P-886 ORIGINAL N-2(a)

Nova Scotia Utility and Review Board

IN THE MATTER OF *The Public Utilities Act,* R.S.N.S. 1989, c.380, as amended

- and -

IN THE MATTER OF an Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

NSPI IR RESPONSES

UARB 1 - 69

RECEIVED
NOV 21 2006
Nova Scotia
Utility and Review Board

Volume 1

November 20, 2006

Redacted

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The *Public Utilities Act,* R.S.N.S. 1989, c.380 as amended

IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-1: **Reference page 3, lines 28-29 and pages 167-168**

a. Provide details of NSPI's preliminary estimate of the ELIIR-2 rate (page 3).

b. What "current rate" (Page 167, line 32) is used for the ELIIR-2 rate?

c. Explain how NSPI computed the $112.4 million in Figure 9.1 on page 168.

d. If not covered in the response to part c, explain why the value in Figure 9.1 for "current rates" is not 55.04 $/MW.h (Board estimate for ELIIR-2 in Sept 28/06 decision) times 2,076.1 GW.h = $114.2 million.

Response IR-1:

a. NSPI did not know what rate structures would ultimately be approved to replace Extra Large Industrial Interruptible Rate (ELIIR) at the time of the filing. No specific tariffs were proposed. At that time, in accord with the Board's September 28, 2006 ELIIR-2 Decision, NSPI calculated the approximate revenue expected from the yet-to-be-approved tariffs. Now that the tariffs have been finalized and ELI 2P-RTP selected by SEB, NSPI is able to calculate the ELI 2P-RTP tariff.

Please see the Proof of ELI 2P-RTP Revenue table below.

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FROM: UARB

Response IR-1: (cont'd)

2007 ELI 2P-RTP		
Customer Charge	$/month	**$20,700**
Standard Energy Charge	¢/KWh	**5.993**
Class Revenue Requirement		
Total Cost of Service before interruptible credit		$151,025,086
Supply Interruptible Credit Calc.		
Coincident Peak in KWs	269,774	
Marginal Levelized Peaker Cost ($/KW)	$63.00	
Interruptible Credit Amount before priority premium	$16,995,762	
Add 15% premium for priority interruptibility	$2,549,364	
Total Interruptible Credit	$19,545,126	
Total Cost of Service Net of Supply int. Credit		$131,479,960
Application of 95% Revenue to cost ratio		$6,573,998
Class Revenue Requirement		**$124,905,962**
Proof of Revenue		
Customer Charge		
billing months (2 customers X 12 months)		24
Customer Charge per month		**$20,700**
Revenue (bill months x customer charge)		$496,800
Energy Charge		
Residual Revenue Reqmt after customer charge revenue		$124,409,162
KWh Sales		2,076,080,000
Energy Charge in cents per KWh (residual revenue/KWh sales)		**5.993**
Total Revenue Collected		**$124,905,962**

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Response IR-1: (cont'd)

b. The question refers to line 22, not line 32. NSPI used the ELIIR rate applicable at the time of the Application to calculate ELIIR-2 revenue in figure 9.1. Since the time of the Application, the new ELI 2P-RTP rate has been approved and both StoraEnso and Bowater have selected it for use beginning December 1, 2006. The figure on line 22 will be updated when NSPI submits the revisions discussed in response to UARB IR-48.

c. The details behind the $112.4 million, as included in Figure 9.1, are shown below.

Explanation of ELIIR-2 Revenue as included in Figure 9.1	
Customer Charge	
billing months (2 customers X 12 months)	24
Customer Charge per month	$20,700
Revenue (bill months x customer charge)	**$496,800**
Energy Charge	
KWh Sales	2,076,080,000
Energy Charge in cents per KWh	0.0539
Revenue (KWh Sales x energy charge)	**$111,900,712**
Total Revenue Collected	**$112,397,512**

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Response IR-1: (cont'd)

d. NSPI used the then-current ELIIR rate to calculate the revenue under current rates in 2007, because at the time of the rate application in October 2006, the final operational details of the new ELIIR replacement rate were unavailable and it was not known which rate the customers would choose.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-2: **Page 3 of the NSPI letter of October 23, 2006 with respect to the ELIIR true-up mechanism contains the statement "Unless the cost neutrality of the new rate is ensured, its impact will be estimated and ultimately included in rates for other classes."**

Does the NSPI rate application include any estimate of such an impact? If so, provide full details, including the impact on each of the other rate classes.

Response IR-2: NSPI's October 10, 2006 Rate Application did not include an estimate of the costs of an Extra Large Industrial Two-Part Real Time Pricing (ELI 2P-RTP) rate mechanism that may not be cost-neutral. At the time of the Application, the final and approved tariff structures had not yet been set by the Board, and SEB had not selected their preferred tariff option (Extra Large Industrial Interruptible Rate-2 (ELIIR-2) or ELI 2P-RTP).

NSPI's Application assumes that the revenue derived from the ELIIR-2 or ELI 2P-RTP rates would recover the costs of serving the load.

The intent of the 2P-RTP rate is to "create a mechanism enabling customers to gain benefit equal to the benefit created by altering load usage in accordance to hourly pricing signals[1]". NSPI's true-up mechanism reflects this intent.

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[1] UARB Order re NSUARB-NSPI-P-883, Issued October 27, 2006, Appendix A, ELI 2P-RTP Tariff, page 2, Rate Mechanism.

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TO: NSPI

FROM: UARB

Response IR-2: (cont'd)

Now that the Board has issued the final tariff structures, and both customers have selected the ELI 2P-RTP, NSPI is able to assess the possible effects.

The results of the true-up mechanism will be transacted between NSPI and SEB. Therefore there will be no need to revise the proposed rate increases for other classes of customers for this reason.

Absent a true-up, other customer rates would be affected. The extent would depend upon the discrepancy between the net credits paid to ELI 2P-RTP customers and the real cost savings provided to NSPI. NSPI would defer these costs and seek to recover them from other customers. Actual financial effects are ultimately driven by customer behaviour and the setting of factors like the CBL.

NSPI's October 23, 2006 letter to the Board pertaining to the true-up mechanism is attached as UARB IR-2 Attachment 1[2]. Please see also UARB IR-48.

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[2] StoraEnso has since clarified that the new storage tanks, mentioned on page 3 of the letter, are to be used for material other than pulp. StoraEnso has informed NSPI that these tanks will not affect their ability to shift load.

