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File No. 41736-5

Nicole Godbout
Regulatory Counsel
Nova Scotia Power Inc.
1223 Lower Water Street
Halifax, NS B3J 3S8

Dear Ms. Godbout:

Re: 2014 Integrated Resource Plan - Nova Scotia Power Inc. DRAFT Report

Efficiency Nova Scotia Corporation (ENSC) has reviewed the draft IRP report distributed by Nova Scotia Power (NSPI) on September 30, 2014. In addition to our comments on the draft report, provided below, ENSC agrees with and supports the memos distributed by Synapse on Friday, October 3rd.

Section 1.0 Executive Summary, page 8, line 18 to page 9, line 2 and additional sections as identified

- ENSC agrees with Synapse's comments that the IRP Terms of Reference require NSPI to select a Preferred Resource Plan.

- NSPI suggests that selecting a Preferred Resource Plan (PRP) would hinder the procurement of DSM by the utility as required under legislation. However, the IRP is a long-term least-cost planning exercise, and legislation focuses on short-term (three-year) agreements; examples include sections 79L (9) and 79M (6)a. These two processes are exclusive of each other, as indicated in our comments on the September 12th Technical Conference. Selecting a Preferred Resource Plan within an IRP (long-term) planning process is a different exercise than evaluating that level of DSM and potentially proposing a different one for operationalization purposes. It is the second (DSM Plan) process that should take into account additional factors such as affordability that are a requirement of legislation.

- In several areas of the draft report (page 9, lines 1-2; page 18, lines 26-29; page 28, lines 6-32; page 29, lines 1-8), NSPI appears to take the approach that the DSM Plan requirements under the Act take precedence over the current IRP process. Based on ENSC's review of the Act, there is no provision in the Act that supports this position, which appears to be a managerial decision made by NSPI. This can be gleaned from the following statement at page 9 of the Report: "***In the interest of customers***, the process established by the Act must take precedence." (Emphasis added)
  - To that end, NSPI does not identify which provisions of the Act it purports to rely on in stating that the DSM negotiation process set out in the Act takes precedence over the IRP process and therefore precludes NSPI from selecting a Preferred Resource Plan.
- Page 8, lines 21-23 of the draft report states that NSPI's position of not selecting a plan is supported by the IRP Terms of Reference, which recommend "a no regrets strategy that aligns with the Preferred Resource Plan during the first five years of the planning horizon." However, the Terms of Reference, even in the section quoted by NSPI, specifically state that a Preferred Resource will be selected. They also state that the planning horizon of 25 years will be used to do so. NSPI appears to be selecting specific items in the Terms of Reference to follow rather than adhering to the Terms of Reference, which focus on the IRP as a long-term planning exercise.

Section 2.4.1 Stakeholder Consultation, DSM, page 18, lines 26-29

- NSPI states that the IRP is not the appropriate forum to derive an optimal level of DSM. ENSC agrees with Synapse that the IRP is an appropriate forum to identify the economic level of DSM to include in the Preferred Resource Plan. Identifying this level is important for a number of reasons:
  - The Preferred Resource Plan projections are important to ENSC and stakeholders for the purposes of negotiating and commenting on future DSM Plan applications. Even if the level of DSM in the PRP is not the level brought forward as part of a DSM Plan application, the PRP provides a frame of reference within which to operate. The Act clearly contemplates

the sharing of information between NSPI and ENSC. Specifically, Section 79(K) of the Act states the following:

> (1) Nova Scotia Power Incorporated shall provide a franchise holder with such information in its possession or control, including records and personal information, respecting customer electricity usage and load as is necessary to enable the franchise holder to provide Nova Scotia Power Incorporated with reasonably available cost-effective energy efficiency and conservation activities. (2) Upon written notice from a franchise holder, Nova Scotia Power Incorporated shall, within a reasonable period, provide the franchise holder, for the purpose of enabling the franchise holder to provide Nova Scotia Power Incorporated with reasonably available cost-effective energy efficiency and conservation activities, such information in its possession or control, including records and personal information, respecting customer electricity usage and load as is specified in the notice.

- Although these sections seem particularly focused on the provision of customer information, it is clear they form part of the broader obligation to share information deemed critical by ENSC in order to negotiate DSM Plans with NSPI. Selection of a Preferred Resource Plan will provide information that will enable ENSC to do so.

Section 5.6 Evaluation of Alternative CRPs

- On page 52, lines 13-14, NSPI states that it used the planning period NPV and rate impact as the primary criteria to judge the various plans. Using these two criteria only appears to be in conflict with NSPI's own Terms of Reference for the IRP:
  - The Terms of Reference (page 3, under "Process" and page 4, under "IRP Deliverables") mention "Timing and rates effects" as a consideration for the objective function of the IRP; they do not limit the consideration to "rate impacts" alone. Since the September 12th Technical Conference, NSPI appears to have replaced "Timing and rate effects" with the term "affordability", which, as used by NSPI, is a much more restrictive term. If this criterion now only means rate effects, then it is important to consider that a number of factors impact rates.

