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Our File: G-2907
July 22, 2010

Ms. Nancy McNeil
Regulatory Affairs Officer
Nova Scotia Utility & Review Board
1601 Lower Water Street, Suite 300
Halifax, NS B3J 3P6

Dear Ms. McNeil:

**Re: Written Submissions – TUC6 Waste Heat Recovery Project - CI# 28098 Authority to Overspend (ATO) - P-128.07**

Further to your letter of June 22, 2010, which advised parties as to the process for written submissions in the above matter, please accept the following comments on behalf of our clients, NewPage Port Hawkesbury Corp. and Bowater Mersey Paper Company Limited (collectively "NPB") regarding NSPI's Application to Overspend for approval of the Tufts Cove 6 Combined Cycle Conversion unit with Duct Firing (the "Project").

NPB appreciates the process the Board has established in this case, which has once again provided stakeholders with the opportunity to participate. On November 1, 2007, and also on July 4, 2008, NPB provided the Board with previous submissions expressing various concerns about the economics of the Project and the increase in equipment prices between the 2007 and 2008 Applications.

The Board originally approved the Project in its decision dated September 16, 2008. However, in granting this approval, the Board stated as follows at page 9:

> The Board does wish, however, to make it clear to NSPI that its approval of both components of this project is strictly based on the revised cost of $84,296,764, and its clear understanding that this project can successfully be completed at or below this approved amount.

NSPI has confirmed, in response to NPB IR-1(a), that a contingency amount of $7,213,207 was included in the May 2008 Tufts Cove 6 Waste Heat Recovery Application approved by the Board in its September 16, 2008 decision. Therefore, we note that NSPI's current Application effectively requests an Authority to Overspend by $8,699,865 above the Board approved contingency amount of $7,213,207.

We would also note that, in addition to the increase in capital costs, NSPI is now indicating that the estimated in service date for the project is late December 2010, or early January 2011 (see response to UARB IR-3). In response to NPB IR-4, NSPI did not provide an updated estimate of the benefits to NSPI ratepayers in 2010 that have been lost due to NSPI's failure to achieve the Project's initial commercial operation date of June 2010, as was forecast in the earlier Applications.

However, at page 1 of NSPI's September 11, 2007 Application, NSPI had projected that Tufts Cove 6 would reduce NSPI's customer revenue requirement in 2010 by approximately $5 million. At page 6 of NSPI's Reply evidence in this matter dated July 11, 2008, NSPI indicated that the forecast benefit of this investment to NSPI customers in 2010 is approximately $6 million. Thus, as a result of the delay in commissioning the Project, customers will not realize the cost savings anticipated for 2010.

Although NPB is not in a position to evaluate each and every additional claimed cost item at this time, we encourage the Board to review NSPI's Application with these points in mind.

Thank you for the opportunity to submit these comments.

Yours truly,

**McINNES COOPER**

James A. MacDuff

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