NOVA SCOTIA POWER
An Emera Company

October 23, 2006

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: NSPI Application for 2007 Rate Increase – P-886

Your letter of October 17, 2006 directed NSPI to file, by October 23, 2006, any response to Mr. Cooper's letter on behalf of SEB dated October 16, 2006 regarding NSPI's request in its current general rate application for a 2P-RTP true-up procedure. SEB objects to NSPI's inclusion of this request in the rate application, and asks that it "be struck from the filing".

NSPI is not aware of any jurisdiction for the Board to summarily dismiss a portion of an application properly brought by a regulated company. Further, there is no basis for an intervenor to object to what is to be included in an application from the Company to the Board. NSPI has put forward the items that it believes require the Board's review. Intervenors have the right to comment on the application, but not to object to it being presented.

NSPI will further explain its proposal and address each of Mr. Cooper's objections below. Generally, Mr. Cooper's comments appear to address the merits of the requested true-up mechanism and therefore demonstrate that this is an appropriate issue for the general rate application.

Far from seeking to overturn the Board's ELIIR-2 decision, NSPI is fully implementing the Board's decision. NSPI is <u>not</u> attempting to re-open the ELIIR-2 or 2P-RTP debate. The Company is complying in all respects with the Board's decision. The proposed mechanism reinforces the Board's decision and the objective of the rate.

NSPI seeks a mechanism that is consistent with the Board's intent that there be no transfer of costs to other customers or to NSPI under the new rate. The Board said, at paragraph 147 of its decision:

> [147] Based on the above, the energy charge for the annual energy under the CBL, subject to being confirmed in the Compliance Filing, would be approximately $55.04/MWH.

> Assuming SEB can use load shifting to reduce their annual power bill by $10 million (and reduce NSPI costs by the equivalent amount) as suggested by Dr. Rosenberg, the resulting annual SEB rate will be approximately $50/MWH. **The debits and credits for load shifting are intended to be cost neutral to other parties and so should not factor into setting the revenue requirement for ATL customers.**
> *(emphasis added - footnotes omitted)*

That intent – that the debits and credits should be cost neutral to other parties (including both other customers and the Company) - is fundamental to the fairness of the rate. In the absence of a true-up, if the rate is not cost-neutral the amount will have to be estimated and recovered from other customers. Unless one of these things is done, there could be a shortfall in recovery of the revenue requirement. This is therefore an issue for a general rate application. The cost neutrality cannot simply be assumed – there should be a mechanism so that it can be ensured.

NSPI submits that the proposed mechanism – or something like it – is essential in order to establish rates which are fair to the Company and to all classes of customers. The introduction of the new ELI 2P-RTP rate has introduced uncertainty in the forecasts of both the revenues from this customer class and the associated fuel costs. The proposed true-up mechanism to ensure that the Board's intent that the rate be cost-neutral is achieved, will permit the Company to assure other customers that there is no cost transfer to them.

NSPI is also very conscious of the concerns of the financial community that it does not have assurance of full recovery of uncertain fuel costs and continues to face significant risk regarding the timeliness and certainty of the recovery of NSPI's fuel costs[1]. If the new ELI 2P-RTP rate is not cost-neutral as foreseen by the Board, this creates additional risk of non-recovery of fuel costs.

The testimony of Mark Drazen is that *all* other utilities which have substantial two-part RTP rates also have fuel adjustment mechanisms to guard against such risks[2]. NSPI remains willing to move forward with a FAM, but believes that a true-up mechanism would be a more straightforward way to protect our customers and the utility in the short term, in this particular circumstance. Implementation of the true up would permit the Company to assure the financial markets that there is no increased risk of non-recovery of fuel costs as a result of the marginal cost pricing of the rate.

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[1] Reference Standard & Poors Ratings Downgrade, June 21, 2006, page 2, paragraphs 2 and 3.
[2] Testimony of Mark Drazen, Hearing Transcript, September 7, 2006, page 899, question 161.

Unless the cost neutrality of the new rate is ensured, its impact will be estimated and ultimately included in rates for other classes. NSPI is legally entitled to have rates approved which are expected, in good faith estimate, to yield its revenue requirement. The *Public Utilities Act* provides:

> 45 (1) Every public utility shall be **entitled to earn annually such return as the Board deems just and reasonable on the rate base as fixed and determined by the Board** for each type or kind of service furnished, rendered or supplied by such public utility, provided, however, that where the Board by order requires a public utility to set aside annually any sum for or towards an amortization fund or other special reserve in respect of any service furnished, rendered or supplied, and does not in such order or in a subsequent order authorize such sum or any part thereof to be charged as an operating expense in connection with such service, such sum or part thereof shall be deducted from the amount which otherwise under this Section such public utility would be entitled to earn in respect of such service, and the net earnings from such service shall be reduced accordingly.
> (2) **Such return shall be in addition to such expenses as the Board may allow as reasonable and prudent and properly chargeable to operating account**, and to all just allowances made by the Board according to this Act and the rules and regulations of the Board. *R.S., c. 380, s. 45.*
> *(emphasis added)*

In the ELIIR Replacement proceeding, the Company expressed concern over its expected inability to recover costs if a large volume of load were billed using a 2P-RTP mechanism. Likewise, as mentioned earlier, the Board has clearly indicated there should be no transfer of costs to any party. An under-recovery of costs from this rate must either result in increased costs to other customers or a denial of the Company's ability to earn a fair return. We understand Stora is planning to add several new pulping tanks to increase its ability to shift load and take advantage of this mechanism. This new information highlights the importance that this mechanism work as intended by the UARB.

The Company's proposal is merely a safeguard, and if the 2P-RTP mechanism works as intended, the concerns around true-up would be moot. If, however, NSPI's concerns prove to be real, then the true-up would ensure that the actual incurred costs would be reflected in the rate paid by SEB. The deferral procedure proposed by the Company would not harm any party and would simply ensure fulfillment of the intent of the Board and the parties with respect to the effect of the credit/debit mechanism that is to be the basis of the ELI 2P-RTP tariff. The

Company's proposal serves to strengthen the Board-approved ELI 2P-RTP mechanism, to the benefit of all stakeholders, including the 2P-RTP customers.

SEB's objection is that this would be unworkable for them because they would not know their costs until the end of the year. NSPI's requested true-up procedure addresses this point by providing the monthly and year-to-date true up account balance. SEB will therefore be able to forecast any year end adjustment and plan accordingly.

