NOVA SCOTIA POWER
An Emera Company

November 16, 2010

Nancy McNeil
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
PO Box 1692, Unit "M"
Halifax, NS B3J 3S3

Re: CI 38852 – Work Vehicle Replacement NSPI Responses to Board Directives – P-128.10

Dear Ms. McNeil:

Enclosed are NSPI's responses to the Board's Directives provided in the above referenced approval letter dated October 29, 2010.

> 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.
>
> The Board directs NSPI to provide, by November 12, 2010, a detailed explanation for the delay in the purchase of vehicles.

Work Vehicles

Board Approval			
Year	Forecast	# of Vehicles	Cost per Unit
2007			
2008	$3,598,950	16	$224,934
2009	$3,341,589	15	$222,773
	$6,940,539		

Actual			
Year	Actuals	# of Vehicles	Cost per Unit
2007	($11,500)		
2008	$3,536,231	19	$186,117
2009	$3,536,236	16	$221,015
2010	($34,495)		
	$7,026,472		

The original ACE forecast for the purchase of work vehicles in 2008 and 2009 was 31. Since this work order was approved, NSPI purchased 19 work vehicles in 2008 and leased 16 work vehicles in 2009.

Transportation Vehicles

Board Approval			
Year	Forecast	# of Vehicles	Cost per Unit
2009	$596,221	23	$25,923
2010	$663,747	27	$24,583
	$1,259,968		

Actual			
Year	Actuals	# of Vehicles	Cost per Unit
2009	$710,914	25	$28,437
2010		To be finalized	
	$710,914		

The original ACE forecast for the purchase of transportation vehicles in 2009 was 60. When the work order was provided for approval, this forecast was updated to reflect 50 vehicles; split between 2009 and 2010. In 2009 NSPI purchased 25 transportation vehicles.

Class 3 Light Work Vehicles

Board Approval			
Year	Forecast	# of Vehicles	Cost per Unit
2009	$521,457	5	$104,291
	$521,457		

Actual			
Year	Actuals	# of Vehicles	Cost per Unit
2009	0	0	N/A
	0		

In the 2009 4th Quarter Report, NSPI confirmed that the Class 3 Light Work Vehicles capital application was cancelled.

NSPI forecasted the number of Transportation and Class 3 Light Work vehicles to be purchased in 2009 (and submitted in the 2009 ACE Plan) in late summer of 2008. At that point in time, as a result of the global financial downturn, there was a major disruption in the automobile industry. Considered the "Automotive Industry Crisis of 2008-2010" this downturn was primarily felt by the "Big Three" automakers, General Motors, Ford, and Chrysler. During this period it was not known if the large manufacturers would survive the downturn in the economy and continue to manufacture these vehicles.

As a result, NSPI determined that it would cancel the purchase of Class 3 vehicles. Throughout 2009 NSPI monitored developments in the North American automobile industry with regard to the type of vehicles being manufactured to determine NSPI's vehicle purchase program for 2010.

> [NSPI] 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.

In early 2009, faced with an increasing capital requirement arising from changing environmental-related regulation, NSPI was focused on maintaining cash flow flexibility.

Consistent with this the Company elected to lease its work vehicles rather than purchase these vehicles outright.

The effect of this on 2009 cash flow was that the Company paid an annual lease payment of $365,054 versus a purchase outlay of $3.4 million. In addition, on a per unit basis the cost of vehicles acquired under the capital item was lower than that assumed in the application

Sincerely,

Lee Thomson-Lutz, MBA, CMA
Manager, Capital