

Our File: 254441

May 16, 2025

Nova Scotia Energy Board
3rd Floor, Summit Place
1601 Lower Water Street
Halifax, NS B3J 3P6

Attention: Crystal Henwood, Clerk of the Board

Dear Ms. Henwood:

RE: EfficiencyOne Application for Approval of Benefit Cost Analysis Test for Evaluating Demand Side Management (DSM) Plans

This letter is an accompaniment to EfficiencyOne's ("E1") filing before the Nova Scotia Energy Board ("Board"), seeking approval of a new Benefit Cost Analysis ("BCA") Test for evaluation Demand Side Management ("DSM") Plans.

In matter M10473 before the Nova Scotia Utility and Review Board, E1 made application for approval of its 2023-2025 DSM Plan, and further sought regulatory approval to conduct a review of cost-effectiveness testing methodologies:

E1 submits that a broad review of cost-effectiveness testing methodologies may be appropriate at the present time given recent legislative changes, as well as advancement in demand response and electrification initiatives. A thorough assessment of the relative merits of both the PAC test and a jurisdiction-specific test is required to determine the optimal cost-effectiveness testing methodology for Nova Scotia. E1 proposes that this matter be explored further through the DSM Advisory Group in advance of the 2026-2028 DSM Plan.

In its September 6, 2022 Decision in matter M10473, the Nova Scotia Utility and Review Board granted E1's request, and directed E1 to work with the DSM Advisory Group ("DSMAG") to conduct a review to determine the optimal cost-effectiveness testing methodology for Nova Scotia:¹

¹ *Efficiencyone (E1) (Re)*, 2022 NSUARB 137 [M10473], Board Decision, paragraph 73.

The Board finds that E1's suggested approach is reasonable. The Board, therefore, directs E1 to work with the DSMAG before the 2026-2028 DSM Plan application to assess and develop an optimal DSM cost-effectiveness testing methodology.

In accordance with the Board's direction, E1 has worked with the DSMAG to review cost-effectiveness testing methodologies to develop an optimal cost-effectiveness test for Nova Scotia. E1 retained, Energy Futures Group ("EFG") to assist in the development of a new cost-effectiveness test for Nova Scotia.

A series of workshops were held with DSMAG from December 2023 through April 2025, to inform the development of a new cost-effectiveness test for Nova Scotia or the BCA test.

In the course of the DSMAG's work on the development of the new BCA test, two legislative amendments occurred that are significant to the BCA test.

On November 9, 2022, the Nova Scotia government passed a legislative amendment to the Public Utilities Act which enacted the following relevant changes:

- a) Changing the level at which cost-effectiveness testing would apply from the program level to the portfolio level; and
- b) Adding a definition of "demand-side management" to include strategic electrification of energy within that definition.

Second, on April 5, 2024, the *Energy Reform (2024) Act*, SNS 2024, c 2 received Royal Assent. This legislation expanded the list of factors for the Board to consider in relation to all applications. Included among this list of factors are the following:

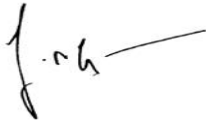
- a) energy efficiency
- b) sustainable development (development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs)
- c) sustainable prosperity (prosperity where economic growth, environmental stewardship and social responsibility are integrated and recognized as being interconnected)
- d) greenhouse gas emissions reductions goals (as articulated in the *Environmental Goals and Climate Change Reduction Act*)

These legislative changes were considered as part of the DSMAG's work on the development of the new BCA test, and further informed EFG's analysis.

On May 13, 2025, EFG issued their final report to E1 recommending a new BCA test for Nova Scotia, that would, if approved by the Board, be applied to future DSM Plans. E1 now brings this recommended BCA Test before the Board for approval.

EfficiencyOne would like to acknowledge the stakeholder engagement during the development of this new BCA Test and wishes to thank those participants for their constructive input.

Yours very truly,

A handwritten signature in black ink, appearing to read "J. R. Gogan", with a long horizontal line extending to the right.

James R. Gogan

cc. EfficiencyOne
cc. Matter Participants