



DSM and DR Assumptions - Levels and Costs

DSM and DR Levels

NS Power proposes to model candidate resource plans that include various levels of DSM and Demand Response (DR).

DSM levels. NS Power proposes to model a range of different candidate resource plans that have one of three different levels of DSM:

- High Case from ENSC/Navigant January 2014 DSM Potential Study

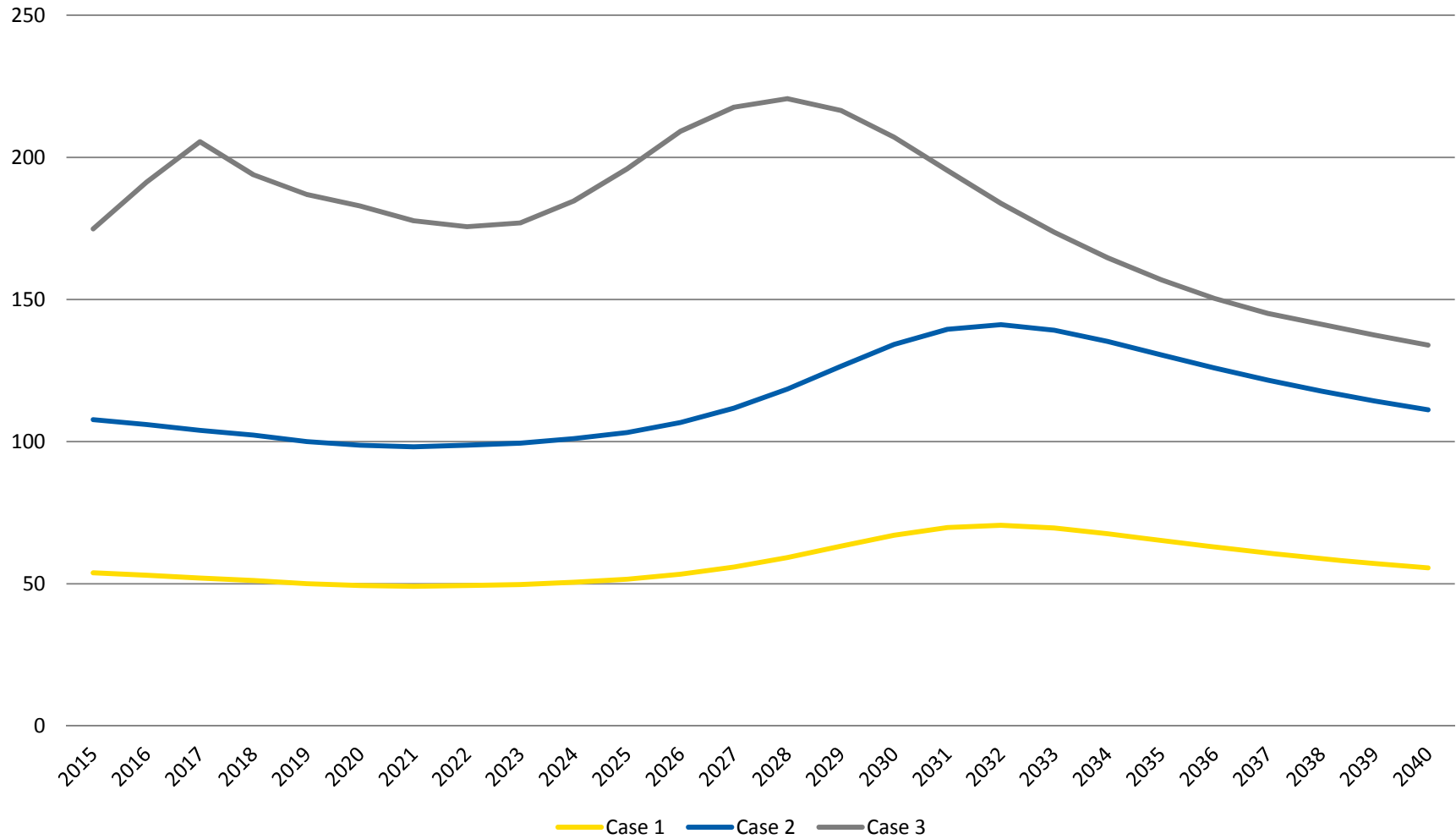
- Low Case from ENSC/Navigant January 2014 DSM Potential Study

- 50% Low Case from ENSC/Navigant January 2014 DSM Potential Study

NS Power believes that the ENSC/Navigant January 2014 DSM Potential Study warrants review and vetting by stakeholders in a separate regulatory process at a future date. NS Power considers this data to be sufficient for IRP purposes.