- On page 56, lines 2-3, NSPI states that "In the near-term, low DSM investment produces the lowest revenue requirement and potentially the least rate pressure." ENSC would like to point out that "potentially" is the key term here. There are other factors that go into rate hearings that impact whether or not there is actual upward rate pressure. For example, legislation now allows for amortization of DSM. In other words, NSPI's revenue requirement does not automatically equate with negative rate impacts in the near term.

- These types of factors are not addressed in the IRP, which is why the IRP should result in a Preferred Resource Plan that follows the IRP Terms of Reference for long-term planning purposes, and a subsequent regulatory process should take into account elements such as rate and bill impacts for the operational level of DSM to be approved in the short term.

- ENSC has concerns that NSPI's use of the term "affordability" has yet to be defined, particularly in light of the importance NSPI is placing on its application. Affordability has many elements within it. As ENSC's rate and bill impact analysis, filed with the UARB on October 1, 2014, indicates, while rates increase for almost every rate class as a result of DSM, bills decrease for all customers on average, not just for participants in DSM programs. These results indicate that DSM is affordable; in fact, they indicate that it may not be affordable to restrict the level of DSM simply because of rates. Higher levels of DSM result in even lower bills for all customers on average, again indicating that less DSM does not automatically equate to more affordability for customers.

Section 6.2.1 – Demand Side Management Actions

- NSPI's draft action plan states that the utility will "Obtain DSM resource commitments that are consistent with the IRP analysis" (page 60, lines 6-8). As indicated in our comments above, NSPI must be clear and identify a specific Preferred Resource Plan (PRP) to provide guidance for such commitments.

- On page 60, lines 13-15, NSPI states that "During 2015, [it will] determine whether evaluation, monitoring, and verification will be sufficient to establish the savings impacts of DSM resource going forward, including commitments for the period 2016-2018." ENSC views evaluation as an approved and ongoing DSM Plan requirement, subject to verification by the UARB, and that it does not belong in the action plan of an IRP.

Additional Points

ENSC is also providing feedback on additional inclusions in NSPI's draft report that are not specifically related to NSPI's analysis.

Avoided Costs

- On page 7, lines 18-19, NSPI states that they will be "calculating the avoided cost of DSM and reporting to stakeholders and ENSC". We would point out that the calculation of avoided costs is to be a consultative process with ENSC and stakeholders, as approved by the UARB in its June 4th, 2012 Decision on ENSC's 2013-2015 DSM Plan Application.

Customer Engagement

- On page 8, lines 11-14 and page 22, lines 15-17, NSPI highlights its success in attaining feedback from more than 300 customers during its customer engagement sessions. We applaud NSPI's engagement efforts. However, while these sessions can and should help to inform the IRP from a customer perspective, using feedback from them as a key factor in determining the results is problematic from an evidence-based perspective. Should customer feedback be an important component, however, in the evaluation of a Preferred Resource Plan, ENSC also has customer response details to contribute to the discussion:

    - Since 2011, ENSC has served 99,259 unique customers from Residential, Commercial and Industrial classes for which it has customer information. This is in addition to the large number of point-of-sale discount customers for whom ENSC does not have customer information.

    - Of these known customers, ENSC's customer satisfaction surveys indicate that 89-90% are satisfied with our services, satisfaction being defined as willingness to recommend the organization and likelihood of participation in other ENSC programs. These results suggest that, in addition to consideration of affordability, investment in DSM is considered by Nova Scotians to be a worthwhile investment. Combined with the fact that affordability can and must include consideration of bill impacts, not only rate impacts, these results indicate that DSM is an affordable and worthwhile investment in Nova Scotia.

Investment in DSM

Suboptimal investment in DSM, p. 71, lines 19-21 (and p. 72, line 30 – page 73, lines 1-3:

- Although not stated, it appears that NSPI is suggesting that "high" investment in DSM may be suboptimal when coupled with surplus Maritime Link energy, high wind, and low load for some hourly system simulations.

- NSPI cautions that the result may be some wind energy curtailment and possibly uneconomic exports. However, NSPI has failed to demonstrate that the findings of such hourly simulations alter the least-cost analysis sufficiently to affect the mix of candidate resource plans.

- ENSC understands that demand response, demand shifting, and demand control initiatives can play a role in future DSM programming.

Conclusion

Efficiency Nova Scotia appreciates the opportunity to provide feedback on NSPI's draft IRP report and looks forward to seeing the final version.

Yours very truly,

THE BRETON LAW GROUP

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cc. Allan Crandlemire
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