SEB suggests that NSPI's requested deferral "would, if granted, amount to retroactive rate-making, and would undermine the new 2P-RTP before it even gets started". This is incorrect – the proposal is in no way retroactive, and it does not in any way undermine the rate. The Mersey System Rate includes a 13th Bill that trues up annual billings with actual costs related to the Mersey hydro system. This is not considered retroactive rate-making, and the proposed 2P-RTP true-up is entirely consistent in concept. The proposal merely ensures that the premise of the rate is met – that the benefits to the customer are offset by equal benefits to the system. It "undermines" only if SEB's expectation is to gain disproportionate credits.

If the results of the true-up are in the customer's favor, NSPI will compensate the customer for any shortfall in the credits that were provided through the year. If the results show that the credits paid to the customer exceed the value provided to the Company, the customer would be billed for any shortfall in revenue resulting. This process cannot harm either party if the premise of the rate is accepted.

It is illogical for SEB to object to a true-up unless it expects credits which are greater than the system costs saved by NSPI. That was not their position in the ELIIR-2 proceeding. In its closing argument, SEB declared it did not "wish or intend to claim more benefit than it brings to the system through load shifting" (at page 25, see also page 3). Given this, there can be no objection by SEB to a mechanism that ensures a neutral outcome.

NSPI has today also submitted comments on the ELI 2P-RTP tariff of the compliance filing. In those comments NSPI recommends that this true-up mechanism be included in the tariff to ensure that the financial intent of this tariff is met. If the mechanism is included in the tariff through the compliance process, it will, of course, not be necessary to include it as an issue in the rate case. However, if the mechanism is not included in the tariff, the issue of a potential revenue shortfall due to the 2P-RTP mechanism will remain unresolved and is appropriately addressed in a general rate application.

Mr. Cooper submits that NSPI's request is a "totally unacceptable request to come from NSPI at this time and as part of a general rate case". Given the concerns

expressed by several intervenors at the ELIIR Replacement proceeding with respect to dealing with BTL issues separately from ATL, it is entirely appropriate to discuss this item in the context of overall cost recovery through rates in a general rate application context. The alternative is to discuss mechanisms for estimation of the impact of the rate on the recovery of the Company's revenue requirement and for recovery of the shortfall from other customer classes.

SEB states that this "change" in the 2P-RTP rate, "puts SEB in an impossible situation". This is difficult to understand. NSPI accepts SEB's stated position that SEB is only interested in receiving credit for the actual cost savings afforded to the Company through their load modification in response to 2P-RTP price signals. However, SEB appears to be objecting to a mechanism which guarantees to do just that. If it is an obstacle, it would seem to bring into question SEB's rationale for the belief that the ELI 2P-RTP mechanism will, in itself, meet its stated intent of providing equivalent value.

The Board has determined that the new rate will be reviewed for operational purposes on an annual basis. Such a review will not protect NSPI or its other customers from a shortfall during the first year of operation of the rate. If a true-up mechanism is adopted as a result of the first year operational review, NSPI must be assured of recovery of the revenue shortfall that occurs during the remainder of 2006 and all of 2007. Adopting a true-up in either the initial terms of the rate as part of the compliance process, or in the 2007 rate case as proposed by NSPI, is the appropriate approach.

NSPI respectfully requests that the Board allow NSPI's request for a true-up mechanism to remain an issue in the general rate application or be sustained as part of finalizing the 2P-RTP tariff. The Company's proposal is validly and necessarily part of its application, and should legitimately be heard by other stakeholders. It is entirely appropriate that this be done in the context of a general rate application where issues of costs and cost recovery are to be decided.

Sincerely,

J. Rene Gallant
Regulatory Counsel

c: Ralph Tedesco
Bob Boutilier
Anne-Marie Curtis
Bruce Outhouse, Q.C.
George Cooper, Q.C.

NOVA SCOTIA UTILITY AND REVIEW BOARD

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-3: **Provide the Power Production unit maintenance schedule used for the 2007 test year (as a Gant chart and with start and end dates).**

Response IR-3: Please refer to confidential Attachment 1.

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TO: NSPI

FROM: UARB **REDACTED**

Question IR-4: **Reference Page 7**

Please explain in a bit more detail how the data included in Figure 2.1 were developed. Provide an accompanying table that shows the data development.

Response IR-4: Below are the individual items that are included on the graph in Figure 2.1 of the Evidence.

Increased commodity costs:	
Increased Heavy Fuel Oil (HFO) pricing	$24.7
2006 import coal disallowance	$15.7
Increased Light Fuel Oil (LFO) pricing	$5.2
Increased natural gas pricing	$2.6
Increased import power pricing	$2.0
Solid fuel pricing and blends	($10.0)
Total commodity price increases	**$40.1**
Load Increase	
Cost of load increase	$16.1
Fuel switch at Tufts Cove to natural gas	$5.2
Heat rate improvement on Tufts Cove 4 and 5 due to higher load	($1.8)
Total cost of increased load in 2007 versus 2006C	**$19.6**
Decreased gas resale margin	**$6.4**

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TO: NSPI

FROM: UARB **REDACTED**

Response IR-4: (cont'd)

Other	
Maintenance schedule changes	$1.2
Capacity factor changes	$5.4
Reduced hydro	$0.5
Increased post 2001 IPP	($0.4)
Reduced exports	($1.5)
Other items	($2.9)
	$2.4

Confidential Attachment 1 provides the information supporting the $24.7 million higher HFO pricing.

Confidential Attachment 2 provides the information supporting the $5.2 million higher LFO pricing.

Confidential Attachment 3 provides the information supporting the $2.6 million higher natural gas pricing.

Confidential Attachment 4 provides the information supporting the $2.0 million higher import power pricing.

Confidential Attachment 5 summarizes the solid fuel price and mix variances for each solid fuel station for each solid fuel type.

Confidential Attachment 6 provides the information supporting the price and solid fuel mix variance for Lingan generation station.

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FROM: UARB **REDACTED**

Response IR-4: (cont'd)

Confidential Attachment 7 provides the information supporting the price and solid fuel mix variance for Pt. Aconi generation station.

Confidential Attachment 8 provides the information supporting the price and solid fuel mix variance for Trenton 5 generation station.

Confidential Attachment 9 provides the information supporting the price and solid fuel mix variance for Trenton 6 generation station.

