

# BLACKBURN ENGLISH

BARRISTERS  SOLICITORS

E.A. Nelson Blackburn, Q.C.  
David F. English, B.Comm., LLB  
Joseph M.J. Cooper, Q.C.  
Janet Nolan Conrad, B.A., LLB  
Paul B. Miller, MBA, LLB  
Derek M. Land, B.A., LLB  
Martha L. Beyea, LLB  
Jonathan P. English, B.B.A., LLB  
Ellen R. Sampson, LLB

Suite 231, Bedford House  
Sunnyside Mall  
1595 Bedford Highway  
Bedford, Nova Scotia  
Canada, B4A 3Y4  
Telephone: (902) 835-8544  
Fax: (902) 835-4310  
E-mail: [bedford@blackburnenglish.com](mailto:bedford@blackburnenglish.com)  
[www.blackburnenglish.com](http://www.blackburnenglish.com)

287 Highway #2  
Enfield, Nova Scotia  
Canada, B2T 1C9  
Telephone: (902) 883-2264  
Fax: (902) 883-8744  
E-mail: [enfield@blackburnenglish.com](mailto:enfield@blackburnenglish.com)  
[www.blackburnenglish.com](http://www.blackburnenglish.com)

OUR FILE:

March 25, 2014

Ms. Nicole Godbout  
Nova Scotia Power Inc.  
1223 Lower Water Street  
Halifax, NS B3J 2W5

Dear Ms. Godbout:

**RE: M05522 - Nova Scotia Power Inc. (NSPI) 2014 Integrated Resource Plan (IRP) - P-884.14**

## **I. Introduction**

The Office of the Small Business Advocate ("SBA") intends to be an active stakeholder in the NSPI 2014 IRP. The SBA welcomes this opportunity on behalf of our constituents, small businesses, who we all hope will operate, grow and prosper over the horizon of this important planning which will shape electric costs over the next 25 years and beyond. This is the first IRP since the SBA was established. The SBA will participate in stakeholder workshops, initiate direct dialogue with NSPI and among the other stakeholders, and provide written comments such as these provided here. The SBA and its consultant have thoroughly reviewed the draft Assumptions Presentation Materials provided by NSPI.

The SBA believes that the 'Objectives and Metrics / Stakeholder' step should be first before the nuts and bolts review of assumptions. The SBA believes NSPI should review exact objectives and even solicit additional objectives from the stakeholder group to assure a comprehensive actionable IRP is developed. The SBA offers these comments as its first step in participation throughout the 2014 IRP.

## **II. Overview of Comments**

The SBA believes that it is important for the stakeholders to come to agreements first and foremost on the objectives of the IRP. This includes establishing metrics NS Power intends to look at to determine the best resource plan or even the good resource plans. This would also include discussion of policy objectives that are implicitly and explicitly going to factor into the analysis and the ultimate decisions and report.

A good IRP analyzes plans in a way that develops metrics relevant to all stakeholder objectives and then at the end will be able to articulate the proper weight or priority given to some objectives over others given the results.

As an example, the slide package refers to testing through Strategist the packages of DSM programs that pass the Total Resource Test. There is nothing wrong with that if the only metric to be used to choose a Resource Plan is economics. Will there be other attributes, along with their metrics, that will be compared between plans to develop a preference. If a minimize Capital Expenditure Objective is applied, and DSM is screened out based upon TRC we would not know if more DSM could help fulfill a minimize Capital Expenditure Objective. This would also be true of a minimize emissions or meet emissions targets such as CO<sub>2</sub>, NO<sub>x</sub>, Sox, Mercury etc., strategies. DSM could contribute to those goals and be left behind due to screening only on TRC economics. Other objectives could be minimizing prices over the next 10 years or revenue requirements over the next 10 years all to promote economic development. These are just examples.

## **III. Analysis Plan Comments**

The SBA has included comments on the limited information on the Analysis Plan. The comments below also include discussion of aspect missing from the IRP process. We have broken out our analysis plan comments on a discussion of objectives, our view on the stakeholder process as constructed by NSPI, methodology, and particular resource plan strategies that the SBA would like to see evaluated in the 2014 IRP.

### **A. Objectives**

The objectives should be made up of three areas, goals, metrics and key questions that should be answered. The Terms of Reference under Deliverables Item 1 defines the primary objective of minimizing electric costs, but clearing states that the criteria should include other aspects similar to what we have listed below. The SBA, through its consultant, is familiar with the Strategist model which will be used by NSPI. While this model is widely used and among the more popular models for IRP, the SBA cautions that it is often used by utilities who give heavy weighting to revenue requirement minimization rather than fully develop the trade-offs among the metrics that establish the accomplishments toward the goals that best serve Nova Scotia. While there has been some discussion on the other objectives, goals and metrics have not been established. The process does not seem to include the briefing of and receiving input from the stakeholders in this all important area. The SBA has a strong desire to be involved at the level of establishing metrics and goals.

