The table below includes the payments received from NS Power and the revenue recognized in 2019 for the DSM Fund.

2019 DSM Fund Revenue and NS Power Payments
(In Thousands)

Description	Source	Total Payments	Total Revenue Recognized
Fee-for-service	NS Power	$ 34,050	$ 34,050
Interest Revenue	Bank	-	281
Deferred Revenue	Current Year Calculation		(274)
2017 Interest Returned	Deferred Revenue	(201)	
Total		$ 33,849	$ 34,057

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The 2019 Supply Agreement with NS Power, Schedule B – Compensation outlines the amount of payments due to EfficiencyOne from NS Power. The DSM Fund interest earned in 2017 was returned in 2019 to NS Power by reducing the payments due to EfficiencyOne. In 2017, when the interest revenue was earned it was offset to the DSM Fund Deferred Revenue balance as shown in the Statement of Financial Position in that year.

b) EfficiencyOne recognizes revenue using the deferral method. Under this method, revenue is recognized in the year in which the related expenses are incurred. The Recognition/(Deferral) of current year revenue is calculated by totaling the fee-for-service revenue and the interest revenue for any given year and then deducting the total expenses.

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Request IR-06:

Regarding EfficiencyOne Audited Financial Statements, Note 12, Contingencies:

The balance at December 31, 2019 of total financing extended was $3.2 million, up from $2.6 million at December 31, 2018. This financing is stated to be extended to certain Business, Non-Profit and Institutional (BNI) customers participating in a number of programs, approved by NS Power for repayment terms up to 48 months. This contingency amount has been rising steadily since 2014.

a) Please advise if this financing is related to the DSM fund and if so, what the nature of this financing is, and what NS Power's involvement is in the process.

b) Please provide a clarification if the amount of $3.2 million shown is the gross balance of financing extended or if this is the net amount of financing extended less repayments made by customers.

c) Please advise as to the likelihood of occurrence that EfficiencyOne has determined the defaults on principal amounts outstanding to be for these BNI customers.

Response IR-06:

a) The financing disclosed in Note 12 is all related to the DSM fund. The on-bill financing arrangement with NS Power has been in 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's responsibilities include the review of customers' electrical accounts and acceptance of the application where the customer's credit points are below a set threshold. The threshold is set based at the credit points level where NS Power requires a Security Deposit for new electrical accounts. EfficiencyOne is responsible for all financing costs (which includes the current value of the Weighted Average Cost of Capital and administrative costs associated with the application and collection of funding) and any bad debt arising from the financing arrangement.

b) The total amount of financing extended of $3.2 million noted in the 2019 financial statements is the total amount of financing extended less repayments by customers as of December 31, 2019.

c) The incidence of default on principal amounts outstanding by BNI customers has been very low with only 0.53 percent of customer accounts defaulting since October 1, 2010. Since 2010, the total amount of financing written off and expensed by EfficiencyOne (as of December 31, 2019) was $302,999. One customer accounted for 79 percent of this amount ($239,369).

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Request IR-07:

Regarding EfficiencyOne Audited Financial Statements, Note 13, Commitments:

The minimum annual lease payments are shown for the rental of EfficiencyOne's office premises for the years 2020 – 2025. In the 2018 financial statements, it was shown that the amount of the minimum annual lease payment for the 2019 fiscal year was $332,000. When looking at Attachment 1, the GL account '6140 Rent' has a charge of $422,000 for the year ended December 31, 2019.

a) **Please advise what type of allocation the lease expense is subjected to in regard to the DSM fund.**

b) **Please reconcile the expected amount of $332,000 to the charged amount of $422,000 in the 2019 fiscal year for the DSM fund.**

c) **Please advise why the minimum annual lease payments over the term of the lease agreement for the rental of EfficiencyOne's office premises expiring December 31, 2025 have increased by more than 10% since 2018.**

Response IR-07:

a) Lease payments are included within rent expense and are allocated using the NSUARB approved Cost Allocation Methodology[1]. Rent expense is allocated to the DSM Fund by applying the Full Time Equivalent (FTE) allocator. The total rent expense in 2019 was $615,000 of which, the DSM fund was allocated 64.79 percent or $399,000 calculated with reference to the FTE allocator.