Confidential Attachment 10 provides the information supporting the price and solid fuel mix variance for Pt. Tupper generation station.

Confidential Attachment 11 provides the information supporting the components of the load increase. This variance includes three items:

a. Costs associated with the increased load in 2007 versus 2006C
b. Costs associated with the switch to natural gas versus HFO in 2007 at 2006C prices.
c. Savings due to efficiency improvements at Tufts Cove 4 and 5 as a result of these units at a higher load in 2007 versus 2006C.

Confidential Attachment 12 provides information supporting the decrease in natural gas resale margin.

Confidential Attachment 13 provides the information supporting the calculation of the forecasted change in fuel expense in 2007 versus 2006C due to changes in the thermal maintenance schedule and unit capacity assumptions.

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TO: NSPI

FROM: UARB **REDACTED**

Response IR-4: (cont'd)

Confidential Attachment 14 provides information to support the following items included in "Other" in Figure 2.1:

a. Reduced hydro
b. Increased post 2001 renewable purchases
c. Reduced exports
d. Other items

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TO: NSPI

FROM: UARB

Question IR-5: **Direct Evidence, Page 7, Lines 18-21.**

This paragraph indicates that HFO prices are the most significant contributor to the 2007 fuel price increase. Direct evidence, Appendix A, Table 8, line 6. This shows HFO declining in 2007 by 33.1 million dollars from 2006C. Please explain.

Response IR-5: The $33.1 million referred to in Appendix A, Table 8, line 6 of the Direct Evidence represents only the absolute dollar change in HFO costs for domestic load purposes in 2007 versus 2006C. This includes the change in both price and volume year over year. Please refer to UARB IR-4 Attachment 1 for the price variance relating to HFO. Please refer to UARB IR-4 Attachment 11 and Attachment 14 for the volume variances relating to HFO which include changes in load and generation mix.

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TO: NSPI

FROM: UARB

Question IR-6: **Direct Evidence, Page 7, Lines 23-25**

This indicates 2007 solid fuels cost rising over 2006C cost. Direct Evidence, Appendix A, Table 8, line 4. This shows solid fuel costs declining from 2006C. Please explain.

Response IR-6: Appendix A, Table 8, line 4 of the Direct Evidence represents only the absolute dollar change in solid fuel costs for domestic load purposes in 2007 versus 2006C. This includes the change in both price and volumes year over year. Please refer to UARB IR-4 Attachment 5.

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TO: NSPI

FROM: UARB

Question IR-7: **Direct Evidence, Page 7, Lines 27-28**

Please provide a breakdown of the amounts for changes to the fuel mix and associated pricing, including higher import power and transportation costs.

Response IR-7: Please refer to UARB IR-4.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-8: **Reference Page 7, line 28**

Provide a table comparing by month for 2005A, 2006C, 2006 actual to date, and the 2007 test year, showing for imported power, the import quantity in MW.h, the price in $/MW.h and the monthly payment in dollars.

Response IR-8: Confidential Attachment 1 provides the following information on a monthly basis for 2005 actual, 2006C, 2006 YTD to September and 2007 Forecast:

a. MWh's of import power
b. Cost of import power
c. $/MWh

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TO: NSPI

FROM: UARB

Question IR-9: **Direct Evidence, Page 8, Lines 3-5.**

Please provide the basis for this statement.

Response IR-9: Load in 2007 is forecasted to be 13,059 GWh. This is an increase of 111 GWh over the 2006C load forecast of 12,948 GWh. The estimated cost associated with this load increase is due to the higher-priced generation that will be dispatched to serve the increased load.

Please refer to the Direct Evidence, page 62 lines 27 to 30 and page 63 of the Direct Evidence, lines 1 to 15 for the basis for this statement.

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TO: NSPI

FROM: UARB

Question IR-10: **Reference Page 8, lines 20-21**

a. What is the benchmark you are using when NSPI uses the phrase "Offsetting this benefit",e.g. generation equipment capacity in 2007 versus what?

b. Provide details on the change in generation equipment capacity versus this benchmark and the computation of the change's resulting increased costs.

c. Provide the same detailed information as requested in part b) for maintenance schedules, reduced hydro and miscellaneous variances.

Response IR-10: Please refer to UARB IR-4 Attachment 13 which provides the calculations to support the change to forecasted fuel and purchased power in 2007 versus 2006C due to maintenance schedule changes and unit capacities. The benchmark for this calculation is 2006C.

Refer to UARB IR-4 Attachment 14 which provides the calculations to support the reduced hydro and other miscellaneous variances.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-11: **Reference Page 11, lines 7-8**

a. Provide the Terms of Reference for the Black and Veach work.

b. What is the expected completion date of this work and when will the results be incorporated in the Fuel Procurement Policies and Procedures Manual.

c. Will Liberty be provided the results of the Black and Veatch work and given an opportunity to comment before it is incorporated in the Manual?

Response IR-11:

a. Please refer to Attachment 1.

b. The work is scheduled to be complete by the end of 2006. The updating of the Fuel Procurement Policies and Procedures Manual is scheduled for early 2007.

c. Yes.

OBJECTIVE

To further refine NSPI's fuel hedging policies, procedures, governance and documentation, to ensure that they are consistent with industry standards and best practices.

SCOPE

The consultant will address the missing elements in the NSPI hedging program outlined by the UARB in its decision. The missing elements listed are:

- A clear, concise definition of hedging objectives
- Statement of specific goals in terms of volumes of fuel to be hedged and expected price results
- Description of the balance among obtaining low cost energy, minimizing price volatility, and maintaining reliability of supply
- Listing and description of permissible and precluded techniques and instruments
- Clear discussion, definition, and limits associated with physical versus financial hedges
- Identification of the required tools and models to operate an effective program
- Identification of required staff capabilities
- Clear, comprehensive statement of internal and UARB reporting requirements
- Specification of control mechanisms, approval authorities, and documentation requirements
- Quantification of allowable hedging program costs, limits, and treatment.

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The *Public Utilities Act,* R.S.N.S. 1989, c.380 as amended

IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-12: **Reference Page 15, lines 6-7**

Provide a table showing the monthly solid fuel cost in $/MW.h delivered to each NSPI plant for 2005A, 2006C, 2006 actual to date and forecast for the remainder of the year, and for the 2007 test year. Provide both total solid fuel costs, import coal fuel costs, domestic coal costs, and petroleum coke costs.

Response IR-12: Please refer to Confidential Attachment 1.

