



## Nova Scotia Utility and Review Board

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September 16, 2010

### **By E-mail and Courier**

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

Dear Ms. Thomson-Lutz:

### **NSPI Request for Approval to Overspend ("ATO") – P-128.10: CI # 33942 – Coon Pond Pipeline Replacement**

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The Board has reviewed Nova Scotia Power Inc.'s ("NSPI") letter dated and received electronically on April 30, 2010 (hard copy received May 4, 2010), requesting Board approval for the following non-confidential ATO Work Order:

|                                                    | <u>Approved<br/>Amount</u> | <u>ATO Amount</u>  | <u>Revised<br/>Amount</u> |
|----------------------------------------------------|----------------------------|--------------------|---------------------------|
| <b>CI # 33942 - Coon Pond Pipeline Replacement</b> | <b>\$629,936</b>           | <b>\$1,445,612</b> | <b>\$2,075,549</b>        |

This Work Order was originally approved by the Board on February 5, 2009, as an Unknown and Unforeseen ("U&U") capital item, in the amount of \$629,936. The Board approved the repairs to the damaged Coon Pond to Mill Lake Pipeline with the understanding that a complete replacement of this section of the pipeline was planned for 2014. NSPI is now requesting Board approval to replace the above noted section of the pipeline in 2010.

Board staff issued Information Requests ("IRs"), on June 4, June 25, and July 20, 2010, to which responses were received by the Board on June 22, July 13, and August 4, 2010, respectively.

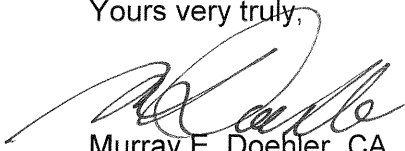
The Board is concerned with the clarity and accuracy of the initial information provided by NSPI in this approval request and in responses to IRs. In order to obtain a full description of events that led to the decision to replace this section of the pipeline, three sets of IRs had to be issued.

The timeline of events provided by NSPI shows that the pipe was dewatered between February 14, 2007 and February 19, 2008, as well as since June 16, 2008. One of the recommendations included in the 1998 inspection report was not to drain the pipe "unless absolutely necessary as the stave wood no longer has the ability to readily swell and reseal". The Board understands

that it was necessary on several occasions to dewater the pipe. The Board also understands that NSPI had difficulties in assessing the condition of the pipe and in determining the most cost effective solution in a timely manner. It appears that long periods of time during which the pipe was dewatered accelerated the deterioration of the woodstave pipeline and contributed to the decision to replace, and not to repair, the pipe.

While the Board has some concerns, as set out above, it accepts that the complete replacement of the pipe is now the best option. The requested increase in project cost is significant; however, the Board is satisfied that, in this case, the over expenditure is warranted. Accordingly, this will confirm that the Board has approved NSPI's request for an increase of \$1,445,612 in the cost of the above noted Work Order.

Yours very truly,



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

cc Eric Ferguson, Director Regulatory Affairs

By e-mail