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Delivered by E-mail

Crystal Henwood
Regulatory Affairs Officer/Clerk
Nova Scotia Energy Board
3rd Floor, 1601 Lower Water Street
PO Box 1692, Unit "M"
Halifax NS B3J 3S3

Dear Ms. Henwood:

Re: M12282 - E1- New Benefit Cost Analysis Test for Evaluating DSM Plans

These Reply Submissions are filed on behalf of the Industrial Group.

The Industrial Group maintains its position on statutory interpretation outlined within its submissions in chief and wishes to provide reply comments with respect to the closing brief of Nova Scotia Power ("**NSPI**") and EfficiencyOne ("**E1**").

Response to NSPI

The Industrial Group is supportive of the analytical approach to legislative interpretation of the *Public Utilities Act* ("**PUA**") outlined by NSPI. The new policy goals contained in the *Energy and Regulatory Boards Act* and the *More Access to Energy Act* do not, and should not, override the operational requirements for demand-side management ("**DSM**") programs and activities. The closing submissions of NSPI are largely aligned with those of the Industrial Group with respect to understanding the meaning of the *PUA* and the *Energy and Regulatory Boards Act*. The Industrial Group agrees with the statement that "sustainability goals are policy objectives that do not override the operational requirement to approve programs that are demonstrably cost effective and in line with the above statutory duties."[1]

i. PAC vs TRC

Where the Industrial Group diverges from NSPI is with respect to the proposed primary test to be adopted for DSM going forward. In contrast to NSPI, the Industrial Group does not view the Total Resource Cost ("**TRC**") test as the appropriate primary test – even as modified by NSPI. As explained by Mr. Bowman:

> *- First, it would continue to measure a complicated hybrid of the combined utility/customer perspective, without actually measuring either one accurately. For example, adopting a standard TRC test nets out utility incentives paid in the*

[1] NSPI Closing Submissions, October 14, 2025, page 6.

> *calculation (with the customers benefitting from the incentives), even though these are a key cost to the utility, and deeply affect its benefit:cost balance. For this reason, the TRC is rare as a primary test for BCA in Canada.*
>
> *- Second, this approach would not help the Board meet its legislated requirement to consider Nova Scotia Power customer's interests – and specifically their interests as customers (e.g., price, reliability, etc.). The Board is required to consider this perspective in section 79L(4) of the Public Utilities Act.*[2]

The Industrial Group agrees that one option for the Board is to amend the current version of the TRC to make it more "balanced" with the inclusion of participant costs and benefits (not extending to vague non-energy benefits). However, it is respectfully submitted this is not the best option, as it suffers from the limitations noted by Mr. Bowman.

Instead, the PAC test permits an assessment of benefits and costs inclusive of the scale of incentives paid to customers, which are ignored in the TRC test or the E1 Proposed BCA. As noted by Mr. Bowman, Nova Scotia has among the highest electricity prices in Canada, so the importance of focusing on cost-effectiveness and spending (including on incentives) at the level of the utility and its customers is particularly important. The PAC specifically promotes the goal of lowering ratepayer costs.

ii. PAC Does Reflect GHG Impacts

The Industrial Group also refers to Appendix A to NSPI's submissions, where it sets out what NSPI states is a side-by-side comparison of the Program Administrator Cost ("**PAC**") test, the TRC test, and E1's Proposed BCA (the jurisdiction specific test). It includes an **X** under the PAC test for GHG. The comparison is inaccurate insofar as a PAC would, in fact, reflect GHG impacts.

The Industrial Group refers the Board to the Venn Diagram, Exhibit E-33, which was filed as an exhibit through the cross examination of E1. Within that Exhibit, the Utility Factors of the PAC lists "Generation Energy" and then in square brackets confirms it *"[should include GHG charges, if any*]".[3] This cost is reciprocally reflected in the Society Factors where GHG Social Costs again carry the bracketed note, "*[less: GHG charges included in fuel costs]*." [4]

Response to E1

Unsurprisingly, E1 takes a vastly different approach to statutory interpretation which has largely been addressed in the Industrial Group's initial submissions. Without repeating those, the Industrial Group will address some specific criticisms of Mr. Bowman's endorsement of the PAC and approach to review DSM applications.