NOVA SCOTIA UTILITY AND REVIEW BOARD

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-13: **Reference Page 16**

Please provide an expanded version of Figure 2.3.1, covering the years 2000 to 2006.

Response IR-13: Please see Liberty IR-63.

NOVA SCOTIA UTILITY AND REVIEW BOARD

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-14: **Reference Page 19, line 1**

Does EVA support this 'expectation' for natural gas prices? If so, provide all studies and analysis used by EVA to support this position.

Response IR-14: Energy Ventures Analysis (EVA) annually publishes its short-term outlook forecast for coal, natural gas and oil in the first quarter, and its long-term outlook for coal, natural gas and oil in the third quarter. These two forecast reports comprise EVA's FUELCAST Service, to which NSPI subscribes. Both volumes of FUELCAST are available for review in NSPI offices.

The Short-Term Forecast, published in February 2006, calls for average Henry Hub prices [redacted] per MMBtu in 2006 [redacted] per MMBtu in 2007. EVA forecast an increase in prices to [redacted] per MMBtu during the winter of 2006/2007.

The Long-Term Forecast, published in August 2006, calls for an average Henry Hub price [redacted] per MMBtu in 2006, [redacted] per MMBtu in 2007, representing a [redacted] over the six-month period. Monthly prices are not published in the Long-Term Forecast. The basis for the [redacted] is that the price [redacted] that started in 2006 as a result of [redacted] will extend into 2007, assuming normal weather conditions.

EVA notes that gas prices now have a history of volatility, and consumers need to expect upside gas price volatility will exceed downside gas price volatility, particularly when adverse weather events occur.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-15: **Reference Page 35, lines 9-16 and Page 36, lines30-31**

Directive 5 of the Board's Order of May 19, 2005 (P-881) deals with the acquisition of solid fuel expertise by NSPI. NSPI's latest report on this subject is dated October 31, 2006. With respect to the option to develop an internal employee:

a. What experts have commented on the expertise level of the individual and what have they said.
b. File a copy of the Formal Development Plan for this individual.
c. What external resources are providing the support in the training?
d. Directive 5 of P-881 refers to "...promptly engage high-level in-house expertise to lead the imported coal supply aspects...". Please comment on the status of the in-house trainee in terms of "high level" and "leader of the fuel procurement function".

Response IR-15: a. EVA noted in its testimony that NSPI's Manager of Solid Fuels, [redacted] has sufficient experience and expertise in international coal markets such that if his resume were presented by the recruitment firm, he would likely be considered a lead candidate." This opinion has been echoed by coal suppliers and other industry participants.

Another recognition [redacted] capability was several invitations he received to speak at industry forums including McCloskey's Petcoke Conference held in May 2006 in New Orleans and McCloskey's Coal Conference of the Americas to be held in March 2007 in Cartagena, Colombia.

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RESPONSE TO INFORMATION REQUEST

TO: **NSPI**

FROM: **UARB** **REDACTED**

Response IR-15: (cont'd)

b. [redacted] all NSPI employees, has a Personal Development Plan. NSPI will be pleased to [redacted] development with Liberty and the Board.

c. EVA has provided guidance and training to the Manager of Solid Fuels on a regular basis.

NSPI has subscriptions to numerous industry publications, many of which contain expert commentary on the market and procurement issues. A complete list of such publications is provided in Liberty IR-41.

In 2006, [redacted] (or plans to attend) the following industry forums:

- McCloskey's Coal Conference of the Americas (Cartagena, Colombia – March 2006)
- Eastern Fuel Buyers Conference (Orlando, Florida – May 2006)
- McCloskey's Coal USA Conference (New York, New York – June 2006)
- Platt's Coal Marketing Days (Pittsburgh, Pennsylvania – September 2006)
- CoalTrans World Coal Conference (Athens, Greece – October 2006)
- McCloskey's US Coal Import Conference (Tampa, Florida – November 2006)

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RESPONSE TO INFORMATION REQUEST

TO: **NSPI**

FROM: **UARB** **REDACTED**

Response IR-15: (cont'd)

In 2006, [redacted] the following mines and ports:

[redacted]

In 2007, [redacted] to attend key industry conferences and management training seminars and to visit relevant coal mining operations and port facilities.

d. The current year has been devoted to developing the industry and procurement expertise of the Manager of Solid Fuels such that his level of knowledge can equal that of the industry participants, and can now be described as high. [redacted] developed, and maintains, contacts with key coal producers, coal traders, freight companies and freight brokers.

NOVA SCOTIA UTILITY AND REVIEW BOARD

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IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-16: **Direct Evidence, page 38, line 22.**

Please provide a breakdown of the 2,283 MW in generating capacity as follows:

a. By unit, outlining the in service date, the net capacity, the emergency rating, the fuel type (i.e. HFO, LFO, Petcoke, Coal, Hydro, etc.)

b. By unit, outlining the contribution towards the system peaks in the years 2000 - 2005. Also include contributions from IPP's and imported power if required

c. By unit, outlining the contribution towards the annual energy production in the years 2000-2005. Also include the annual contribution of IPP's and imported power.

Response IR-16:

a. Please refer to Confidential UARB IR-16a Attachment 1.

b. Please refer to Confidential UARB IR-16b Attachment 1.

c. Please refer to Confidential UARB IR-16c Attachment 1.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-17: **Reference Pages 44-45.**

Please provide a table showing the development of the imported coal price from the tonnages and component prices indicated in Figure 5.1. Also, please provide any information indicating the extent to which the forecast price has proved to be representative for the Company's purchases.

Response IR-17: Please refer to Confidential Attachment 1 which shows the development of the forecasted deliveries and prices of solid fuel in 2007 by solid fuel type for each plant.

Please refer to Confidential Attachment 2 which shows the development of the forecasted consumption volume and price of each solid fuel type for each plant in 2007.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-18: **Reference Page 48, lines 1-9**

Provide the specification sheets for both of the test burn fuels.

Response IR-18: Please refer to Confidential Attachment 1.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-19: **Reference Page 49, Figure 2.5**

Update this figure for the most recent data available.

