NOVA SCOTIA POWER
An Emera Company

November 1, 2010

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

Re: <u>2009 IRP Update – Action Plan Status Report – P-884/Matter No. M03441</u>

Dear Ms. McNeil:

A requirement of Part III of the approved 2009 IRP Update Action Plan was that Nova Scotia Power Inc. (NSPI) file a status report by August 4, 2010 reporting on status of each of the individual Action Plan items, and thereafter on an annual basis commencing in Q2 2011.

NSPI filed its first status report on August 4, 2010 in fulfillment of this Action Plan requirement.

On September 28, 2010, the Utility and Review Board (UARB, the Board) requested comments from stakeholders on NSPI's Action Plan Status Report.

Comments were received from one stakeholder, Ecology Action Centre (EAC).

The UARB has requested NSPI provide its response to EAC's comments, and in particular comments regarding the relevance of the preferred reference Plan A.

NSPI is pleased to provide this response further to the Board's request.

EAC Comments

EAC has filed a 19 page submission with the UARB. While the submission is made in response to the Board's request for comments on NSPI's August 4, 2010 Action Plan Status Report, many of the comments made are not related to the August 4 2010 Action Plan Status Report, nor do they relate to IRP. Further, many of the comments appear to relate to criticisms of the 2009 IRP Update, and the assumptions made during that process.

EAC summarizes its position into four main points found on pages 1 and 2 of its October 8, 2010 submission.

1. NSP must more clearly and thoroughly articulate within the IRP how renewable sources of electricity (RE) or non-emitting imports will be undertaken by the utility within the next 5-10 years to meet the 2010 renewable energy and GHG reduction goals and targets, while potentially having to support the federal governments proposed 2012 phase out of coal-based electricity, and more broadly providing information for planned succession to coal-based electricity in Nova Scotia, on an aggressive but realistic timeline.

The IRP does clearly and thoroughly articulate the least cost approach to meeting renewable energy requirements and emissions reduction targets over the planning horizon (25-years). This was confirmed by the Board's consultants in their "Statement Concerning IRP Update Development Results and Recommendations" dated November 17, provided at Appendix B to the 2009 IRP Update Final Report:

> Plan A, the Reference Plan which emerged from the IRP Update, established a clear strategy for meeting the Company's future resource needs. The strategy calls for significant investment in DSM programs and new renewable generation as well as upgrades to NSPI's existing generation fleet. As NSPI noted in its report, the results from other plans, particularly B and E, support this strategy. The strategy is broadly the same as that identified in the 2007 IRP Report. The UARB consultants support adoption of this strategy for meeting NSPI's future resource needs.

EAC's comments seem to suggest that they desire the IRP to proscribe a specific course of action. This is not the function of IRP nor would it be the interests of NSPI's customers for a fixed resource plan to be established through the IRP process. The flexibility to amend plans to effectively respond to changing legislative, technical and economic factors must be retained. As was stated in the Executive Summary of the 2009 IRP Update Final Report:

> The 2009 IRP Update has achieved its objective. The 'no regrets'[1] strategy of choosing a flexible approach that was pursued following the 2007 IRP has proven successful over the past two years. The Reference Plan is robust. The 2009 IRP Update has affirmed the need for significant investment in DSM, with incremental investment in renewables to meet RES and emissions requirements, together with incremental investments in NSPI's hydroelectric facilities and solid-fuel generating facilities. The 2009 IRP Update also introduced new resources, such as biomass, which

[1] A 'no regrets' strategy is one in which future decisions are unlikely to be negatively affected by earlier decisions made.

> present a need for further investigation, and continue to support the direction set in 2007.
>
> The 2009 IRP Update is a planning exercise. The 2009 IRP Update provides strategic direction, rather than prescriptive solutions. Tactics presented in the Action Plan, including pursuit of DSM and investment in utility assets, require formal application to the UARB, and subsequent UARB approval before implementation.

This sentiment was echoed by the Board's consultants in their Report at Appendix B to the 2009 IRP Update Final Report.

The Analysis Results (Appendix E to the 2009 IRP Update Final Report) identified several Plans, all of which identify options for meeting the environmental constraints while serving load. These plans were analyzed and "Plan A – Renewables – Additional Biomass Generation" was identified as the least cost plan overall, and therefore selected as the Reference Plan.

Page 25 of the 2009 IRP Update Final Report commented on the selection of the Reference Plan:

> As the least-cost Base Load plan, Plan A has been selected as the Reference Plan, although other plans are similar to it. An IRP priority for the Company is to maintain planning flexibility. For this reason, plans such as Plan B in the Base Load World, and Plan E in the High Load World provide insight for the Company in considering the various drivers that will affect decision making over the planning period. In particular, should load grow faster than anticipated or co-benefits (that is, operating flexibility or RES compliance margin) be identified, the alternative resource plans could become the preferred plans or elements of these plans could be required. For example, it may be economic to pursue the Nictaux Falls hydro uprate which is not called for in Plan A, but which appears in the High Load World and is a relatively small capital investment. Gas generation, which is not independently selected in Plan A as stand-alone economic energy, becomes more economic when considered in combination with its load following (wind integration) capability. These are important considerations in maintaining a flexible 'no regrets' strategy.

EAC's request that NSPI articulate a plan for meeting potential federal government regulations regarding phase out of coal-based electricity is premature. Such regulations have not been passed and it is not clear exactly what form they may take if passed. NSPI works with the federal government to understand the potential effect of changes in law such as this. This is not an IRP Action Plan item. The Assumptions upon which the IRP was based were robust and developed in consultation with stakeholders, including EAC. The Action Plan, which was supported by Board's consultants, states that the appropriate time to review whether the IRP required another update would be Q2 2012. The 2009 IRP Update confirmed the 'no regrets' strategy from the 2007 IRP and the Board's consultants found that the 2007 results were directionally confirmed once again in the 2009 IRR Update.

