

May 31, 2010

Nancy McNeil
Clerk of the Board
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
P.O. Box 1692, Unit "M"
Halifax, NS B3J 3S3

Re: CI # 34622 – Upgrade L-8002 - P-128.10 Responses to Information Requests (IRs)

Dear Ms. McNeil:

Enclosed are IR responses pertaining to the capital item referenced above. These IRs were received on May 17, 2010.

The material and contract costs referenced in IR-3 (b) and IR-4 (b) are confidential.

To protect value for customers and mitigate the risk of prospective proponents having access to this information, the forecast costs for materials are considered confidential. The more a supplier is aware of NSPI's specific requirements, the better their ability to obtain the highest price, reduce competition and ultimately increase the cost for NSPI and its customers. The cost of such transparency is not always immediately evident. Information from regulatory proceedings can provide competitive advantages over other suppliers, and that could be advantageous in bidding or negotiation. Higher prices, or avoidable contractual constraints, will result in unnecessary higher costs to customers.

Contract costs are also considered confidential. NSPI strives to keep the suppliers' pricing confidential from their other customers or potential competitors. This prevents competitors from using their information to gain a competitive advantage. This is equally true for NSPI, which desires to protect its ability to acquire capital services and equipment on the most competitive terms. Those "best" prices may not be available if there is a risk that they will be disclosed to the customers or competitors of the supplier.

All purchase orders and contracts for supply of materials and installation have not yet been finalized.

N. McNeil
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Since NSPI customer rates are cost-based, the maintenance of confidentiality for this item is to the direct benefit of customers.

Regards,

A handwritten signature in blue ink, appearing to read "Lee Thomson-Lutz", with a stylized "for" written to the left.

Lee Thomson-Lutz, MBA, CMA
Manager, Capital

Encl.

NON-CONFIDENTIAL

1 **Request IR-1:**

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3 **NSPI's application states that "This work is being completed by NSPI and an affiliate...".**

4 **Please describe the specific activities being completed by NSPI.**

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6 Response IR-1:

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8 NSPI personnel will provide project supervision and may work on structure replacements.

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1 **Request IR-2:**

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3 **Please explain how NSPI verifies that the contractor has satisfactorily completed only the**
4 **work that was identified in the work order authorization.**

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6 Response IR-2:

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8 NSPI personnel monitors each work site to ensure the contractor is completing the work they
9 have been assigned. Additionally, NSPI performs transmission line inspections to verify the
10 identified work has been completed

REDACTED

Request IR-3:

The project estimate indicates that \$1,216,050 will be spent during 2010 and \$366,537 will be spent during 2011.

a) Please identify the geographic area of work activity for each year.

b) Please provide a detailed cost breakdown for each year.

Response IR-3:

a) In 2010, the work will take place between Brushy Hill and Lakeside. In 2011, the remaining work will take place between Brushy Hill and Brookfield.

b) Table 1 – Breakdown for CI# 34622 Upgrade L-8002 – Year 2010

Account	Estimate (\$)
Labour	22,303
Materials	
Contracts	
Interest	15,922
Overheads	155,428
Total	1,216,050

Table 2– Breakdown for CI# 34622 Upgrade L-8002 – Year 2011

Account	Estimate (\$)
Labour	10,000
Materials	
Contracts	
Interest	0
Overheads	66,462
Total	366,537

REDACTED

Request IR-4:

NSPI's application lists a Project Estimate of \$1,582,587 which is \$75,602 less than the listed Budget Estimate of \$1,658,189. The variance is attributed to a decrease in interest since part of this project will be made operational prior to completion of the full project. The total amount of interest to be capitalized on this project is listed as \$15,922.

a) Please elaborate on the variance explanation.

b) Is the total variance of \$75,602 due to reduced interest?

c) Please provide a detailed listing of the Budget Estimate.