Response IR-19: Please refer to Liberty IR-63.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-20: **Reference Pages 50-59**

These pages describe fuel price changes from 2006C to 2007. NSPI has filed, as part of the IRP Basic Assumptions, long term fuel prices.

a. Provide a table showing prices (CDN $/Mmbtu) for the following fuels (as delivered to the plants) for the years 2005 actual, 2006 actual to date and forecast, 2006C, 2007, and 2008-2010 as provided in the IRP Basic Assumptions (for the IRP values use the base case assumptions):

i. Tufts Cove natural gas
ii. Tufts Cove HFO (2.2% and 1.1%)
iii. Burnside LFO
iv. LS columbian (all solid fuel plants)
v. Petcoke (all solid fuel plants)

b. Provide the percentage change in the above fuel prices from 2007 to 2008.

c. Provide a detailed description of the reasons for the percentage changes provided in part b.

Response IR-20: a. Values for 2008 to 2010 are drawn from draft base assumptions, not yet approved through the IRP process. These amounts do not represent fully evaluated costs. These are projected changes in commodity prices only and do not reflect the influence of the existing portfolio of fuels.

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NOVA SCOTIA UTILITY AND REVIEW BOARD

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Response IR-20: (cont')

Location & Product	**2005**	**2006C**	**2006F**	**2007**	**2008**	**2009**	**2010**
Tufts Cove Natural Gas ($/MMBtu)							
Tufts Cove HFO ($/MMBtu)							
Burnside LFO ($/MMBtu)							
Low Sulphur Coal ($/MMBtu)							
Point Aconi							
Lingan							
Point Tupper							
Trenton							
Petcoke ($/MMBtu)							
Point Aconi							
Lingan							
Point Tupper							
Trenton							

b.-c. The percentage change between 2007 and 2008 is comparing two prices that have different methodologies. 2007 has price values with consideration of the operating portfolio versus values in 2008 that are commodity forecasts only. Further, the values in 2008 to 2010 are draft values as contained in the working document in the IRP. Fuel costs are subject to change based on factors including supply and demand, political instability and weather events.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-21: **Reference Page 51, lines 6-8 and Page 63, lines 4-15**

Provide details on the computation of the extra costs due to the load forecast increase. Provide a table showing for each month of 2007 the following information for each of the four contributors listed on page 63:

a. Increased MW.h production
b. Price paid in $/MW.h
c. Total monthly payment in dollars
d. Total annual payment as shown on Page 51, line 7.

Response IR-21: Please refer to UARB IR-4 Attachment 11.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-22: **Reference Page 52 and Appendix A, Table 8.**

Please provide a table showing the calculation of the cost and recoveries for Fuel for Resale in the years 2005, 2006 forecast and compliance, and 2007. In the table please address each of the key points listed on page 53.

Response IR-22: Confidential Table below provides the calculation of the gas resale margin for the years 2005A, 2006F (YTD September, October to December Forecast) and 2007 Forecast. The 2006C natural gas margin was provided to NSPI by the Board as part of the 2006 Rate Decision and is $40.0 million.

The 2005A and 2006 actual natural gas margin in Confidential Table below represent the actual transactions that occurred during these time periods, during which time NSPI followed the methodology described on Page 53 of the Direct Evidence.

Please refer to Avon IR-31 Attachments 1 through 5 which address the key points listed on page 53 of the Direct Evidence for the 2007 gas margin forecast. The same methodology was followed to forecast the remaining months in 2006.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Response IR-22: (cont'd)



NOVA SCOTIA UTILITY AND REVIEW BOARD

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-23: **Reference Page 52, Figure 2.6 and Page 54, line 4**

HFO prices as quoted on page 54, line 4 (and Figure 2.7) are not the same as those shown in Figure 2.6.

a. Please explain the difference and confirm which price was used to derive the 2007 fuel budget.

b. What percent sulphur is assumed for the HFO consumed in 2007?

Response IR-23:

a. The prices illustrated in Figure 2.6 represent the forecast monthly delivered price to Tufts Cove Generating Station for 2007. These prices do not take into consideration the effect of inventories and are derived only from the forward curve for each month in 2007. The Heavy Fuel Oil (HFO) price quoted on page 54, line 4 (and represented in Figure 2.7) is the 2007 annual forecast price of HFO expected to be burned at all thermal plants. This price takes into consideration the forecast opening inventory at Tufts Cove.

b. The forecast sulpher percentage for HFO in 2007 is 2 percent.

NOVA SCOTIA UTILITY AND REVIEW BOARD

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-24: **Reference Page 59**

a. What is the delivery point for the petcoke price quoted on line 1?

b. What are the additional transportation charges to get the petcoke to the plants?

c. Are the solid fuels costs of Figure 2.12 for all solid fuels including imports, petcoke and domestic coal?

d. Provide a fuel specification sheet for the petcoke consumed in 2007.

Response IR-24:

a. The delivery point for the petroleum coke price quoted on line 1 is the Point Tupper Marine Terminal (PTMT) in Point Tupper, Nova Scotia or the International Pier (INP) in Sydney, Nova Scotia.

b. The additional transportation charges to get the petroleum coke to the plants are:

INP to Lingan	[redacted]	tonne CAD
INP to Point Aconi		tonne CAD
PTMT to Point Tupper		tonne CAD
PTMT to Trenton		tonne CAD

c. Yes.

d. The fuel specification for the [redacted] contracted for 2007 is provided in response to Liberty IR-15. This confidential information is available for viewing at NSPI offices.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Response IR-24: (cont'd)

Please refer to Confidential Attachment 1 for the fuel specification sheet for the open petroleum coke to be consumed in 2007.

NOVA SCOTIA UTILITY AND REVIEW BOARD

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-25: **Reference Page 59, Renewable Energy - Independent Power Producers**

Provide a table showing, for each of the years of Appendix A, Table 8, (columns 1-5), for each IPP contract (pre 2002 and subsequently), the following information. The total annual payments to the IPP contracts is expected to total to that shown on Line 14 of Table 8:

a. Contracting party
b. Contract term (start and end dates)
c. NSPI assigned net capacity (as used by NSPI to meet NPCC reliability criteria)
d. 2007 Annual energy production in MW.h
e. Price paid in term of $/KW and $/MW.h
f. Total 2007 annual payment in dollars.
g. 2007 Annual totals for capacity, energy and annual payment in dollars.

Response IR-25: Please refer to Confidential Attachment 1.

NOVA SCOTIA UTILITY AND REVIEW BOARD

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-26: **Reference Page 62, line 23**

Provide details of the calculation of the cost of exports.

Response IR-26: Please refer to Confidential Attachment 1.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-27: **Direct Evidence, Page 63, Lines 4-15.**

Please elaborate on the basis for allocating the higher cost generation to the projected new load growth.