[1] M04539, Exhibit-1, Efficiency Nova Scotia Corporation Cost Allocation Methodology Report, Prepared by Elenchus Research Associates Inc. [Filed: September 30, 2011].

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b) The lease payments included in the 2018 Notes to the Financial Statements of $332,000 represent base rent amounts only. In addition to base rent, EfficiencyOne pays additional rent which includes a proportionate amount of the total building operating costs and property taxes calculated based upon proportionate rental area.

c) In 2019, EfficiencyOne leased an additional 3,063 square feet of space at its current location, with the same lease expiry date of December 31, 2025.

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Request IR-08:

Regarding EfficiencyOne Audited Financial Statements, Note 13, Commitments:

Please advise as to why the delivery of a Green Schools Nova Scotia program with an associated commitment of $216,000 for 2020 at December 31, 2018 increased to $434,000 for 2020 at December 31, 2019.

Response IR-08:

Note 13 to EfficiencyOne's 2018 Financial Statements - Commitments, the Green Schools Nova Scotia Program Contract, contained an error. The 2019 forward looking costs were listed twice. The total contract amount for 2020 should read $399,000 and $216,000 in 2021.

The Green Schools Nova Scotia program contract has been expanded to include additional programming in 2020 which increases the total cost to $434,000.

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Request IR-09:

Regarding EfficiencyOne Audited Financial Statements, Note 14, Risk Management:

Note 14 mentions an interest-bearing liability with a fixed interest rate that appears to have been entered into in 2019. When looking at the face of the financial statements, all elements of loans (loans payable, loan repayments, etc.) appear to pertain to the DSM Fund. Please provide the nature and amount of this new liability along with the associated detail of the interest paid for the year.

Response IR-09:

Note 14, Risk Management, was updated in 2019 to reflect the loan payable undertaken in 2016 for the financing of NS Power's DSM deferral balance from 2015. The specific details of the loan remain as a separate note within the financial statements. In 2019, the loan payable and corresponding loan receivable from NS Power are disclosed in Note 10, Loan Receivable / Payable.

No new interest-bearing liability was undertaken in 2019.

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Request IR-10:

Regarding EfficiencyOne Audited Financial Statements, Note 15, Cost Allocation Methodology:

The table that is provided for the Cost Allocation Methodology shows the expenses subject to allocation being divided up between the DSM Fund, the PNS Fund, and the Other Business Fund based on either direct costs or a Full-Time Equivalents basis. The total amount of costs shown allocated to the DSM Fund is approximately $9 million based on this table, however Attachment 1 shows the costs totaling approximately $34 million, which ties to the face of the Financial Statements.

a) Please provide a reconciliation between the costs allocated in the table of Note 15 and the costs listed within their respective GL accounts in Attachment 1.

Response IR-10:

a) Note 15, Cost Allocation Methodology includes only those costs that are shared and allocated to all funds. For that reason, the total by Fund does not balance to the total expenses by Fund in the Statement of Operations. Please refer to Attachment 1 of this IR response for the breakdown between direct costs and allocated costs for the DSM Fund.

EfficiencyOne
Statement of Operations & Changes in Fund Balance - Details by GL Account - Demand-Side Management (DSM) Fund
For the Year Ended December 31, 2019
In Thousands