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2 E-28, Bowman Opening statement, page 1, lines 16-25.

3 E-33, Venn Diagram – IG Exhibit, page 1.

4 These references are bracketed as the diagrams depict the EFG illustrative examples where GHG is captured in the social cost of carbon. This was confirmed by Mr. Neme on cross-examination, Transcript Day One, September 22, 2025, page 153.

i. PAC is Not "Too Narrow" and Suite of Tests is not "Cumbersome" and "Complex"

E1 claims the PAC test "is too narrow to serve as the main assessment for portfolio-level decision-making"[5]. The Industrial Group emphasizes that the PAC test directly reflects utility system costs and benefits—precisely the impacts that ratepayers bear. It is not narrow; it is foundational and targeted.

E1 further argues that the "suite of tests" suggested by Mr. Bowman is cumbersome and unnecessarily complex.[6] E1's closing submissions read:

> *This suite of tests is not only cumbersome, but it actually includes tests (such as rate impacts) which are outside the scope of cost-effectiveness analysis, and fall within the scope of a general DSM plan review.*[7]

This submission conflates two concepts: the primary or secondary cost-effectiveness testing to be approved by the Board within this proceeding, and the overall approach to DSM applications.

Primary cost-effectiveness testing must specifically address the goals of the *PUA*, which is the overriding legislation mandating DSM. In contrast with both the submissions of the Industrial Group and NSPI, E1 has not recognized the clearly legislated goal for DSM as reducing electricity costs for NSPI customers. Its focus, instead, is on environmental sustainability which finds support for its consideration in a different statute - the *Energy and Regulatory Boards Act* – not the *PUA*.

While E1 suggests the Proposed BCA addresses "all of the DSM goals"[8], it has failed to explain how the main goal of cost reduction is achieved or considered within its proposed test. The PAC is the only test which specifically addresses the codified goal in s. 79I of the *PUA* to reduce electricity costs for customers –which has been accepted by EFG.[9]

The combination of tests outlined within Mr. Bowman's evidence at page 20, lines 14-24, provides a balanced approach for the Board when considering future DSM applications. This proposal is no more burdensome than filings completed by E1 in prior DSM applications and going forward. E1 has consistently provided TRC results at the measure, component and program level, along with PAC test results at the measure, component and program levels, (and it has committed to continue to provide PAC results in future[10]) along with justification for individual measures which fail cost-effectiveness testing, and information on incentives and payback periods. E1 has also provided rate and bill impact analysis for further context.

ii. Misstatement of Approach to Evaluation of Strategic Electrification

While misstating the evidence of Mr. Bowman, E1 again pleads "complexity" to argue against the use of different tests to be applied to different resources. Its submissions state:

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5 E1 Closing Submissions, October 14, 2025 at page 23.

6 E1 Closing Submissions, October 14, 2025 at page 31 and 36.

7 E1 Closing Submissions, October 14, 2025 at page 31, lines 16-17.

8 E1 Closing Submissions, October 14, 2025, page 33, line 20.

9 Transcript, Day Two, September 23, 2025, pages 272-273.

10 E1 Closing Submissions, October 14, 2025 at pages 21-22.

> *Relying on multiple tests for alternative resources, such as energy efficiency and strategic electrification, introduces unnecessary complexity and is not well aligned with the legislative direction provided to the Board. Nor does Mr. Bowman propose a primary test for DSM resources outside of energy efficiency and strategic electrification. This approach complicates the evaluation process and undermines the objective of establishing a single, primary cost-effectiveness test that can be consistently applied to screen the entire DSM portfolio. It is E1's position that the Proposed BCA would offer clearer guidance, appropriately support the Board's mandate, and ensure that all demand-side management activities are assessed consistently, fairly and effectively at the portfolio level, as required by legislation.*[11]

First, the above misstates the evidence of Mr. Bowman. To clarify, Mr. Bowman proposes that the primary test for all DSM should be the PAC test. For strategic electrification, however, additional utility rate revenues must be added to the equation to address the implications of the increased electricity demands. The Industrial Group supports this approach.

