Nova Scotia Utility and Review Board

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June 23, 2010

Lee Thomson-Lutz, **By email and courier**
Manager Capital Projects
Nova Scotia Power Inc.
14th Floor, Barrington Tower
PO Box 910, Scotia Square
Halifax, NS B3J 2W5

Dear Ms. Thomson-Lutz:

NSPI Request for Approval of 2010 ACE Plan Work Order - P-128.10
CI # 34602 - 25 kV Feeder Extension Bissett Road

The Board has reviewed NSPI's letter dated and received electronically on April 30, 2010 (hard copy May 4, 2010) in which Board approval is requested for the following **Confidential** 2010 ACE Plan Work Order greater than $1.0 million:

CI# 34602	**25 kV Feeder Extension Bissett Road**	**$1,036,178**

Board staff issued Information Requests ("IRs") on May 18, 2010 for response by June 1, 2010. NSPI requested an extension to June 11, 2010 which was granted and responses were received by the Board on June 11, 2010.

The Board has considered the information filed by NSPI in support of this expenditure, as well as its June 11, 2010 responses to IRs. The Board understands that this project is required to reduce the circuit loading on the Dartmouth East feeder 113H-442 which is approaching the maximum loading criteria of 325 amps.

While the Board has concerns regarding the review and approval process, as set out below, it accepts that this project is necessary and the corresponding cost is justified. Accordingly, this will confirm that the Board has approved NSPI's request for the amount of $1,036,178 with respect to this Work Order.

During its review of this capital project application, the Board has identified several matters of concern regarding the information that NSPI has provided to the Board and the timing associated with this application and construction activity.

a) Related Projects

In its application, NSPI stated that there were no other related projects in 2008, 2009, 2010, 2011 and 2012. However, the Board is aware that this project is part of a larger system expansion involving the Burnside, Dartmouth Crossing, East Dartmouth, Eastern Passage, and Woodlawn areas as described in NSPI's planning report #232-1105-H38. In fact, since 2006, related projects exceeding $5 million have been completed or are currently underway.

In its response to IR-7 a) requesting NSPI to confirm that there were no related projects, NSPI stated that "there are no related projects pertaining to this specific circuit". However, in its response to IR-7 b) which requested identification of the next related project, NSPI stated that a new 138 - 25 kV substation is planned for construction in Eastern Passage in 2012 and that additional distribution double circuits may be required.

It is clearly evident from these responses that NSPI needs to be more forthcoming with information being provided in its work order applications and more comprehensive in its IR responses. The Board must be provided with sufficient information regarding the full scope and justification of capital expenditure requests in order to make an informed decision about approval of such expenditure requests.

b) Justification

In its application, NSPI justifies the need for this project by stating:

> This capital expenditure is required to relieve overloaded equipment. The East Dartmouth 25 kV feeder circuit 113H-442 supplying Caldwell Road, Cow Bay and the Eastern Passage areas of Dartmouth exceeds overload criteria. Load on this feeder at the 2008-09 peak was recorded at 432 amps. The overload criteria is a maximum of 325 amps.

Based on NSPI's response to IR-2, it is evident that the peak load on this circuit during normal operating conditions is in the range of 300 amps and that the stated peak for 2008-09 was due to load transfers among adjacent circuits. This tends to suggest that NSPI's justification for this capital expenditure, as stated, is skewed and somewhat misleading.

c) Labour Cost and Resources

In its response to 2010 ACE Plan IR-D4 c), NSPI stated:

> Both NSPI and contract labour will be completing the work with NSPI doing the conversion portion of the project. NSPI will assume this section of the project to facilitate the communications strategy which needs to be aligned during the completion of this work.

However, in responding to ACE Plan IR-D4 b), NSPI's breakdown of the $1,036,178 project estimate did not include any cost for NSPI labour.

When the work order application was submitted, the cost breakdown again did not show any estimate for NSPI labour but the justification stated:

> This work is being completed by NSPI and an affiliate, in accordance with the approach described in response to ACE 2010 IR-T11(d).

Subsequently, in responding to IR-4 which requested a description and detailed costs of NSPI activities on this project, NSPI responded as follows:

> When this application was filed with the Board, it was anticipated that both NSPI and an affiliate would complete the work. It has since been determined, an affiliate will be completing all activities for this project.

The Board has serious concerns that NSPI may not have been forthcoming with full disclosure regarding labour resources for this project since the cost estimates suggest that 100% of the work was being assigned to contract forces from the outset, with no provision for construction activity by NSPI crews.

d) Timing of the Application and Work Activity

NSPI filed the electronic version of this work order application on April 30, 2010 and the hard copy was received by the Board on May 4, 2010. The application noted an estimated start date of June 2010 and an estimated in-service date of August 2010. This does not provide the Board with sufficient time to adequately review the expenditure request, particularly in view of the fact that NSPI requested an extension to June 11th for providing replies to IRs.

In its response to IR-4 requesting the work schedule for this project, NSPI stated that the work is currently in progress, is approximately 25% complete, and is scheduled to be completed in July 2010. NSPI has clearly decided to proceed with this work prior to receiving Board approval. This is not the first time NSPI has seemingly ignored the provisions of the *Public Utilities Act* ("PUA") and has been cautioned by the Board on previous occasions regarding such actions. Section 35 of the Act states:

> No public utility shall proceed with any new construction, improvements or betterments in or extensions or additions to its property used or useful in furnishing, rendering or supplying any service which requires the expenditure of more than two hundred and fifty thousand dollars without first securing the approval thereof of the Board.

The Board again cautions NSPI against proceeding with capital expenditures without prior Board approval and directs NSPI to ensure that requests for approval are submitted to the Board in a timely manner which facilitates the approval process and subsequent construction schedules. NSPI's continued disregard of the provisions of the PUA may lead to further action by the Board.

Yours very truly,

Murray E. Doehler, CA, P.Eng.
Member

c.c. Eric Ferguson, Director, Regulatory Affairs (Acting) By email

Document #: 177605