Response IR-27: NSPI dispatches its fleet of generation on a least cost methodology, employing first the most economical generation and then, as required, adding higher cost generation to meet the load. Through this method, the increments of load are served with the more expensive sources of generation. This is the incremental fuel cost, incurred when new load is added.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-28: **Reference page 65, lines 21-25**

Provide an explanation of why this is been done in 2006.

Response IR-28: The response to this question is confidential.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-29: **Reference Page 67, lines 1-5**

Explain why this information and any resulting adjustment could not be provided to the Board either prior to or during the hearing phase of this application.

Response IR-29: The Company expects to provide this information in advance of the Compliance Filing.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-30: **Reference Pages 68 and 69**

a. Provide details of the calculations of taxes and carrying cost in Figure 3.2.

b. In lines 3-4 on page 68, what is the section 21 incremental revenue requirements for 2007F over 2006C? Provide details of the s21 2006C revenues requirement calculation.

c. Also, on page 69, does the 2005 Q1 tax deferral increase 2007 revenue requirements by $4.3 million over 2006C?

Response IR-30: a. Please refer to Attachment 1.

b. The Section 21 incremental revenue requirement for 2007 over 2006C is $22.8 million.

Please see below for the calculation of Section 21 2006C revenue requirement (excludes nominal provincial capital tax amount):

= $147.1 million x (.0821[1] + .0221[2])
= $147.1 million x .1042
= $15.3 million

c. Yes.

---

[1] 2006 weighted average cost of capital
[2] Common Equity Tax Cost

Nova Scotia Power Inc.
Section 21 Tax Deferral - Amortization Schedule
Thousands of dollars

		(1) 2007	(2) 2008	(3) 2009	(4) 2010	(5) 2011	(6) 2012	(7) 2013	(8) 2014
1									
2									
3	Opening Balance	$147,100	$132,598	$117,127	$100,622	$83,014	$64,229	$44,188	$22,809
4	Annual Amortization	(14,502)	(15,471)	(16,505)	(17,608)	(18,785)	(20,040)	(21,380)	(22,809)
5	Closing Balance	132,598	117,127	100,622	83,014	64,229	44,188	22,809	0
6									
7	Weighted average cost of capital	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
8	Plus: Common equity tax cost	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
9	Plus: Provincial capital tax	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
10	Tax adjusted weighted average								
11	cost of capital	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%
12									
13	Amortization cost	14,502	15,471	16,505	17,608	18,785	20,040	21,380	22,809
14	Tax	8,934	9,531	10,168	10,847	11,572	12,345	13,171	14,051
15	Carrying cost	14,732	13,165	11,494	9,712	7,810	5,781	3,617	1,308
16	Net Revenue requirement	38,167	38,167	38,167	38,167	38,167	38,167	38,167	38,167

11/13/2006

Nova Scotia Power Inc.
Section 21 Tax Deferral - Amortization Schedule
Thousands of dollars

2007 (1)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening balance	147,100	145,927	144,748	143,562	142,370	141,171	139,966	138,755	137,537	136,312	135,081	133,843	147,100
Amortization	(1,172.985)	(1,179.326)	(1,185.701)	(1,192.110)	(1,198.555)	(1,205.034)	(1,211.548)	(1,218.097)	(1,224.681)	(1,231.302)	(1,237.958)	(1,244.650)	(14,501.945)
Closing balance	145,927	144,748	143,562	142,370	141,171	139,966	138,755	137,537	136,312	135,081	133,843	132,598	132,598
Weighted average cost of capital	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Plus: Common equity tax cost	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
Plus: Provincial capital tax	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Tax adjusted weighted average cost of capital	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%
Amortization cost	1,173	1,179	1,186	1,192	1,199	1,205	1,212	1,218	1,225	1,231	1,238	1,245	14,502
Tax	723	727	730	734	738	742	746	750	754	759	763	767	8,934
Carrying cost	1,285	1,275	1,264	1,254	1,244	1,233	1,223	1,212	1,201	1,191	1,180	1,169	14,732
Net Revenue requirement	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	38,167

2008 (2)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening balance	132,598	131,347	130,089	128,824	127,552	126,273	124,988	123,695	122,396	121,089	119,775	118,455	132,598
Amortization	(1,251)	(1,258)	(1,265)	(1,272)	(1,279)	(1,286)	(1,293)	(1,300)	(1,307)	(1,314)	(1,321)	(1,328)	(15,471)
Closing balance	131,347	130,089	128,824	127,552	126,273	124,988	123,695	122,396	121,089	119,775	118,455	117,127	117,127
Weighted average cost of capital	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Plus: Common equity tax cost	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
Plus: Provincial capital tax	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Tax adjusted weighted average cost of capital	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%
Amortization cost	1,251	1,258	1,265	1,272	1,279	1,286	1,293	1,300	1,307	1,314	1,321	1,328	15,471
Tax	771	775	779	783	788	792	796	801	805	809	814	818	9,531
Carrying cost	1,158	1,147	1,136	1,125	1,114	1,103	1,092	1,081	1,069	1,058	1,046	1,035	13,165
Net Revenue requirement	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	38,167

2009 (3)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening balance	117,127	115,792	114,450	113,100	111,743	110,379	109,008	107,629	106,243	104,849	103,447	102,038	117,127
Amortization	(1,335)	(1,342)	(1,349)	(1,357)	(1,364)	(1,371)	(1,379)	(1,386)	(1,394)	(1,401)	(1,409)	(1,417)	(16,505)
Closing balance	115,792	114,450	113,100	111,743	110,379	109,008	107,629	106,243	104,849	103,447	102,038	100,622	100,622
Weighted average cost of capital	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Plus: Common equity tax cost	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
Plus: Provincial capital tax	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Tax adjusted weighted average cost of capital	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%
Amortization cost	1,335	1,342	1,349	1,357	1,364	1,371	1,379	1,386	1,394	1,401	1,409	1,417	16,505
Tax	822	827	831	836	840	845	849	854	859	863	868	873	10,168
Carrying cost	1,023	1,012	1,000	988	976	964	952	940	928	916	904	891	11,494
Net Revenue requirement	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	38,167

Nova Scotia Power Inc.
Section 21 Tax Deferral - Amortization Schedule
Thousands of dollars

