M09689

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: **THE PUBLIC UTILITIES ACT**

- and -

IN THE MATTER OF: **Annual Reporting** by **EfficiencyOne** relating to the 2019 Financial Statements

INFORMATION REQUESTS

To: **EfficiencyOne**
c/o James Gogan
Breton Law Group
By email: jim@bretonlawgroup.com

From: Board Staff
Nova Scotia Utility and Review Board

Responses Due: **Thursday, July 23, 2020**

Copies: 1 electronic copy (PDF searchable)

Contact Person: **Rebecca Kreft**
Advisor, Finance
Nova Scotia Utility and Review Board
3rd Floor, 1601 Lower Water Street
Halifax, NS B3J 3S3
Tel: (902) 424-4448
Email: Rebecca.Kreft@novascotia.ca

Issued at Halifax, Nova Scotia, this 2nd day of July, 2020.

Crystal Henwood

Crystal Henwood, Regulatory Affairs Officer/Clerk

Request IR-1:

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?

Request IR-2:

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.

Request IR-3:

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.

Request IR-4:

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.

Request IR-5:

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.

Request IR-6:

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.

Request IR-7:

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.

Request IR-8:

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.

Request IR-9:

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.

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.