



Nova Scotia Utility and Review Board

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October 29, 2010

By E-mail and Courier

Ms. Lee Thomson-Lutz
Manager, Capital
Nova Scotia Power Inc.
14th Floor, Barrington Tower
Halifax, NS B3J 2W5

Dear Ms. Thomson-Lutz:

**NSPI Request for Approval of 2010 ACE Plan Work Order Greater Than \$1 Million:
CI # 38852 - Work Vehicle Replacement (P-128.10 / Matter No. M03088)**

The Board has reviewed Nova Scotia Power Inc.'s ("NSPI") letter dated and received electronically on April 30, 2010 (a hard copy received on May 4, 2010), requesting Board approval for the following **confidential** 2010 ACE Plan Work Order greater than \$1 million:

CI # 38852	Work Vehicle Replacement	\$6,064,000
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As a part of the 2010 ACE Plan review, Board staff issued Information Requests ("IRs") related to the above project on February 5, 2010, and NSPI's responses were received on March 5, 2010. In its 2010 ACE Plan Order issued on May 11, 2010 the Board advised NSPI that approval for this capital item was withheld until NSPI submits a request for approval and provides the Board with the appropriate justification.

NSPI's approval request includes a revised cost estimate for this project of \$6,064,000, a slight reduction from the amount of \$6,101,516, which was included in the 2010 ACE Plan. Board Staff issued additional IRs related to this project on June 30, July 23, and September 14, 2010, to which responses were received on July 15, August 10, and September 28, 2010, respectively.

The Board has carefully considered NSPI's request in this matter and additional information filed by NSPI in response to Board staff IRs. The Board accepts, as filed, the portions of the work order and IRs that are marked confidential.

The Board understands that the new vehicles are required for Power Line Technicians to perform their daily duties. The Board also understands that it is more economical to purchase new vehicles, than to carry out extensive repairs on currently used ones to keep them operational. While the Board has some concerns regarding the purchase of work vehicles in 2009, as set out below, the Board accepts the purchase of new work vehicles is necessary and the corresponding cost is justified. The Board has reviewed the cost of the project in the context

of the capital work order approval process notice dated November 26, 2009, and is satisfied that, in this case, stakeholder participation is not required at this time.

Accordingly, this will confirm that the Board has approved NSPI's request for the amount of \$6,064,000 with respect to this Work Order.

During its review of the 2010 ACE Plan work orders related to work, transportation, and class 3 light work vehicle purchases, Board staff noticed that in 2009 the number of vehicles that was acquired by NSPI was lower than the number of vehicles that was approved by the Board for the purchase. It was also noticed that in 2009 NSPI leased a number of vehicles, which resulted in relatively higher costs. NSPI's responses to IRs to explain these issues have not been satisfactory. As noted in the Board's September 20, 2010 letter to NSPI, the Board is concerned that there has been a general "decline in the quantity and quality of information submitted by NSPI in its filings for capital expenditure approval requests".

The Board directs NSPI to provide, by November 12, 2010, a detailed explanation for the delay in the purchase of vehicles and to explain and justify its decision to lease a number of vehicles due to "cash flow issues", as stated in NSPI's responses to IRs.

Yours very truly,

A handwritten signature in black ink, appearing to read "P. Gurnham", is written over the typed name.

Peter W. Gurnham, Q.C.
Chair

Enclosure

cc Eric Ferguson, Director Regulatory Affairs

By e-mail