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Nova Scotia
Utility and Review Board

In the Matter of The Public Utilities Act

And

In the Matter of an Application by Nova Scotia Power Inc. for Authority to Overspend (ATO) under NSPI CI#28098 – TUC Waste Heat Recovery Process P 128.07/M03097

Submission on behalf of the Municipal Electric Utilities of Nova Scotia

October 22, 2010

The Board approves capital expenditures by Nova Scotia Power Inc. (the Company) under sections 35 and 35A of the Act. Such approval is contingent upon the expenditures being found to be "used and useful in furnishing, rendering or supplying any service" and providing a benefit for ratepayers. The proposed expenditures are commonly shown to provide a positive net present value to ratepayers in the analysis furnished by the Company in its application.

The Company, given its current allowed rate of return has a strong incentive to make additions to rate base. The Board is properly vigilant to insure that ratepayers are not burdened with expansions of the Company's rate base which do not bring benefits to the ratepayers.

It is not unusual for construction projects to run over budget. Careful and rigorous planning can reduce the probability of cost overruns occurring and we submit that the Company bears the responsibility of that diligence. Ratepayers should not be exposed to financial risk they cannot control, certainly never to the point where a project no longer has positive NPV.

The Board in its recent Decision in the Biomass was careful to limit risk to ratepayers. In the Decision allowing the purchase of the assets of the Kentville Electric Commission the Board did not allow the full purchase price to be added to the Company's rate base, only the book value of the utility. These are appropriate protections for ratepayers.

Scrutiny by Board staff, consultants and intervenors cannot expose all deficiencies in any application for capital work orders. The Company holds the responsibility for identifying and planning for capital additions. We submit that the shareholders should properly bear the risk of cost overruns on approved projects except where it can shown that overruns are beyond its control and then not to the point where positive NPV is lost.

All of which is respectfully submitted.

Donald Regan, on behalf of MEUNSC.