




**NOVA SCOTIA UTILITY AND REVIEW BOARD**

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

- and -

**IN THE MATTER** of an application by **NOVA SCOTIA POWER INCORPORATED** for approval of its 2024 Demand Side Management Cost Recovery Rider (DCRR)

**BEFORE:**

 Stephen T. McGrath, K.C., Chair  
 Roland A. Deveau, K.C., Vice Chair  
 Steven M. Murphy, MBA, P.Eng., Member

**DECISION AND ORDER**

**NOVA SCOTIA POWER INCORPORATED** (NS Power) applied to the Nova Scotia Utility and Review Board for approval of its 2024 DCRR effective January 1 through December 31, 2024. This is the second year of the DCRR, as the 2023 DCRR was approved as part of NS Power's General Rate Application (GRA), M10431.

This matter was considered by way of a paper hearing. NS Power responded to Information Requests (IRs) from intervenors on November 10, 2023. No intervenor contested the application, with written submissions closing on December 1, 2023.

NS Power advised it is not requesting a Balancing Adjustment for 2024, as the first year of the DCRR was February 2, 2023, to December 31, 2023. Variances in collections of the 2023 DCRR from customers compared to actual program costs for 2023 will not be known until 2024. NS Power will apply for the Balancing Adjustment for February 2, 2023, to December 31, 2023, as part of its 2025 DCRR application.

The Board notes that in its recent GRA, NS Power requested that any financing costs to be recovered from or credited to customers through the DCRR be calculated at the Company's weighted average cost of capital (M10431, Exhibit N-156, IR-1(a)). In its decision on the GRA, the Board considered that issue to be premature and did not rule on this request.

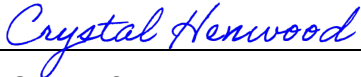
In its response to an information request from the Industrial Group in this proceeding (Exhibit N-2, IR-5(a)), NS Power provided an accounting for demand side management (DSM) revenues compared to its budget and noted: "Interest expense on the over-recovery of DSM program costs has been recorded using simple interest at the Bank of Canada policy interest rate plus one and three-quarters per cent, which is the allowable interest rate on NS Power regulatory deferrals as legislated in the Public Utilities Act.". It is not clear whether NS Power has changed its position on this point, but as the issue was not specifically raised or addressed in this proceeding, the Board considers the appropriate interest rate to be used under the DCRR to be an open issue and directs NS Power to address this in its 2025 DCRR application.

The Board finds the application complies with the *Public Utilities Act* and is satisfied the 2024 DCRR should be approved.

**The Board approves the application and orders:**

1. The 2024 DCRR attached as Appendix A is effective January 1, 2024.
2. The direct monthly payment amounts for the open access transmission tariff for municipal electrical utilities, set out in Figure 2 in Exhibit N-1 in this proceeding, are effective January 1, 2024.
3. NS Power must address the issue of the appropriate interest rate to be used under the DCRR more specifically in its 2025 DCRR application.

**DATED** at Halifax, Nova Scotia, this 13<sup>th</sup> day of December 2023.

  
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Clerk of the Board

**2024 DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DCRR)**

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**APPLICABILITY:**

This schedule applies to all electric rate classes with the exception of the Wholesale Market Non-Dispatchable Supplier Spill Tariff, the Load Retention Tariff, and the Extra Large Industrial Active Demand Control Tariff. For customers taking service in the Wholesale or Renewable to Retail markets, recovery of the costs of electricity efficiency and conservation activities, as defined in Section 79A of the Public Utilities Act (Demand Side Management or DSM) approved by the Nova Scotia Utility and Review Board (NSUARB) will be direct billed in accordance with the customer's class energy bill as if served by Nova Scotia Power Incorporated (NS Power) under its bundled service offerings.

**RESPONSIBILITIES OF FRANCHISE HOLDER**

It is the responsibility of the holder of the electric efficiency and conservation franchise granted under Section 79C of the Public Utilities Act (Franchise Holder) to apply to the Nova Scotia Utility and Review Board (NSUARB) to seek approval of all DSM activities, plans and programs and to itemize and seek approval for all related costs.

On or before October 1 in the year preceding the implementation of the approved programs, NS Power shall apply to the NSUARB to seek approval of the DSM Cost Recovery Rider amounts to be inserted in Schedule A to this tariff for the succeeding rate year. NS Power shall pay to the Franchise Holder the amount approved by the NSUARB to fund the DSM costs, on a monthly basis.

**DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DCRR):**

The monthly amount computed under each of the rate schedules to which this DSM Cost Recovery Rider is applicable shall be increased or decreased by the DCRR at a class- specific rate per kilowatt hour of consumption in accordance with the following formula:

$$\text{DCRR} = \text{PCR} + \text{BA}$$

Where:

**PCR = PROGRAM COST RECOVERY**

The PCR includes all estimated costs for the upcoming calendar year for the DSM Plan that has been requested by the Franchise Holder and approved by the NSUARB (Approved DSM). It includes the cost of planning, developing, implementing, monitoring, evaluating and verifying DSM programs, and includes but is not limited to costs for enabling strategies, consultants, employees and administrative expenses. The PCR is computed for each rate schedule using the cost allocation methodology set out in Schedule B to this tariff.

