

June 30, 2010

Nancy McNeil
Clerk of the Board
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
PO Box 1692, Unit "M"
Halifax, NS B3J 3S3

**Re: Nova Scotia Power Inc. - 2010 Annual Capital Expenditure Plan
(2010-2014) (ACE Plan) P-128.10**

Dear Ms. McNeil,

The Board's Order dated May 11, 2010, includes the following directive:

IT IS FURTHER ORDERED that NSPI submit by June 30, 2010, a proposal that will address the following:

- i) the mandatory, detailed information to be submitted with each capital project filing to justify that project;
- ii) a process whereby the Board will be informed in advance, to the extent possible, of proposed Unforeseen and Unbudgeted ("U&U") expenditures, the justification, and the subsequent project update with final costs;
- iii) a filing schedule to allow time for Board consideration of projects in advance of commencement of construction;
- iv) other comments that NSPI may wish to make regarding compliance with the Board's objective of providing a timely, transparent and comprehensive expenditure approval process.

NSPI's response to the Board directive is provided in the following:

- i) the mandatory, detailed information to be submitted with each capital project filing to justify that project;

NSPI's response to this directive is provided in Attachment 1.

- ii) a process whereby the Board will be informed in advance, to the extent possible, of proposed Unforeseen and Unbudgeted ("U&U") expenditures, the justification, and the subsequent project update with final costs;

Unbudgeted and Unforeseen items are capital projects not included in the ACE Plan, but filed separately for Board approval. These projects typically occur as a result of:

1. Generation plant/ utility infrastructure operational failure;
2. Additional, or unanticipated discovery of mechanical / technical issues during a plant/ utility infrastructure shut-down, or inspection; or
3. Projects which are identified at the time of the ACE filing but for which there is insufficient technical and/or financial information available, or for which NSPI corporate approval processes have not been completed at the time of ACE development.

Included in the quarterly package will be a report to the Board identifying any U&U projects originating within the period. A projected filing date, status update and budget cost category will be provided for these capital items.

Projects in excess of \$5 million will be included in this report once they are approved by NSPI's Board of Directors.

- iii) a filing schedule to allow time for Board consideration of projects in advance of commencement of construction;

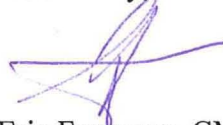
Please refer to Attachment 2. The preparation and compilation of these applications and their supporting documentation can affect the forecast filing date. NSPI will update the Board in the event of significant change in the anticipated filing date for these items.

- iv) other comments that NSPI may wish to make regarding compliance with the Board's objective of providing a timely, transparent and comprehensive expenditure approval process.

Commentary regarding the 2011 and future capital planning processes will be provided in subsequent correspondence to the Board. NSPI will propose to amend future ACE Plan filings to 1) reflect the recent legislative changes which increase the Board's capital approval requirements to items greater than \$250,000 and 2) align the ACE Plan application with the Board's recent directives regarding capital applications.

Please direct any comments or questions to the undersigned.

Yours truly,



Eric Ferguson, CMA
Director, Regulatory Affairs

c: J. René Gallant
Alan Richardson
Mark Savory

Supporting documentation provided with each capital work order application is determined by the cost of the project. The following information will be filed with each capital application, as appropriate:

Capital Items Greater than \$250k, but less than \$1 million*

Project Start Date

Project In Service Date

Project Final Cost Date

Utility Function

Forecast Amount

Related Projects having taken place in the past 2 years, current year or anticipated for the next 2 years

Project Description

Justification Criteria Including:

- Sub Criteria (When applicable)
- Description of why the project is being undertaken
(i.e. Why do this project?)
- Description of why the project is necessary at the time proposed
(i.e. Why do this project now?)
- Description of why the project will be carried out in the manner proposed
(i.e. Why do this project this way?)
- Whether the work will be completed by an affiliate

*This is the information NSPI currently provides for these projects.