In addition, in its March 14, 2014 memo to IRP Intervenor, NSPI is vague on its analysis plan, merely stating items established in the terms of reference. Even the name intervenors connotes a less inclusive position than recognizing the SBA and others as stakeholders who will pay for the brilliance or errors that result from the planning process. According to the Terms of Reference the presentation workshop and comments are the final 'input' opportunities before NSPI issues its assumptions and analysis plan, without discussing the NSPI analysis plan so that comments could be made. Even without an indication of the 'meat' of NSPI analysis the SBA offers five key questions, the answers of which will help drive costs to small business and other customers to the lowest reasonable levels.

**i. Goals & Metrics**

1. Revenue Requirement Minimization - Primary
2. Acceptable Price of Electricity paths has been discussed somewhat
3. Plan Robustness and Flexibility needs definition
4. Environmental / Emissions Outlook need specific metrics
5. Reliability & Energy Security – the levels of which alternative resource plans provide for Nova Scotia.

**ii. Key Resource Planning Questions to Address**

1. How does the Maritime Link affect resource planning choices?
2. What are the economic benefits of the continued operation of existing thermal and hydroelectric generation?
3. What is the least cost way to meet environmental constraints?
4. What is the cost to meet various levels of emissions?
5. What is the role of DSM, energy efficiency and price responsive demand, in the resource portfolio? Does more DSM spending have a measurable impact on rates now or over the 25 year planning horizon?

**B. Stakeholder Process**

The Terms of Reference provide specifically for a Stakeholder Engagement Process. "Stakeholder Input an integral part of the process". With this in mind the SBA is concerned that the process is not more interactive. Providing a pre-look at assumptions is hardly input. Providing the specifications of the analysis required in the Terms of Reference is hardly input into analysis. We appreciate the early efforts of NSPI, but the SBA notes we have a lot more to do before the IRP truly has input and transparency

- i. **Thoroughness of information sharing with stakeholders** – Stakeholders will not see which plans are analyzed and which metrics are developed prior to the Interim Analysis Progress Report Technical Conference on June 25<sup>th</sup> when the scope of the analytics has been long established and is now partly complete.
- ii. **Timeliness and frequency of stakeholder comment and input** – On September 5<sup>th</sup> analysis results will be 'issued' to stakeholders, with a Stakeholder Technical Conference on Analysis Results on September 30<sup>th</sup>. There are not any provisions

in the 'Timeline' for additional analysis based upon stakeholder input prior to the Draft Report is issued to stakeholders on September 30<sup>th</sup>.

- iii. **Degree of Impact of the stakeholders** – There is not a process for Stakeholder comments at the progress report, or after the 'results' conference. Stakeholders have a week to comment after the draft report. The final report will be filed with the UARB 8 days later. How can anyone expect the stakeholders to have significant influence and impact on the 2014 IRP? NSPI has followed the exact letter of the Terms of Reference, not its intent. The SBA hopes that the opportunities for the stakeholders to provide actual input, influence and impact is properly represented as properly represented.

### C. Methodology

The SBA has developed some thoughts on the methodologies being utilized by NSPI in the 2014 IRP. The SBA recognizes that its comments on the "Evaluation and Optimization" process are relatively minor as a result of the lack of information on what exactly NSPI intends to do in this process. However, the SBA believes that there is a flaw in the DSM integration process as the IRP analysis has been presented.

- i. **Evaluation of DSM** - In the process described DSM economics are developed prior to the Evaluation and Optimization steps. While it is appropriate to establish specific energy efficiency program designs and funding through analysis using the Total Resource Cost (TRC) Test, it is not appropriate to use this criteria prior to DSM's value is studied in resource plans that are judged by more than just the TRC economics. Supply options are not screened as compared to avoided costs prior to IRP, but DSM options are. Supply options are more prominent in resource plans depending upon their fuel, their size, their impact on system operation and their capital cost. DSM is screened solely on economics versus avoided costs. In fact, 'avoided costs' is an output parameter of the new resource plan that is selected as the Preferred Plan. DSM economics established in the DSM potential study or in a screening evaluation in IRP both use with vintage information.

The IRP process should use substantial information from the DSM potential study. A DSM 'supply curve' should be created as output of the DSM potential study. Incremental blocks of increasing cost DSM can be used within the IRP analysis, just as additional supply options are deployed within a resource plan or resource strategy. Blocks are not cumulative DSM levels they are incremental DSM that can be harvested for a price.