DR levels. In addition to the reductions in peak demand associated with each of the DSM levels, NS Power proposes to model several direct load control solutions to mitigate peak demand and provide some ancillary services. These DR assumptions do not preclude the utilization of other customer solutions as a resource in the future.

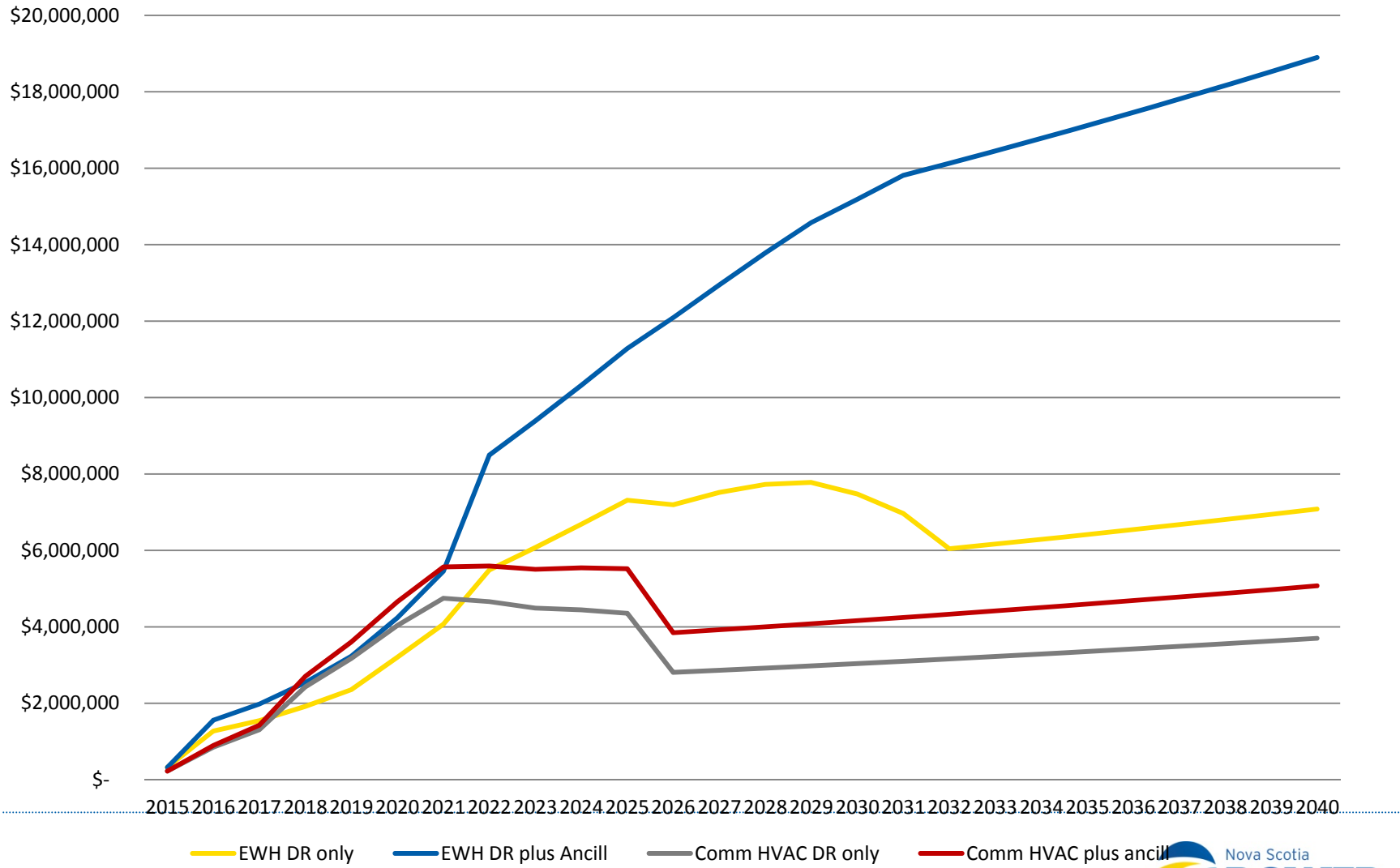
DSM Scenarios: Incremental Energy Reductions GWh



