

September 13, 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 Fuel Adjustment Mechanism 2009 Review – P-887(1)

Dear Ms. McNeil:

On August 20, 2010 the Board requested that NSPI submit a summary report and status update of Fuel Adjustment Mechanism (FAM) topics discussed by FAM Stakeholders in the FAM Small Working Group.

Throughout 2009, NSPI hosted several FAM stakeholder conferences. These conferences facilitated dialogue among stakeholders regarding FAM processes, emerging topics and submissions to the Board. Stakeholder input during these conferences was encouraged and received. Additionally, the FAM Plan of Administration (POA) allowed for formal stakeholder written input on June 30 and December 15, 2009.

As a result of stakeholder input received throughout the year and submitted to the Board by letter on December 15, 2009, a stakeholder conference was held on January 14, 2010 to further discuss the topics raised. Confidential Attachment 1 contains detailed notes of the topics and discussions. These notes were subsequently submitted to stakeholders, for both input and to serve as a record of the meeting.

As an outcome of the January 14 meeting, stakeholders agreed to establish a FAM Small Working Group to address topics not resolved during the January 14, 2010 conference. The FAM Small Working Group, composed of interested FAM stakeholders, has met three times: April 28, May 26, and June 17. Detailed notes of the topics and discussions were also taken during these sessions and subsequently submitted to the FAM Small Working Group attendees, for input and to serve as a record. (Please refer to Confidential Attachments 2, 3, and 4 for copies of the FAM Small Working Group notes.)

As noted in NSPI's response to Avon IR-39 submitted to the Board and stakeholders September 3, 2010, the FAM Small Working Group has successfully resolved a number of topics as reflected in the FAM Small Working Group notes. Those topics include the

completion of the revised FAM POA agreed to by stakeholders and draft Fuel Manual revisions based on stakeholder input.

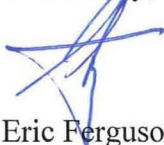
Remaining items for discussion and resolution with the FAM Small Working Group are:

- FAM Forecasting Methodology for Import Power and Low Sulphur Coal;
- Finalizing suggested Fuel Manual revisions.

The above noted items required additional research in order to better inform stakeholders. Research regarding hedging as currently established in the Fuel Manual is being conducted by Black & Veatch.

If additional information is required in this matter, please contact the undersigned.

Yours truly,

A handwritten signature in blue ink, appearing to be 'Eric Ferguson', is written over a faint, stylized blue star or asterisk graphic.

Eric Ferguson, CMA
Director, Regulatory Affairs

Encl.

c: FAM Stakeholders