Nova Scotia Utility and Review Board

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November 23, 2010

Ms. Lee Thomson-Lutz **By E-mail and Courier**
Manager, Capital
Nova Scotia Power Inc.
14th Floor, Barrington Tower
Halifax, NS B3J 2W5

Dear Ms. Thomson-Lutz:

NSPI Request for Approval of U&U Work Order - CI#40103 Load Control Demonstration Project (P-510 – Matter No. M03589)

The Board has reviewed Nova Scotia Power Inc's ("NSPI") letter dated and received on October 4, 2010, in which Board approval is requested for the following U&U work order greater than $1 million.

CI#40103	**Load Control Demonstration Project**	**$4,293,793**

Board Staff issued Information Requests ("IRs") on November 2, 2010 and responses were received on November 12, 2010.

The Board has considered the information filed by NSPI in support of this expenditure as well as its November 12, 2010 response to IRs issued by Board Staff on November 2, 2010. The Board understands that this work order covers NSPI's contribution to a demonstration project, scheduled to end in 2014, to determine if load control can supply ancillary services for wind generation thereby enabling a greater contribution of intermittent generation to the grid. The Board also understands that the total cost of the project is $32.1 million and other parties including NB Power, Saint John Energy, and Maritime Electric are contributing to the project. Further, Natural Resources Canada ("NRCAN") is providing 50% of the funding up to a maximum of $15.9 million.

The Board understands from NSPI's response to IR-12 that the focus of the project is to control and shift "the load requirements of customers" (residential and commercial) to match "the intermittency of wind generation".

NSPI has explained that this capital expenditure will provide it "with the infrastructure through which load control can be demonstrated, examined and tested for future development" (Response to IR-5).

NSPI has also informed the Board that materials and technical infrastructure make up the greater part of the project expenditures, and that NSPI expects the equipment acquired and used in the project will remain in service after the project is complete.

The Board further understands that due to timing of the finalization of the Contribution Agreement with NRCAN, the project could not be submitted as part of the 2010 ACE Plan. The need for approval by November 30, 2010, under the terms of the Participation Agreement which was finalized on October 1, 2010, precluded it from being included in the 2011 ACE Plan.

The Board is satisfied that the Contribution and Participation Agreements adequately address the various contingencies which might arise during the course of this project.

Based on the information provided by NSPI, the Board accepts that this project is reasonable and the cost is justified. Accordingly, this will confirm that the Board has approved NSPI's request for the amount of $4,293,793 with respect to this work order.

As NSPI has described this as an innovative project, and to ensure that the benefit of the project continues, the Board requests NSPI to advise it of the progress of the project. In particular, NSPI is to advise if any of the decision points described in the response to IR-16, which would impact the scope or continuation of NSPI's participation, have resulted in a change in NSPI's involvement.

Yours very truly,

Roberta J. Clarke

Roberta J. Clarke, Q.C.
Member

cc Eric Ferguson, Director Regulatory Affairs By e-mail