

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE *PUBLIC UTILITIES ACT*

- and -

IN THE MATTER OF the Waste Heat Recovery Project

**SUBMISSIONS FILED ON BEHALF OF
NOVA SCOTIA DEPARTMENT OF ENERGY**

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INTRODUCTION

1. Please accept these submissions on behalf of the Nova Scotia Department of Energy ("NSDOE"). NSDOE appreciates the opportunity provided by the Nova Scotia Utility and Review Board ("UARB") to participate in this process relating to the request by Nova Scotia Power Incorporated ("NSPI") for authority to overspend on its previously considered the Tufts Cove 6 Waste Heat Recovery Project (the "Project").

BACKGROUND

2. On September 12, 2007, NSPI submitted a capital work order to the UARB in respect of the project, then estimated by NSPI to cost approximately \$66.3 million. In a decision dated December 21, 2007, the UARB approved the Project, with the exception of the duct firing component, in respect of which concerns about an open solicitation process had been raised. The UARB left NSPI with the option to proceed with the Project without duct firing, or to submit sufficient documentation to the UARB to address its concerns relating to the duct firing component.
3. On May 28, 2008, NSPI requested board approval of a revised version of the Project including duct firing, at a cost then estimated at the increased amount of \$84.3 million. In a decision dated September 16, 2008, the UARB approved the revised application but cautioned NSPI:

The Board does wish, however, to make 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. In this regard, the board notes that NSPI, in its response dated August 22, 2008 stated that:

NSPI will make every effort to manage this project, once approved, to the lowest reasonable cost to customers...The company is confident that timely approval will help the current costs estimated can be achieved.

NSPI should be keenly aware that should the actual cost of this project exceed that amount, the board will scrutinize an application NSPI to overspend that amount carefully to ensure that this project continues to be economically justifiable and in the best interest of ratepayers. This review will be conducted in the usual manner, in accordance with the board's responsibility pursuant to s.35 of the *Act...*

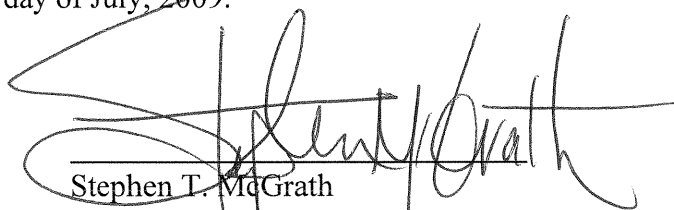
4. NSPI's present application now forecasts the cost of the Project to be approximately \$93 million. On page 2 of 5 of its application, NSPI indicated that this is "approximately 10 percent higher than the amount approved by the Board in 2008". As that this does not take into account the fact a contingency of approximately \$7.2 million was embedded in the approved amount and has now been reduced to zero in the revised forecast, NSDOE submits that the effective overspend is somewhat greater. (NSPI (UARB) IR 20).

SUBMISSIONS

5. Based upon its review of the application materials and NSPI's responses to information requests, NSDOE respectfully submits that NSPI's application for authority to overspend should be approved.

6. NSDOE is of the general view that applications for the approval of capital work be supported by cost estimates that are thoroughly developed and fully researched so that the risk of variance is as low as possible. Further, once approved, all reasonable measure must be taken to ensure that actual costs are as low as possible and managed within the approved expenditures. Having said that, it must also be recognized that unforeseeable issues can arise in construction projects.
7. On the whole, although the increase in costs is not immaterial, NSDOE does not believe that there is any obvious basis for believing that the increased costs are attributable to any imprudence. NSDOE also continues to believe that despite this increase, the Project can and will benefit ratepayers.

All of which is respectfully submitted this 22nd day of July, 2009.

A large, stylized handwritten signature in black ink, which appears to read "Stephen T. McGrath". The signature is written over a horizontal line.

Stephen T. McGrath

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