Only 10 months have passed since the 2009 IRP Update was accepted by the UARB on December 17, 2009. The EAC has not articulated a reason to now abandon the robust assumptions made in the 2009 IRP Update, along with the 'no regrets' strategy. Among the other stakeholders who participated in the IRP and IRP Update, none have elected to provide comment in response to the Board's request.

Key to the 'no regrets' is that it provides confidence in the robustness of the assumptions to allow the Company to go on with the business of implementing on the IRP Action Plan.

An IRP is a significant regulatory process for NSPI, stakeholders and the Board. This appears to have been recognized recently in British Columbia. The newly enacted BC Clean Energy Act requires BC Hydro to file an IRP within 18 months of the statute having been passed and thereafter every 5 year unless otherwise proscribed.[2]

The Reference Plan remains relevant. The other plans identified, such as Base Plan A and High Load Plan E allow for a flexible approach to long-term planning which recognizes the changing conditions faced by the Company over the short-term.

2. NSPI and Efficiency NS must continue to support an aggressive ramp up of DSM that thus far DSM has proven to be a cost-effective mechanism assisting the reduction in demand in NS. Substantial opportunities for innovative electric and non-electric fuel substitution present themselves within the mandate of the new agency.

The Action Plan Status Report confirms that NSPI continues to support the ramp up of DSM, and has exceeded IRP targets for energy and demand savings in 2009.

The Action Plan Status Report further provides an update on transition to Efficiency Nova Scotia Corporation as of the date of the Report. In fact, EAC acknowledges that this process is proceeding in a transparent and accountable manner.

[2] *Clean Energy Act*, S.B.C. 2010, c - 22, s. 3.

NSPI and Efficiency Nova Scotia remain committed to the success of the DSM program. The remainder of EAC's comments regarding DSM appear to be program design specific and not related to the IRP.

> 3. Beyond Maintaining and upgrading NSPI's facilities, the EAC argues that NSPI must more aggressively engage in scenario planning that will see rapid and sustained move away from coal-based electricity, and other emitting sources of electricity production such as biomass, requiring that Plan A be revised to include more aggressive action for non-emitting sources of electricity.

The 2009 IRP Update model calls for a transition away from coal-based electricity towards renewable sources of electricity based upon robust Basic Assumptions which included Renewable Energy Standards and emissions constraints.

Under this heading, EAC has, in effect, re-argued its position in the Port Hawkesbury Biomass hearing in this submission on the Action Plan Status Report. EAC's request that the IRP model a 'move away' from biomass as a renewable source of energy is not consistent with the law in Nova Scotia which recognizes biomass as a renewable resource.

EAC has requested that the Board mandate that NSPI explain how biomass investments are aligned with greenhouse gas reductions consistent with the 2020 reductions. This was done in the 2009 IRP Update. Biomass was a resource selected by the model as a low cost resource which would assist NSPI in meeting its renewable targets while complying with all emissions constraints.

> 4. Substantially more information is required to inform NSPI's long-term planning and NSPI should more broadly engage in meaningful research, development and implementation of non-emitting, renewable electricity technologies as has been shown cost-effective and realistic in other jurisdictions, both nationally and internationally.

EAC's requests under this heading appear to refer to in part to requests for operational-level directives to be imposed by the UARB (i.e. the request that NSPI be mandated to research solar PV potential in Nova Scotia), which are not part of the Action Plan, and which is not a part of the long term modeling exercise that IRP performs.

The Action Plan articulates areas of further study, development and implementation. The August 4, 2010 Action Plan Status Report shows significant progress on the Action Plan in the eight-months of implementation since the IRP Update was filed. The Action Plan calls for a three part approach to implementation:

Part I – Focus on pre-2013 requirements
Part II – Focus on post-2018 requirements
Part III – Administrative/reporting actions

NSPI continues to execute on all elements of the Action Plan. The next status report is due to be filed in Q1 of 2011 and will provide an update on that filed on August 4, 2010.

Conclusion

The 2009 IRP Update was largely consistent with the 2007 IRP. It confirmed that the assumptions made in the 2007 IRP were robust such that a 'no regrets' strategy was upheld. This means that changes in law, and decisions which occurred subsequent to the 2007 IRP did not negatively affect the earlier decisions made because they were anticipated and modeled.. The 2009 IRP Update was directionally consistent with the 2007 IRP. The three key conclusions from the 2007 IRP which were confirmed in the 2009 IRP Update were:

1. Investment in demand-side management and renewable generation can provide savings to customers, though their long-term potential requires careful exploration and study.

2. The existing fossil fuel fleet will continue to play a central role in meeting NSPI customer requirements.

3. The context for resource planning beyond 2010 remains dynamic, due to the potential for significant changes in environmental or other requirements.

The Reference Plan continues to be relevant. The fact that no parties, other than EAC offered comments on the Action Plan report is testament to this.

As noted in the 2009 IRP Update, the Reference Plan and consideration of other plans, such as Plan B in the Base Load World, and Plan E in the High Load World provide insight for the Company in considering the various drivers that will affect decision making over the planning period. This is consistent with the desire to maintain a flexible 'no regrets' strategy while allowing the Company to continue to implement on the Action Plan.

Yours most respectfully,

Nicole Godbout
Regulatory Counsel

c: S. Bruce Outhouse, Q.C.
2009 IRP Update Participants