**2024 DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DCRR)****BA = BALANCE ADJUSTMENT**

The BA is calculated for each rate class separately on a previously completed calendar year basis and is used to reconcile the difference between the amount of revenues actually billed through the PCR and the revenues which should have been billed, as follows:

(1) The balance adjustment amount is the difference between the amount billed in the previously completed calendar year from the application of the PCR unit charges and the actual cost of the Approved DSM during the same previously completed calendar year. In order to enable incorporation of a full year's actual results, the BA will address differences in the year 2 years prior to the current PCR year<sup>1</sup>.

The NSUARB approved DCRR shall be placed into effect with bills rendered on and after the effective date of such change.

**Schedule A****2024 DSM COST RECOVERY RIDER CHARGES**

The Demand Side Management Cost Recovery Rider (DCRR) charges, along with its components, (PCR) and (BA), for the period from the approved effective date of January 1, 2024 to December 31, 2024 are as follows

<b>Applicable Tariff</b>	<b>PCR (cents per kWh)</b>	<b>BA (cents per kWh)</b>	<b>DCRR (cents per kWh)</b>
Domestic Service, Domestic Service Time-of-Day, Domestic Service Time of Use, Domestic Service Critical Peak Pricing	0.616	0.000	0.616
Small General, Small General Time of Use, Small General Critical Peak Pricing	0.778	0.000	0.778
General, General Time of Use, General Critical Peak Pricing	0.582	0.000	0.582
Large General	0.607	0.000	0.607
Small Industrial	0.669	0.000	0.669

<sup>1</sup> Balance Adjustment for 2023 will come into effect on January 1, 2025 and will be based on the revenue collected between February 2, 2023, and December 31, 2023. The revenue will be compared to the DSM costs incurred in that same period.

## APPENDIX A

### 2024 DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DCRR)

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Applicable Tariff	PCR (cents per kWh)	BA (cents per kWh)	DCRR (cents per kWh)
Medium Industrial	0.290	0.000	0.290
Large Industrial including. Interruptible Rider	0.347	0.000	0.347
Municipal	0.639	0.000	0.639
Unmetered Services	0.175	0.000	0.175
Gen. Replacement & Load Following	0.132	0.000	0.132
One Part Real Time Pricing	0.091	0.000	0.091
Shore Power	0.091	0.000	0.091

**2024 DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DCRR)**

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**Schedule B****DSM COST ALLOCATION APPROACH**

There are 3 kinds of cost benefits resulting from DSM:

1. *System* - Avoided future infrastructure and related costs, reduced fuel costs, and contribution to achieving environmental and emissions restrictions. All customers receive these benefits.
2. *Class* - When customers within a class participate, the whole class benefits by a reduction in their cost of service allocation, even those who do not actively participate.
3. *Participation* - Customers who are able to participate in DSM programs can lower their own electricity usage and therefore their costs.

The recovery of DSM costs from customers should reflect the level of benefit received by customer classes. Those customer classes who receive the most benefit (i.e., in all three categories) would bear the most responsibility to contribute to the costs. A customer class that receives only system benefits would contribute to the costs accordingly despite not directly participating in programs. Given the nature of DSM programs and benefits it is not possible to precisely calculate and allocate costs based upon these various benefits.

**Allocation of DSM Program Costs:**

System benefits are allocated to all applicable customer classes in accordance with the Cost of Service Study (COSS) methodology reflecting allocation of generation rate base as per the most recent rate case decision.

Once system benefits have been allocated, the remaining costs relate to the class and participation benefits. These costs are assigned to the class(es) participating in the DSM programs in proportion to amounts invested in each class.

**Method:**

- Step 1 – Allocate the system benefits to all applicable customer classes, as 25% of the total Approved DSM program costs, in accordance with the COSS methodology per the most recent rate case decision.
- Step 2 – Allocate the class and participation benefits by directly assigning 75% of the DSM

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investment identified for each participating customer class.

- Step 3 – Add the amounts from Step 1 and Step 2 to obtain the total amount to be recovered from each class.
- Step 4 - For NS Power bundled service customers, divide the total amount to be recovered from each class by the anticipated electricity sales for the class to derive the required program cost recovery for each class for the upcoming year.
- Step 5 - For customers taking service in the Wholesale or Renewable to Retail markets, recovery of DSM costs will be direct billed in accordance with the customer's class energy bill if served by NS Power under its bundled service offerings.
- Step 6 – Annually, true up the class and participation benefits by customer class, based upon actual experience in the 2 years prior to the current PCR year.

**Conditions:**

- For bundled service customers, this approach applies to classes as a whole (not to individual customers).
- This approach applies to total Approved DSM costs.