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March 15, 2011

Delivered by E-mail

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

Dear Ms. McNeil:

**Re: Renewable Energy COMFIT, NSUAR-BRD-E-R-10
Request for Filing Extension and Adjournment of Hearing**

We act on behalf of the Alliance of Nova Scotia Sawmillers (ANSS). The ANSS is interested in the Biomass Combined Heat & Power (CHP) Feed-In Tariff. ANSS has actively participated in the technical sessions and filed Information Requests to Synapse.

Synapse submitted its evidence and proposed Tariffs for Small Wind, Large Wind, Biomass CHP, Run of River Hydro and Small In Stream Tidal on February 28th, subsequently revised March 2nd.

In accordance with the timetable set by the Board, Intervenor are to file evidence on March 17th and a one week hearing beginning Monday, April 4th.

The ANSS respectfully requests:

1. An extension to the deadline for filing Intervenor evidence;
2. An adjournment of the scheduled April 4th hearing.

• **Significant Issues and Question**

There have been significant changes from the initial draft tariffs circulated by Synapse with respect to Biomass CHP and the final tariff. ANSS and other Intervenor had the opportunity to ask IRs on the initial tariff but not the final tariff. There remain questions and gaps in the basis for the assumptions. By way of example, capital cost estimates for the draft CHP tariff were drawn from an American publication, U.S. EPA, Biomass Combined Heat and Power Catalogue

of Technologies, September 2007 and escalated to 2009. In Synapse's Response to the ANSS IRs, Synapse stated it was "collecting more current data and data from sources in Canada, including Nova Scotia. We do not expect to rely heavily on EPA 2007 for assumptions in our final tariff proposal."¹ Exhibit B-1 indicates, for the first time that Ms. Susan Shaw, P.Eng. an independent consultant with expertise in combined heat and power, district heating and renewable energy, provided the assumptions about the type of equipment on which to base the Biomass CHP tariff and the cost and operation of that equipment.²

ANSS anticipated that the more current data or studies would be supplied with the pre-filed evidence to support the numbers in the final tariff. They were not.

ANSS will be filing expert evidence of the values for the capital cost, non-fuel O&M and principle operating parameters by way of a Phase I engineering study with sufficient detail for Synapse, and the Board, to determine the reliability of the proposed final tariff.

A second key area for ANSS is the financing assumptions, debt-equity ratio, risk and cost of capital.

In Response to IRs on this issue, Synapse indicated that it spoke by telephone with unnamed lenders but "in our initial discussions with lenders, we were not able to cover several of the important issues in which we are interested, including mechanisms to address fuel cost risk. We are now focusing on this issue with them."³

Synapse was also asked to qualitatively and quantitatively explain how it derived the risk premiums assigned to various technologies. In response, Synapse advised there was no quantitative analysis and "these initial discussions [with lenders] did not cover details such as their perception of risks across the different technologies."⁴

Exhibit B-1 does not provide any additional comfort or data with respect to its financial assumptions.

The ANSS itself will be filing expert evidence on financing assumptions, debt-equity ratio, risk and cost of capital. A revised model will be submitted, incorporating these differing assumptions.

There has not been time allotted in the Board's schedule for either IRs to Synapse on its "final" model, evidence and the bases for its input assumptions, nor has Synapse (or Board Staff) had the opportunity to question the ANSS on its evidence, expert reports and assumptions.

ANSS has been diligently working with its consultants to finalize their expert reports in the very short time frame following receipt of the Synapse evidence and final model.

¹ Synapse (ANSS) IR-4.

² p.3, lines 9-11 and 28-30.

³ Synapse (ANSS) IR-6.

⁴ Synapse (ANSS) IR-8.

- **Evidence Extension**

With respect to the request for the extension for filing evidence, ANSS anticipates being able to file the evidence by Tuesday, March 22nd. We should note that we are working toward the Thursday deadline but will be challenged to finalize the evidence in a format and content which is appropriate for pre-filed evidence and pertinent to the issues.

It is anticipated that expert evidence by an investment banker to the electric power industry and the provision of a Phase I engineering study would be of assistance to the Board and to Synapse.

We observe that of those who have responded to the e-mail extension request, none of the Intervenor's opposed the request, initially submitted by the Ecology Action Centre. Indeed, Mr. Barry of Seaforth Energy requested the same consideration.

- **Adjournment Request**

With respect to the adjournment, this request is not made lightly. However, from the perspective of the ANSS, it is more important to get the tariffs right than get them done quickly. All of these projects will take some time to bring to production and the tariffs are expected to have a 20 year horizon.

The adjournment is requested on the basis that the ANSS would like the opportunity to continue the dialogue and exchange of information with Synapse before engaging in a contested proceeding. Whereas the timetable did not provide for IRs on the "final tariff" in evidence or on the Intervenor evidence, ANSS anticipates that a significant portion of the hearing will entail "discovery" type questions to probe the basis for the assumptions and their reliability, in comparison to the assumptions and model inputs which will be brought forward by the ANSS experts.

Before seeking an adjournment, the ANSS considered whether there would be an opportunity to file evidence but still engage in dialogue with Synapse in advance of the hearing. Unfortunately, between the NSPI ACE Hearing and other hearings and matters out of province, the only day available is April 1st, the day before the scheduled start. This does not leave sufficient time to explore and discuss the issues and potentially reach consensus on some or all of the issues.

A delay in the hearing process would permit the parties to engage in discussion with a view, perhaps, to narrowing the issues (or at least the extent of the questioning) before the Board which may ultimately result in an abbreviated hearing.

We have also just received a copy of communication from Mr. McGrath on behalf of the Nova Scotia Deputy Minister of Environment and the Nova Scotia Deputy Minister of Energy regarding the Biomass CHP COMFIT. It states that a standard with respect to particulate matter emissions will be established and references a British Columbia report which depicts particulate matter performance, pollution control technology and cost impacts.

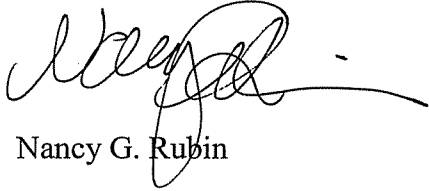
The impact on costs in the CHP COMFIT of this proposed standard is unclear and will require further consideration.

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Lastly, we understand from a number of the e-mails from Intervenorors that a suggestion was made to bifurcate the Biomass CHP tariff from others. While there is some overlap in issues, if this was the only alternative to proceeding on April 4th, the ANSS would not object to bifurcation of the Biomass CHP COMFIT.

Thank you for consideration of these requests.

Yours Respectfully,

A handwritten signature in black ink, appearing to read 'Nancy G. Rubin', with a long horizontal flourish extending to the right.

Nancy G. Rubin

NGR/lmc

cc Bruce Outhouse, Q.C.
 Intervenorors