GL Account	GL Account Description	Financial Statement Grouping	GL Balance	Direct Expense of DSM Fund	Allocated to DSM Fund through Cost Allocation Methodology
4000	DSM Revenue	Revenue	34,050		
4140	Recognition/(Deferral) of Revenue	Revenue	(274)		
4500	Interest - Business Investment Account	Revenue	281		
	Subtotal - Revenue		**34,057**		
5020	Incentives - Financing Interest	Incentives	210	210	-
5000	Incentives - Customer Rebates	Incentives	11,530	11,530	-
5010	Incentives - Upstream to DA	Incentives	4,549	4,549	-
5005	Incentives - Recovery	Incentives	(68)	(68)	-
5015	Incentives - Implementation DA	Incentives	4,687	4,687	-
5030	Incentives - Program Equipment	Incentives	3	3	-
5035	Incentives - Services Provided by DA	Incentives	143	135	8
5045	Incentives - Pilot Programs	Incentives	39	39	-
5050	Incentives - Low Income Appliance Replacement	Incentives	206	206	-
5012	Incentives - OEM Support	Incentives	10	10	-
	Subtotal - Incentives		**21,309**	**21,301**	**8**
5120	Evaluation	Evaluation &Verification	944	944	-
5121	Verification	Evaluation &Verification	176	176	-
	Subtotal - Evaluation & Verification		**1,120**	**1,120**	-
5130	DSM Consultants	Program support	661	661	-
5100	UARB Assessment & Consultant Costs	Program support	488	488	-
5040	Program Consulting	Program support	149	131	18
	Subtotal - Program Support		**1,298**	**1,280**	**18**
6330	Bad Debt Expense	Bad debt	7	7	-
	Subtotal - Bad Debts		**7**	**7**	-

EfficiencyOne

Statement of Operations & Changes in Fund Balance - Details by GL Account - Demand-Side Management (DSM) Fund

For the Year Ended December 31, 2019

In Thousands

GL Account	GL Account Description	Financial Statement Grouping	GL Balance	Direct Expense of DSM Fund	Allocated to DSM Fund through Cost Allocation Methodology
6100	IT Contract Services	Information Technology	261	-	261
6130	Purchased IT Equipment	Information Technology	84	-	84
6200	Software Expense	Information Technology	228	-	228
6105	IT Consulting Services	Information Technology	77	-	77
6106	CIS Consulting	Information Technology	225	-	225
6500	Affiliate Recovery - IT	Information Technology	(24)	-	(24)
				-	
	Subtotal - Information Technology		**851**	**-**	**851**
6230	Advertising & Marketing	Marketing, outreach, education and research	324	190	134
5150	Homeshow/Tradeshow	Marketing, outreach, education and research	24	-	24
6340	Promotional & Program Materials	Marketing, outreach, education and research	65	9	56
6080	Research	Marketing, outreach, education and research	64	-	64
6190	Sponsorship	Marketing, outreach, education and research	29	-	29
6150	Subscriptions, Media Monitoring	Marketing, outreach, education and research	5	-	5
6070	Website Development	Marketing, outreach, education and research	201	-	201
6325	Communications Materials	Marketing, outreach, education and research	43	15	28
5151	Community Outreach	Marketing, outreach, education and research	17	-	17
6191	Partnership Development	Marketing, outreach, education and research	35	-	35
5152	Bright Business Recovery	Marketing, outreach, education and research	(20)	-	(20)
5153	Bright Business	Marketing, outreach, education and research	79	-	79
5154	Green Schools	Marketing, outreach, education and research	219	-	219
6229	Corporate Marketing	Marketing, outreach, education and research	20	-	20
6235	Paid Advertising	Marketing, outreach, education and research	617	317	300
6345	Direct Mail Marketing	Marketing, outreach, education and research	31	31	-
6348	Marketing Events	Marketing, outreach, education and research	22	21	1
6350	Efficiency Trade Network Outreach	Marketing, outreach, education and research	20	-	20
6232	Efficiency Trade Network Marketing	Marketing, outreach, education and research	9	-	9
6081	Data Analytics Support	Marketing, outreach, education and research	76	69	7
6351	Efficiency Trade Network Training	Marketing, outreach, education and research	24	24	-
	Subtotal - Marketing, outreach and education		**1,904**	**675**	**1,229**

EfficiencyOne
Statement of Operations & Changes in Fund Balance - Details by GL Account - Demand-Side Management (DSM) Fund
For the Year Ended December 31, 2019
In Thousands