Capital Items Greater than \$1 million, but less than \$5 million

In addition to the information listed above, these projects will be further supported by the following information as appropriate to the Application:

Project Milestone Schedule

Cost Support - This may include but is not limited to:

- Supplier Quotes, or Estimates
- Significant Contract Terms & Conditions
- Management's Best Estimate based on previous experience

Additional Information required to justify the project - This may include, but is not limited to:

- Engineering/ Condition Assessment Reports
- Independent Consultant Reports
- Planning Studies
- Business Cases
- Economic Analysis Model (EAM) Results

Capital Items Greater than \$5 million

In addition to the information listed above, these projects will be further supported by the following information as appropriate to the Application:

Cost Benefit Analysis - This may include, but is not limited to:

- The Economic Analysis Model Results
- The Levelized Cost Model Results
- Strategist® Modeling Results
- NSPI Procurement Documentation and Recommendations; (i.e. Requests for Expressions of Interest and Requests for Proposals)

Project Due Diligence Summaries

Industry Information

Real Estate Information - This may include but is not limited to:

- Lease Agreements
- Property Evaluations and Assessments

NSPI Performance Data- This may include but is not limited to:

- Load Statistics
- Outage Performance Data
- Annual Maintenance Schedules
- Historical Results for multi-year projects
- Internal NSPI Reviews

Technical Details - This may include but is not limited to:

- Substation Drawings
- Line Drawings
- System Impact Studies
- Generation Interconnection Agreement

Stakeholder Information - This may include but is not limited to:

- Government Legislation
- Letters of Project Support
- Stakeholder Engagement Communication

2010 Filing Schedule		
CI#	Project	File Date
Power Production		
28752	LM6000 Overhaul Tuft's Cove #5 Engine	30-Jul-10
38859	HYD Big Falls Headgate Replacement	30-Jul-10
38942	TUC Unit #3 Generator Rotor Rewind	30-Jul-10
38724	TRE5 Superheater, Reheater and Boiler Upgrades	30-Jul-10
16497	HYD Nictaux Electrical Refurbishment	30-Jul-10
38105	POT - CW Flow Improvements	30-Jul-10
30802	POT - Marine Terminal Dust Mitigation	29-Oct-10
38868	HYD Marshall Falls Hydro Station	29-Oct-10
38944	LIN Unit 2 Rotor Rewind	Deferred until 2011
38102	POT - Utilization of Heavy Biofuel Oil	Deferred until 2011
Transmission		
33525	Canaan Rd 43kV to Tremont 51V Line	30-Jun-10
38819	51V Tremont Circuit Breaker & Bus	30-Jun-10
11004	Canaan Rd Circuit Breaker Additions	30-Jun-10
38110	2010 Transmission Line Insulator Replacement	30-Jul-10
38027	2010 Trans Switch & Breaker Upgrade	30-Jul-10
38857	L7004 Deteriorated Replacements	30-Jul-10
38266	2010 Protection Upgrades	30-Jul-10
38856	L7011 Deteriorated Replacements	30-Jul-10
38878	2010 Substation Cutout and Insulator	30-Jul-10
25391	25kV Bus Keltic Drive Substation	30-Jul-10
33504	Upgrade 69kV Circuit to Pleasant Street L5536	Deferred until 2011
Distribution		
38122	2010 PCB Equipment Removal/Destruction	30-Jul-10
38903	Halifax UG Cable Replacements	30-Aug-10
38847	Distribution Feeder Ties	30-Aug-10
25575	Reliability Keltic Drive New Feeder	Deferred until 2011
General Property		
29009	Right of Way Purchase Northern NS	30-Jun-10
37722	PeopleSoft Upgrade	30-Jul-10
38182	2010 Backup Control Centre	30-Jul-10
33562	FAC Land Registration Act	30-Jul-10
38142	RTU Replacement Program	30-Jul-10
38900	OPSYM Modeling Tool	30-Jul-10
34843	Oracle NLA License	29-Oct-10
32304	AMI Hardware and Software Installation	29-Oct-10