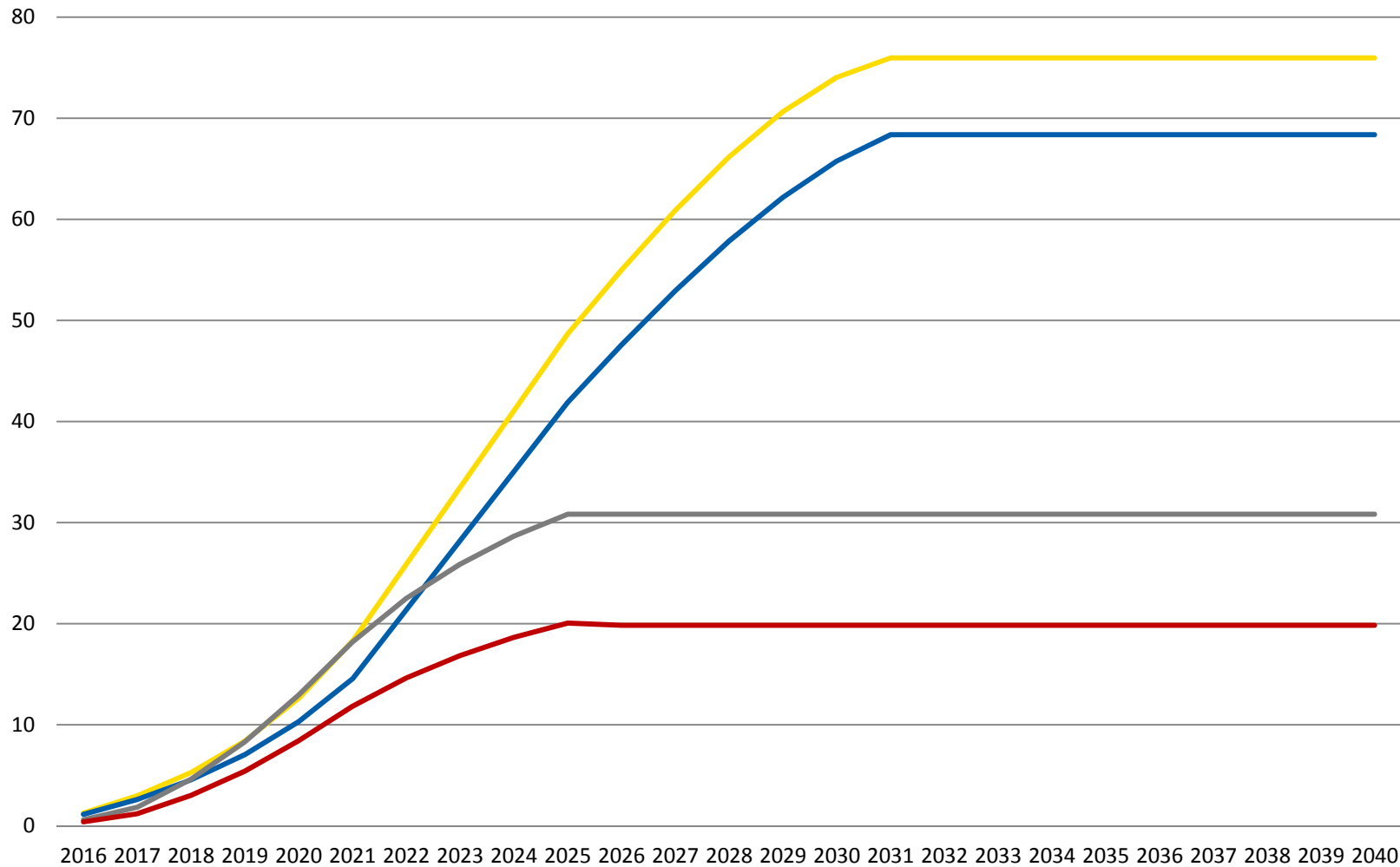
DSM and DR Costs

- NS Power proposes to calculate the revenue requirements of candidate resource plans that include DSM using the total cost of that DSM. These costs, referred to as Total Resource Costs (TRC), consist of the DSM program administrator costs plus the customer costs, i.e., costs paid by participants in those programs.
- NS Power is proposing this approach consistent with the TRC, previous IRPs and with the IRP treatment of DSM in other jurisdictions that use TRC as a primary test. The TRC is the predominant cost effectiveness test used for screening in North America. The TRC is the test currently accepted by the UARB.
- For information purposes, NS Power will also calculate the revenue requirements of candidate resource plans that include DSM without customer costs.
- Consistent with the treatment of supply side options, NS Power will apply its after-tax WACC as the discount rate for DSM.
- Stakeholders will have the opportunity to address these issues as the subject of future regulatory filings allowing for stakeholder input and Board Decision

Forecast DR Program Costs \$ (nominal)



Forecast DR Program Impacts MW



— EWH DR only — EWH DR plus Ancill — Comm HVAC DR only — Comm HVAC plus ancill

Avoided Cost Methodology

- Historically NS Power has relied upon a difference in total plan costs (no DSM vs DSM plans) as the basis for the avoided costs
- The avoided cost methodology will be discussed in more detail at the June technical conference