Second, while E1 appears to suggest that applying different cost-effectiveness tests for distinct program types, such as energy efficiency and strategic electrification, is overly complex, it is respectfully submitted that a uniform test approach fails to account for the fundamental differences between these programs. Electrification is new in the DSM world, as testified by Mr. Bowman. Traditionally, an efficiency utility had as its focus the *reduction* of energy usage; electrification is not just *increasing* energy usage, but it must be "strategic" – reducing GHG emissions and costs. Unlike traditional energy efficiency programs, strategic electrification involves distinct objectives under the enabling statute, and carries other benefits, and costs. These distinctions warrant additional evaluation criteria to ensure accurate and meaningful assessments.

Using one test does not offer "clearer guidance"; it instead distorts the cost effectiveness assessment by inflating the calculated benefits through arbitrarily assigned host customer benefits and overly broad societal benefits. Most importantly, and fundamentally, the Proposed BCA fails to account for the utility's actual benefits arising from increased electricity demands – namely, increased revenues. The Proposed BCA offers no meaningful insight into the impacts on electricity costs and does not adequately address the distinct nature of strategic electrification. It falls short of providing the Board with the necessary tools to evaluate DSM that is in the best interest of ratepayers.

iii. The Proposed BCA Could Be Used as a Supplementary Test but is Not Supported in its Current Form and is Not Required

E1's submissions imply endorsement of the Proposed BCA by Mr. Bowman:

> *In fact, the IG's expert, Mr. Bowman, indicates that in order to address broader societal concerns (including sustainable development), the BCA Test is required as part of a suite of tests which Mr. Bowman recommends the Board use going forward…*[12]

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11 E1 Closing Submissions, October 14, 2025, page 36, lines 7-14.

12 E1 Closing Submissions, October 14, 2025, page 40, lines 1-3.

Mr. Bowman has expressly not endorsed the Proposed BCA as filed. Rather, he has acknowledged that it *could* serve as a supplementary tool (which the Industrial Group submits requires modification) to assist the Board in evaluating future DSM Plan applications but is not “required” as stated by E1.

Mr. Bowman recognizes that a variety of testing used by the Board will assist in determining the most cost-effective programs and measures for E1 to invest in. If the Board wishes to consider broader societal costs, then a jurisdiction-specific societal cost test is available. However, Mr. Bowman’s position should not be misconstrued as support for the Proposed BCA as the primary tool to address the applicable policy objectives in Nova Scotia.

The Industrial Group submits that the legislative considerations and policy objectives are most appropriately addressed by using the PAC as the primary cost-effectiveness test, as modified to reflect increased utility revenues for electrification programs. While the Proposed BCA may offer additional insights when used as a secondary test, its inclusion in the analysis is not essential to fulfilling the policy objectives of the *PUA*. Rather, the secondary testing complements the primary analysis and is helpful in providing a more comprehensive assessment of E1’s proposed DSM programming and measures. A broader perspective supports the Board’s ability to serve the best interest of ratepayers in future DSM Plans. Broader societal impacts are not necessary for achieving the objective of lowering electricity costs for ratepayers, and if anything, may work against that goal.

Conclusion

The Industrial Group maintains its position that the legislation, as currently drafted, does not allow for a broad societal test to be used for primary cost-effectiveness testing of DSM, and that the PAC should be used as the primary test. Mr. Bowman’s suggested suite of tests is not overly complex or cumbersome for E1 and should be used as a guide for the upcoming DSM Plan application.

Thank you for the opportunity to submit these reply comments.

Yours truly,

Nancy G. Rubin

Brianne Rudderham

BER/NGR/lmc

cc Participants