For example, under the process roughly described by NSPI, if a static amount of DSM passes the Strategist Test and included in all plans as the full economic achievable program DSM potential, and a plan needs to lower its emissions to meet constraints or goals, the next supply option may be the non-emitting or

low-emitting resource, likely renewable. The cost of that resource is very likely to be above the avoided costs used to establish the amount of 'economic' DSM. Thus we do not know if more DSM could have been a better substitute into the resource plan to meet an emissions objective or goal.

## ii. Evaluation and Optimization

The SBA agrees that a process that analyzes many plans under Reference conditions, a subset through Scenario Testing and a few plans through Risk Analysis, is very useful. Our comments below describe information we would like to know about the NSPI process. We would like the opportunity to comments on the evaluation process, unfortunately we do not know specifics of what NSPI intends.

1. **Reference Scenario Analysis** – What are the plans that will be tested? What are the metrics? Or is there only one metric? Will stakeholders get to comment on the plans before the analysis?
2. **Scenario Testing (“Worlds” Development)** – What is the process to choose or design these “Worlds”. Will these be established using primarily a consultant or forecasting organization’s scenarios? How will the optimization process work? Will Plans be allowed to recognize the alternative scenario at some point in time? These are key areas for the stakeholders to understand prior to the analysis; allowing the stakeholders to provide input.
3. **Risk analysis** - How is this going to be evaluated? What risks?

## D. Thoughts on Resource Plans for Consideration

The SBA provides these four plans or strategies that we would like to see evaluated. The SBA participates diligently in rate cases, major project approvals and the ACE Review Process, all to fulfill our responsibility to small businesses that the costs are necessary and prudent. The approval of the ACE Plan and certainly the proceeding to approve the Maritime Link provided the SBA with more input and details to review than the IRP. The IRP sets in motion the plans that form a major element of NSPI’s cost to serve customers. Failure to test stakeholder strategies to lower cost or to provide information on the impact of certain resources and policies would prove to be a lost opportunity for the 2014 IRP.

- i. **Lowest Capital Investment Plan**
- ii. **Lowest Emissions Plan contrasted with Compliance levels of emissions**
- iii. **Maximum retirement / replacement of existing resources**
- iv. **Optimized continued operation of existing generation**

## IV. Assumptions Comments

The SBA does have some specific comments or questions regarding specific draft assumptions proposed by NSPI.

## A. Environmental/Emissions

- i. **Constraints** – Are there different scenarios of constraints? How will NSPI incorporate the A & B Scenarios for emissions constraints? Is it the best use of limited time and analytical resources to study both scenarios? Why not plan for the more stringent resources since there will be many IRPs prior to reaching the points where the Scenarios A & B diverge? Are the existing RES requirements the only future to be analyzed?
- ii. **Targets**- Should IRP study emissions reduction targets that go beyond compliance in order to establish the impact of policy changes that might ratchet down emissions? What would these targets be? Would it be valuable to test targets desired by individual stakeholder groups? Should the IRP evaluate renewable energy strategy targets beyond RES compliance?

## B. Existing Supply Side Options

***What are the costs to maintain each existing generating resource?*** Capital and O&M. How much will certain generating units operate under various Maritime Link energy delivery scenarios? The ability to keep thermal generation operating well beyond 50 years as noted on Slide 41 makes some units exempt from evaluating the generation for economic obsolescence? What better place to test the strategic value of existing assets?

In Slides 28 and 29 NSPI discusses its rationale for assuming it is a given that ***\$500 million dollars should be spent on existing hydroelectric facilities?*** This is a substantial cost that must vary across the NSPI hydro facilities. Why is this assumption made?

## C. DSM Options

***See discussion above***

## D. Load Forecast

The low forecast should assume flat or declining industrial load. The SBA hopes that growth from its industrial constituents helps drive economic recovery in Nova Scotia. The SBA also recognizes that the risks that small commercial customers will shoulder an unnecessary burden if a plan is developed that is not flexible or robust.

**E. Wind Capacity Factor & Integration Costs**

The SBA wants to get specific assumptions on how NSPI intends to evaluate any potential strategic and cost advantages to wind procurement through purchase power agreements versus NSPI ownership.

**F. Import Options**

There appears to be an inconsistency among the natural gas forecasts, emissions costs and import price assumptions over the study period.

**G. Future Supply Options**

Will each supply option provided on slides 19 to 22 be separate options in the IRP analysis or will NSPI establish certain generation options to each represent a group of similar supply options?

**H. Natural Gas Price Forecasts**

Why is the assumption made that there is CO2 emissions limits or costs established for the reference natural gas forecast and not in either of the high and low forecasts?

**V. Conclusion**

The SBA is appreciative of the opportunity to participate in the on-going stakeholder process for IRP. The SBA would like more involvement in the process. The SBA cautions that the current degree of stakeholder input is unlikely to result in preferred resource plan with broad stakeholder support.

Yours truly,



E.A. NELSON BLACKBURN, Q.C.

SMALL BUSINESS ADVOCATE