Response IR-4:

a) The budget estimate was compiled in a program that does not recognize a portion of this project being made operational and ceasing interest prior to completion of this job. NSPI manually adjusted interest to reflect a portion of this job becoming operational. This adjustment created a variance between the 2010 ACE version and the revised forecast amount.

b) The total variance is due to reduced interest (-\$109,552) and increased material costs (+\$33,950).

c) Table 1 – Budget Estimate for CI# 34622 Upgrade L-8002

REDACTED

1 Response IR-4: (cont'd)

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Account	Estimate (\$)
Labour	32,303
Materials	
Contracts	
Interest	125,473
Overheads	221,890
Totals	1,658,188

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1 **Request IR-5:**

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3 **Please provide the work schedule for 2010 and 2011.**

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5 Response IR-5:

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7 The work for 2010 is scheduled to begin on September 01, 2010 and last for approximately 2
8 months. This date may change if the thermal outage schedule is revised.

9
10 A work schedule for 2011 has not been determined yet.

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Request IR-6:

Please explain the AO calculations for each category shown in the application.

Response IR-6:

AO calculations for each category are listed below:

Total T&D Reg. Labour	\$32,303
x Customer Operations Vehicle AO Rate	22.91%
Total Vehicle T&D Reg. Labour AO	\$7,401

Total T&D Reg. Labour	\$32,303
x Customer Operations Regular AO Rate	79.13%
Total COPS Regular Labour AO	\$25,561

Total COPS Contracts	\$772,397
x Customer Operations Contract AO Rate	24.46%
Total COPS Contracts AO	\$188,928

Total AO	\$221,890
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Request IR-7:

Please show the interest calculation of \$15,922.

Response IR-7:

Due to part of this project being made operational prior to the completion of the project, interest has been stopped prior to the overall in-service date. The remaining portion of this project will be made operational in November 2010. Spending begins in September, which results in 2 months of interest charges. (ACE 2010 Allowance for Funds Used During Construction (AFUDC) Annual Rate 7.96% / 12 = 0.6633%)

September 2010 spend	\$1,200,128.29
x Monthly AFUDC Rate	0.6633%
September AFUDC	\$7,960.85

October 2010 spend	\$0
Cumulative Spend to October 2010	\$1,200,128.29
x Monthly AFUDC Rate	0.6633%
October AFUDC	\$7,960.85

Total AFUDC	\$15,921.70
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NON-CONFIDENTIAL

1 **Request IR-8:**

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3 **In its response to the ACE Plan 2010 IR-T11 (a), NSPI stated:**

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5 **The actual work encountered in 2009 was as previously forecasted. The ACE**
6 **amount for this project was \$1.6 million and the actual amount was \$1.2**
7 **million.**
8

9 **a) Please explain this variance.**

10
11 **b) Could a similar variance be experienced with CI #34622? Please explain.**
12

13 **Response IR-8:**

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15 **a) This variance is the result of material and contract costs being less than budget.**
16

17 **b) NSPI expects this project to be completed on budget.**

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Request IR-9:

In its response to the ACE Plan 2010 IR-T11 (c), NSPI stated that the full project scope is not being completed during 2010 due to transmission line outage scheduling.

a) Please elaborate.

b) Please identify and explain any additional work order costs that may be attributed to completing this work in two distinct phases, i.e. 2010 and 2011.

Response IR-9:

a) The NSPI Control Center coordinates transmission outages that take into account ongoing scheduled maintenance on both the transmission and generation systems. There is a time period in 2010 that is allocated to remove L-8002 from service.

b) Currently, there are no additional costs associated with completing this work in two distinct phases. The current external Power Line Technician contract expires on December 31, 2010. The contract terms in effect for 2011 could affect the work order budget in 2011.

This item will be filed with the Board for final cost approval, once this job has been completed.

NON-CONFIDENTIAL

1 **Request IR-10:**

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3 **In its submission of the 2009 CI# 33542 - Upgrade L-8002, NSPI provided supporting**
4 **information stating that the total project cost to upgrade L-8002 would be \$3.8 million and**
5 **that the 2010 project CI# 34622 was estimated to cost \$2.2 million. Recognizing that the**
6 **actual cost for CI# 33542 was \$1.2 million and the work order estimate for CI# 34622 is**
7 **\$1.58 million, please explain the reasons for this 37% variance of approximately \$1 million.**
8

9 **Response IR-10:**

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11 The budget for L-8002 upgrade was estimated in mid 2008 for the years 2009, 2010, and 2011.
12 Since this time, updated information for this project has been incorporated. This has resulted in
13 an overall decrease of the project total.