GL Account	GL Account Description	Financial Statement Grouping	GL Balance	Direct Expense of DSM Fund	Allocated to DSM Fund through Cost Allocation Methodology
6260	Meals	Meetings & Travel	2	1	1
6040	Meeting - Facilities & Catering	Meetings & Travel	1	1	0
6240	Travel	Meetings & Travel	17	16	1
6041	Meetings - Facilities & catering - Program support	Meetings & Travel	26	17	9
6042	Meetings - Facilities & catering - Admin	Meetings & Travel	8		8
6241	Travel - Program support	Meetings & Travel	45	41	4
6242	Travel - Admin	Meetings & Travel	41		41
6261	Meals - Program support	Meetings & Travel	10	8	2
6262	Meals - Admin	Meetings & Travel	3		3
	Subtotal - Meetings and travel		**153**	**84**	**69**
6090	Equipment Expense	Office	9	-	9
6110	Equip Rental & Maintenance	Office	30	-	30
6310	Insurance - Liability, D and O	Office	5	-	5
6010	Memberships & Dues	Office	30	-	30
6170	Office Supplies	Office	30	-	30
6160	Postage, Mailing Services	Office	10	-	10
6300	Property Insurance	Office	36	-	36
6180	Telephone, Telecommunications	Office	50	-	50
6501	Affiliate Recovery - Office	Office	(8)	-	(8)
	Subtotal - Office and Insurance		**192**	**0**	**192**
6050	Professional Fees	Professional Fees	3	2	1
6051	Professional fees - Program support	Professional Fees	341	332	9
6052	Professional fees - Admin	Professional Fees	45	2	43
6061	Consulting - Program support	Professional Fees	106	71	35
6062	Consulting - Admin	Professional Fees	33	-	33
6503	Affiliate Recovery - Professional Fees	Professional Fees	(16)	-	(16)
6192	Codes & Standards Development	Professional Fees	28	28	-
	Subtotal Professional fees and consulting		**540**	**435**	**105**

EfficiencyOne

Statement of Operations & Changes in Fund Balance - Details by GL Account - Demand-Side Management (DSM) Fund

For the Year Ended December 31, 2019

In Thousands

GL Account	GL Account Description	Financial Statement Grouping	GL Balance	Direct Expense of DSM Fund	Allocated to DSM Fund through Cost Allocation Methodology
6140	Rent	Rent	422	-	422
6502	Affiliate Recovery - Rent	Rent	(23)	-	(23)
	Subtotal Rent		**399**	**-**	**399**
5910	CPP Benefits - Directors	Salaries	4	-	4
5720	CPP Expense - Staff Employees	Salaries	184	-	184
5900	Directors' Remuneration & Fees	Salaries	126	-	126
5700	EI Expense - Staff Employees	Salaries	70	-	70
5780	Emp Benefits - NS WCB	Salaries	22	-	22
5740	Group Ins Exp - Staff Employees	Salaries	183	-	183
5790	Payroll Service Fees	Salaries	13	-	13
5760	Reg Pension Plan - Staff Employees	Salaries	304	-	304
5600	Salaries - Staff Employees	Salaries	5,257	-	5257
5650	Affiliate Recovery - Salary	Salaries	(59)	-	(59)
5651	Affiliate Recovery - Benefits	Salaries	(10)	-	(10)
5785	Wellness Incentive	Salaries	5	-	5
5770	Health Spending Account	Salaries	38	-	38
5652	Other Wage Recovery	Salaries	(4)	-	-4
	Subtotal - Salaries and Benefits		**6,133**	**-**	**6,133**
6270	Employee Appreciation	Training	1	-	1
5775	Employee Assistance Program	Training	6	-	6
6250	Recruitment Costs	Training	36	-	36
6000	Training & Development	Training	113	-	113
6504	Affiliate Recovery - Training	Training	(5)	-	(5)
	Subtotal - Training and Development		**151**	**-**	**151**
	Total Costs		**34,057**	**24,902**	**9,155**