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VIA EMAIL
25475

Ms. Nancy McNeil
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
Halifax, NS B3J 3S3

Dear Ms. McNeil:

Re: Renewable Energy Community Based Feed-in Tariffs; NSUARB-BRD-E-R-10

This is the reply submission on behalf of the Consumer Advocate in relation to the above proceeding. We wish to respond to only a couple of the points arising out of the submissions by other intervenors.

A CONSERVATIVE APPROACH

The Nova Scotia Department of Energy and the Nova Scotia Department of Environment make the following points at paras. 17 and 20 of their submission.

> 17. …NSDOE and NSE further submit that while the approach taken by the Synapse to develop cost based rates is appropriate, it is important to recognize as Synapse does, that considerable uncertainty exists around the development of average project costs and in respect of a whole host of other issues relating to what are only notional COMFIT projects at this stage.
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> …
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> 20. From a practical point of view, it would be somewhat easier to expand the scope of the COMFIT program following such a review, than it would be to scale back the scope or rates. For this reason, NSDOE urges a conservative approach to the initial setting of rates.

The Consumer Advocate endorses the points that there is considerable uncertainty involved in trying to develop average project costs and thus a range of equally possible tariff ampunts, and

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that it is easier to expand the scope of the COMFIT program than to scale it back and that, accordingly, the Board should adopt a conservative approach to the initial setting of tariffs and should set rates and capacity caps at the lower end of the reasonable range.

Is Nova Scotia on Track to Achieve Greenhouse Gas Goals

The Ecology Action Centre at p. 2 of its April 28, 2011 submission makes the statement:

> As a province, it appears that Nova Scotia is not on track to cost-effectively achieving the 10% below 1990 greenhouse gas levels by 2020…

The Consumer Advocate disagrees with that submission.

Exhibit PLC-3 "NSPI Summary of RES Compliance Status" (attached to the Direct Testimony of Mr. Chernick) shows that NSPI will have more than 25% renewable by 2020 with a significant potential for expansion of large-scale biomass, large-scale wind projects, NSPI co-firing biomass and the possible Lower Churchill power imports coupled with falling total generation requirements and increased gas generation.

Using COMFIT tariffs to obtain large amounts of power would not be cost effective and would simply result in NSPI obtaining less of the lower-cost renewables. Overpaying for COMFIT projects will not increase total renewable generation or reduce greenhouse emissions.

ANSS Steam-Only Argument

In its submission at paragraphs 47 - 52, ANSS disputes Synapse's inclusion in the biomass rate of only the additional costs of a cogeneration system, above the cost of a steam-only system to meet the sawmill's heat requirements.[1]

This argument is based on the misrepresentation that "steam generation costs are allocated 100% to the steam host" in the Synapse model (¶49). In fact, Synapse only allocates to the steam host the costs of steam generation that would be required for an existing sawmill, and discounts that portion of the cost (increasing the allocation to electricity) to reflect the possibility that the sawmill might not need to replace its existing boiler for some years to come. Synapse assumed that the cogenerating boiler would cost $3 million and that the stand-alone steam boiler would cost $2 million, which Synapse discounted to $1.65 million, leaving $1.35 million as the cost allocated to electricity (Synapse Exhibit K). Thus, the steam host is allocated 55% of the steam generation costs, not 100%.

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[1] ANSS includes ¶¶53–56 under the same "Net of Steam-Only Scenario" heading, but ¶53 actually disputes the tariff requirement to operate the plant as a cogenerator, and ¶¶54–57 constitute of a semantic argument about the difference between real and representative hypothetical plants, of no practical significance.

ANSS continues by arguing that "the power facility would have to build a boiler plant in order to supply steam to the turbine to generate electricity and therefore, the contribution of capital carried by the heat user should be the difference in capital costs between the power only plant and the CHP Plant." (¶50) This hypothetical situation is completely inconsistent with the COMFIT regulations, which do not allow for addition of a steam load to an existing electric generation facility.(All existing generation facilities in the province are too large to be eligible for the COMFIT, even if they created a steam use.) The biomass COMFIT is designed for a steam host to add cogeneration equipment, as Synapse has assumed.

Since ANSS's proposed biomass COMFIT rate is based on a facility inconsistent with the regulations, the Board should not rely on ANSS's proposal.

SUMMARY

The acknowledged purpose of the COMFIT tariffs is to motivate a range of community entities and biomass proponents to generate electricity from the defined classes of generation. In setting the tariffs the Board is to consider the costs of establishing the generation facilities. But there is no requirement that the tariffs be established at a level that ensures each proponent is successful or free of risk, nor are the tariffs to be set to ensure proponents are able to recover all anticipated costs and to remove from the proponents any pressure to be efficient.

Yours truly,

John Merrick

JM:dlb

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