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July 15, 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: NSPI - Responses to Information Requests (IRs) – P – 128.10
CI #34582 – Class 3 Light Work Vehicles
CI #34583 – Transportation Vehicle Replacements
CI #38852 – Work Vehicle Replacement

Dear Ms. McNeil:

Enclosed are the IR responses pertaining to the capital items referenced above. These IRs were received on June 30, 2010.

Regards,

Lee Thomson-Lutz MBA, CMA
Manager Capital,

Encl.

Request IR-1:

This project was identified on page 255 of the 2010 ACE Plan for the amount of $1,151,049. NSPI's request is asking for approval of $1,063,981 to cover the purchase of 10 light work vehicles. NSPI advised in its submission that the variance "is due to the 2011 spend being removed from the project" and that "this was an oversight":

a) Please clarify the above statements.

b) What does the variance of $87,068 represent? Please elaborate.

Response IR-1:

a) When the ACE Plan was finalized, the spending profile modeled the vehicles arriving at the end of 2010, with interest calculated to the end of 2011. The interest expense originally forecasted for 2011 was the result of an input error. The revised submission has interest calculated correctly to the end of 2010.

b) The variance represents the removal of interest charges for 2011 in the amount of $87,068. Please refer to Table 1 below for the 2011 interest calculation that has been removed from the project. The increase in July 2011 is the result of compound interest.

Table 1 – Interest Calculation

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
AFUDC Base	1,072,481	1,072,481	1,072,481	1,072,481	1,072,481	1,072,481	1,115,166	1,115,166	1,115,166	1,115,166	1,115,166	1,115,166
Monthly AFUDC Rate (7.96%/12)	0.66333%	0.66333%	0.66333%	0.66333%	0.66333%	0.66333%	0.66333%	0.66333%	0.66333%	0.66333%	0.66333%	0.66333%
AFUDC	$ 7,114.12	$ 7,114.12	$ 7,114.12	$ 7,114.12	$ 7,114.12	$ 7,114.12	$ 7,397.26	$ 7,397.26	$ 7,397.26	$ 7,397.26	$ 7,397.26	$ 7,397.26
											Total	$87,068.28

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Request IR-2:

This project was identified on page 254 of the 2010 ACE Plan for the amount of $3,446,332. NSPl's request is asking for approval of $1,723,031 to cover the purchase of 64 transportation vehicles. NSPI advised in its submission that the variance "is due to this project now being a one year project instead of a two year project":

a) Please clarify the above statement.

b) What does the variance of $1,723,301 represent?

The answers should include an explanation for changes in approval amounts and clearly differentiate between the scope of work covered under this submission and the scope of work planned for 2011.

Response IR-2:

a) This project will now only cover costs associated with the purchase of vehicles in 2010. Going forward, NSPI plans to purchase vehicles on a yearly basis under Routine Capital.

b) This variance represents the amount that was proposed for vehicle purchases in 2011. The vehicles proposed to be purchased in 2011 will be funded through a new vehicle routine.

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Request IR-3:

In the response to IR-GP14(g) it is stated that "NSPI has a legal alliance with Altec industries to refurbish and resell used equipment". Please explain how does this alliance function.

Response IR-3:

Previously, NSPI would destroy decommissioned vehicles due to the liability involved in used aerials. NSPI has an agreement with Altec Industries whereby Altec purchases the vehicles from NSPI and inspects and refurbishes them prior to reselling to a third party. Under this agreement, Altec assumes all liability.

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Request IR-4:

Regarding CI # 38852, Work Vehicle Replacement, as it relates to the response to IR-GP14(h), Attachment 4:

a) Please clarify who is the purchaser of these vehicles.

b) Please explain the terms "15% Salvage Value" and "Net Sale".

c) The Net Sale values appear to be much lower than the "Resale values after k years since acquisition time", used to calculate the Equivalent Annual Cost (“EAC”). Board staff understands that resale values are provided by Altec. Please explain the discrepancy.

d) It appears that Net Sale values in recent years are much lower than in 2006. Please explain.

Response IR-4:

a) Altec Industries Ltd. has an agreement with NSPI to purchase these vehicles.

b) The 15 percent salvage value is 15 percent of the original cost. It refers to the value lost when driving the vehicle “off the lot.” As NSPI holds on to vehicles for an extended period of time, this value cannot be recovered.

Net sale is the price paid to NSPI for retired vehicles.

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Response IR-4: (cont'd)

c) The "Resale values after k years since acquisition time" have not been updated. Updated values have not yet been obtained from Altec. Any increase or decrease to these values will have a minimal effect on the analysis and the decision on whether to retire older vehicles.

d) Previously Altec would direct sell the units resulting in higher net sale values. Altec now sends the units to auction to avoid the costs associated with periods of excess inventory. The result of this change in business process is a lower sale price.

Request IR-5:

Provide a table showing the actual number of vehicles purchased and related costs in each of 2007, 2008 and 2009, for transportation, work and Class 3 light vehicles separately.

Response IR-5:

Table 1 – Number of Vehicles Purchased and Related Costs in 2007, 2008 and 2009.

	2007		2008		2009	
Vehicle Class	**Number Purchased**	**Cost ($)**	**Number Purchased**	**Cost ($)**	**Number Purchased**	**Cost ($)**
Transportation Vehicles	65	1,473,142.30	76	1,609,073.00	19	442,458.00
Work Vehicles	0	0	19	3,645,701.60	16	Leased Only
Class 3 Light Work Vehicles	2	86,025.04	2	82,350.00	0	0