NSPI Panel – Opening Statement -- January 5, 2011
Digby Wind Project - P-128.10
Check against delivery

Good morning Madame Chair and Commissioners.

Thank you for the opportunity to be here today and to present this opening statement on behalf of Nova Scotia Power.

In the spring of 2007, The Environmental Goals and Prosperity Act was passed into law in Nova Scotia, setting the stage for a transformational change in the Province's electricity sector. The Act recognizes the critical link between the environment and the economy and manifests the collective desire of Nova Scotians to move away from the carbon intensive generation mix that has characterized their electric sector for decades. The Renewable Energy Standard (RES) regulations, which were most recently updated in the fall of 2010, established a timetable for increasing the use of renewable sources of electricity. These regulations also specify the approach that is to be followed to achieve the requirement for 25% renewable generation by 2015 and establishing a goal of 40% renewable generation by 2020.

As part of its strategy for achieving RES compliance, Nova Scotia Power issued a Request for Proposal (RFP) for renewable energy in 2007. Seven of the projects that bid into that RFP were awarded Power Purchase Agreements. These Power Purchase Agreements represented over 240 MW of wind energy generation capacity. Since that time, NSPI and the Independent Power Producers involved have weathered a world-wide recession and financial market meltdown but continued to work steadily toward meeting the RES requirements. NSPI has been before the UARB with three previous requests for capital approvals related to RES compliance. With the support of the Board and stakeholders, NSPI is well on its way to achieving both the 2011 and the 2013 RES requirements of an additional 5% and 10% new renewables respectively.

NSPI is now able to report that of the seven lowest cost renewable energy projects selected following the 2007 RFP for wind projects, all but one are currently putting energy on the grid. With Shear Wind's Glen Dhu wind farm scheduled to complete final commissioning work in the coming months, Nova Scotia will have 280 MW of wind capacity on the system - more than triple what we had just a year ago. This represents 11% of our generation on a nameplate capacity basis and on those winter windy days when full production is occurring, allows 14% of our energy to come from wind energy alone. It is also worth noting that this represents the highest installed wind capacity to peak load in Canada. In a very short period of time NSPI has made dramatic progress in the Province's transformation to renewable electricity.

The financial downturn in 2008/09 put most of the original seven projects at risk. In order to preserve the projects for future RES compliance and to preserve customer benefits by continuing to qualify for the ecoEnergy incentive, Nova Scotia Power stepped in to move three of these projects forward, specifically the ones at Point Tupper, Nuttby Mountain and Digby Neck.

The Board approved Nova Scotia Power's request for a minority interest in the Point Tupper Wind project which reached commercial operation in early August. We are able to report that this project was constructed within budget. The Board also approved Nova Scotia Power purchasing and completing development of the Nuttby Mountain Wind Farm near Truro, which I am pleased to report began putting energy on the grid in the fall and reached commercial operation last month – on time and again within budget. In both cases, the Board's decision cited that the projects were in the best interest of customers and should proceed. Also in both cases, the levelized cost to customers will be lower than the cost to customers under the original PPA.

These successful projects highlight two important policy objectives at work across the Emera enterprise. First, of course, compliance with the law and regulations. Second, our desire to develop assets within regulated business structures because we believe this creates the best long-term value for customers and our business.

Today’s hearing brings us to the last of these projects. Nova Scotia Power is seeking approval for four capital work orders associated with the Digby Neck Wind Farm project. The financial downturn resulted in SkyPower Corporation seeking creditor protection under the Companies’ Creditors Arrangement Act. This circumstance created a significant risk that the project would not be executed on the terms of the associated Power Purchase Agreement or in time to be eligible for ecoEnergy funding. It also created risk from an RES compliance perspective. NSPI endeavoured to acquire the project to ensure that it would proceed in a timely manner and preserve the value of the PPA for its customers.

Nova Scotia Power has provided evidence that guides the Board and interested parties through the chronology of events from the time the PPA was at risk through the transfer to Nova Scotia Power. The project had to be developed in a cost effective manner within a tight timeline in order to access the Federal ecoEnergy incentive program which provides significant savings to Nova Scotia Power's customers.

In addition, the project provides a positive net present value of 4.9 million, compared with the original PPA. The levelized cost to customers over the analysis period is forecast to equal $86.71/MWh, which is lower than the PPA $92/MWh. The ecoEnergy credit, coupled with the strong wind regime and favourable economics, makes this a good project for Nova Scotia.

NSPI respectfully seeks UARB approval of the Digby Neck Wind Farm Project and requests that the Board confirm that the affiliate transactions relating to the Digby Project are compliant with the Affiliate Code of Conduct. NSPI's engagement of affiliates provided demonstrable benefits to our customers. Indeed, it is fair to say that this project was able to be completed on time and within budget because of the involvement of NSPI affiliates. First, Emera was able to move the project forward when Skypower sought creditor protection, thereby preserving the project site and the PPA. Second, Emera Utility Services was able to construct the project on a tight schedule that has allowed the ecoEnergy benefit to be obtained for NSPI's customers.

An aerial view of the farm is attached to this statement. It is an impressive site. As the wind farm is fully constructed and in operation we can say with certainty that the capital costs presented in this Application will not be exceeded.

The project helps Nova Scotia Power meet the Province's 2013 RES compliance requirements, and does so economically because Nova Scotia Power has secured the Federal government ecoEnergy incentive. The costs of the Digby and Nuttby projects will only be recovered from customers after a future general rate application. As such, customers are already receiving the green energy from these projects, which has a value of about $20 million per year, with no change in either general rates or through the FAM. This is possible because they are regulated utility projects that, through tax incentives and regulatory accounting policy, can deliver benefits to customers while preserving the financial health of the utility.

The Digby Wind Project, similar to the Nuttby Wind Project, secures low cost renewable energy for customers today and into the future.

Thank you.

We welcome your questions.