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Nicole Godbout
Regulatory Counsel
Nova Scotia Power Incorporated
P.O. Box 910
Halifax NS B3J 2W5

April 10, 2014

Dear Ms. Godbout,

RE: M05522 – 2014 Integrated Resource Plan
Ecology Action Centre Comments on Draft IRP DSM Assumptions

While the official period for comments on Draft IRP DSM Assumptions has passed, the Ecology Action Centre (EAC) respectfully requests consideration of the following proposal and comments.

Having reviewed the Draft IRP DSM Assumptions and subsequent comments from various stakeholders, the EAC finds that it is unclear where the values associated with the draft DSM scenarios derive from. **EAC submits that the process for developing DSM Assumptions must be more closely guided by the Utility and Review Board and Board Consultants so as to ensure adequate and impartial consideration of Demand Side Management as a resource within the IRP.**

Proposal

EAC proposes that Board Consultants, Synapse, develop the DSM Assumptions to be used in modelling in collaboration with NSPI and ENSC. It is critical for this process to be lead by a third-party such as the Board Consultant in order to avoid conflicts of interest.

Comments on the Draft IRP Assumptions as presented follow.

Comments on Draft IRP DSM Assumptions

The Ecology Action centre has reviewed the proposed DSM assumptions and is deeply concerned that the proposed assumptions conflict with the terms of reference for the IRP and risk wasting this opportunity to fairly evaluate DSM in conjunction with other supply-side options over the study period. In particular, the no-regrets perspective, at least for the ratepayer and the environment, is at risk.

We share the concerns expressed by the Small Business Advocate that the assumptions do not minimize the cumulative present worth of the annual revenue requirement, the central objective of the IRP.

In addition, we are concerned that the proposed assumptions set aside the basic objective to meet energy requirements “in a cost-effective, safe and reliable manner across a reasonable range of foreseeable futures”. In particular the proposed assumptions disregard item 2 of the scope of the IRP which calls for the “most likely” values and “projections of plausible high and low values” to be considered. Our specific concerns are as follows:

DSM Levels

The proposed low DSM case of 50% of the DSM Study low case is simply implausible. DSM levels of 50% of 50% of the current base rate (equalling 25% of our present baseline level) as pointed out by ENE, is extremely unlikely to be a cost effective course of action given the demonstrated success of DSM to date and accepted assumptions around fuel and supply side generation costs, none of which are assumed to fall by 75%.

Considering that costs are “most likely” to continue to rise (see slide 58, Natural Gas Price Assumptions, slide 62, Long Term [Import] Price assumptions and slides 66 and 67, Solid Fuel Price Assumptions) achievable cost effective DSM options will continue to increase, the low case for the IRP should be no lower than 75% of present DSM levels.

Likewise, for a mid-range assumption, a conservative and no regrets level of DSM should simply be the present baseline level.

We agree that the High case from the DSM study is acceptable.

DSM Cost Assumptions

Here again, the proposed assumptions are in conflict with the terms of reference by including non-utility costs for DSM and thereby masking potential DSM benefits. Moreover, in light of the legislative changes to the relationship of efficiency programs in the public utility act announced Monday April 7, the IRP and the utility should concern themselves simply with the DSM costs borne by the utility. It will be the responsibility of ENSC, in consultation with the Board and stakeholders, the utility among them, to deliver energy demand reductions for the expected costs. Consistent with the stated intent of the IRP framework, resource needs should be directional and not prescriptive. Participant expenses are simply not relevant to comparing cost effective DSM options within the IRP.

Avoided Cost Methodology

Here again EAC supports the view of the SBA. The DSM study provides sufficient information to model DSM as a resource, with a variable cost curve, or at least multiple discrete levels. Only by integrating DSM within the resource selection process will the IRP fully inform the Preferred Resource Plan. The models may identify differing levels of DSM over the study period that are cost effective. Or the model may identify that full application of cost effective achievable DSM minimizes costs. Or not.

What is clear is that without comparing DSM as a resource fairly with others, by simply comparing potential resource plans with and without various fixed levels of DSM across the study period, the IRP will not reveal the benefits, costs or risks of DSM in comparison to other potential resources and we will be no further along than we were in 2007 and 2009.

Cost of Capital

Use of NSPI’s WACC as the discount rate for DSM exaggerates the risk associated with DSM. Compared to the long life associated with capital assets (for generation assets see slide 41 - 50 plus years), DSM programs on a 1 to 3 year planning cycle are far more nimble and able to respond to variations in their performance. As such their risks are lower as should be their discount rates.

Sincerely,

Catherine Abreu

Energy Coordinator
Ecology Action Centre