2010 (4)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening balance	100,622	99,198	97,766	96,326	94,879	93,423	91,960	90,489	89,010	87,523	86,028	84,525	100,622
Amortization	(1,424)	(1,432)	(1,440)	(1,447)	(1,455)	(1,463)	(1,471)	(1,479)	(1,487)	(1,495)	(1,503)	(1,511)	(17,608)
Closing balance	99,198	97,766	96,326	94,879	93,423	91,960	90,489	89,010	87,523	86,028	84,525	83,014	83,014
Weighted average cost of capital	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Plus: Common equity tax cost	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
Plus: Provincial capital tax	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Tax adjusted weighted average cost of capital	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%
Amortization cost	1,424	1,432	1,440	1,447	1,455	1,463	1,471	1,479	1,487	1,495	1,503	1,511	17,608
Tax	877	882	887	892	896	901	906	911	916	921	926	931	10,847
Carrying cost	879	867	854	841	829	816	803	790	778	765	752	738	9,712
Net Revenue requirement	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	38,167

2011 (5)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening balance	83,014	81,494	79,967	78,431	76,887	75,334	73,773	72,204	70,626	69,039	67,445	65,841	83,014
Amortization	(1,519)	(1,528)	(1,536)	(1,544)	(1,553)	(1,561)	(1,569)	(1,578)	(1,586)	(1,595)	(1,604)	(1,612)	(18,785)
Closing balance	81,494	79,967	78,431	76,887	75,334	73,773	72,204	70,626	69,039	67,445	65,841	64,229	64,229
Weighted average cost of capital	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Plus: Common equity tax cost	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
Plus: Provincial capital tax	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Tax adjusted weighted average cost of capital	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%
Amortization cost	1,519	1,528	1,536	1,544	1,553	1,561	1,569	1,578	1,586	1,595	1,604	1,612	18,785
Tax	936	941	946	951	956	962	967	972	977	983	988	993	11,572
Carrying cost	725	712	699	685	672	658	644	631	617	603	589	575	7,810
Net Revenue requirement	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	38,167

2012 (6)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening balance	64,229	62,608	60,978	59,340	57,692	56,036	54,371	52,696	51,013	49,321	47,619	45,908	64,229
Amortization	(1,621)	(1,630)	(1,639)	(1,647)	(1,656)	(1,665)	(1,674)	(1,683)	(1,692)	(1,702)	(1,711)	(1,720)	(20,040)
Closing balance	62,608	60,978	59,340	57,692	56,036	54,371	52,696	51,013	49,321	47,619	45,908	44,188	44,188
Weighted average cost of capital	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Plus: Common equity tax cost	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
Plus: Provincial capital tax	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Tax adjusted weighted average cost of capital	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%
Amortization cost	1,621	1,630	1,639	1,647	1,656	1,665	1,674	1,683	1,692	1,702	1,711	1,720	20,040
Tax	999	1,004	1,009	1,015	1,020	1,026	1,031	1,037	1,043	1,048	1,054	1,060	12,345
Carrying cost	561	547	533	518	504	490	475	460	446	431	416	401	5,781
Net Revenue requirement	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	38,167

Nova Scotia Power Inc.
Section 21 Tax Deferral - Amortization Schedule
Thousands of dollars

2013 (7)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening balance	44,188	42,459	40,720	38,972	37,215	35,448	33,671	31,885	30,089	28,284	26,469	24,644	44,188
Amortization	(1,729)	(1,739)	(1,748)	(1,757)	(1,767)	(1,777)	(1,786)	(1,796)	(1,806)	(1,815)	(1,825)	(1,835)	(21,380)
Closing balance	42,459	40,720	38,972	37,215	35,448	33,671	31,885	30,089	28,284	26,469	24,644	22,809	22,809
Weighted average cost of capital	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Plus: Common equity tax cost	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
Plus: Provincial capital tax	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Tax adjusted weighted average cost of capital	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%
Amortization cost	1,729	1,739	1,748	1,757	1,767	1,777	1,786	1,796	1,806	1,815	1,825	1,835	21,380
Tax	1,065	1,071	1,077	1,083	1,089	1,094	1,100	1,106	1,112	1,118	1,124	1,130	13,171
Carrying cost	386	371	356	340	325	310	294	279	263	247	231	215	3,617
Net Revenue requirement	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	38,167

2014 (8)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening balance	22,809	20,964	19,109	17,244	15,369	13,484	11,589	9,683	7,767	5,841	3,905	1,958	22,809
Amortization	(1,845)	(1,855)	(1,865)	(1,875)	(1,885)	(1,895)	(1,906)	(1,916)	(1,926)	(1,937)	(1,947)	(1,958)	(22,809)
Closing balance	20,964	19,109	17,244	15,369	13,484	11,589	9,683	7,767	5,841	3,905	1,958	0	0
Weighted average cost of capital	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Plus: Common equity tax cost	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
Plus: Provincial capital tax	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Tax adjusted weighted average cost of capital	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%	10.48%
Amortization cost	1,845	1,855	1,865	1,875	1,885	1,895	1,906	1,916	1,926	1,937	1,947	1,958	22,809
Tax	1,136	1,143	1,149	1,155	1,161	1,168	1,174	1,180	1,187	1,193	1,199	1,206	14,051
Carrying cost	199	183	167	151	134	118	101	85	68	51	34	17	1,308
Net Revenue requirement	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	3,181	38,167

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The *Public Utilities Act,* R.S.N.S. 1989, c.380 as amended

IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-31: **Reference Page 69, lines 6-10**

a. Explain what impact NSPI's proposal has on customer rates commencing April 1, 2007, i.e. would customer rates be higher due to recovery of full amortization over the remaining nine months of 2007?

b. If the customer rates established April 1, 2007 (using NSPI's proposal for amortization) remain in place for all of calendar year 2008, what amortization amount would NSPI collect in its rates in calendar year 2008 compared to the amounts shown in Figures 3.2 and 3.3?

Response IR-31:

a. There will be no effect on customer rates under NSPI's proposal. Rates are set based on the annual forecasted cost of service and would not change based on the effective date. NSPI's proposal is to simply start new amortizations on the effective date of new rates in order to match NSPI's cost of service and the revenue requirement from customers.

b. If rates are effective April 1, 2007, the amortization would be as follows for 2008:

Year	Amortization (in millions)	Tax effect of Amortization (in millions)	Carrying cost (in millions)	Total (in millions)
Section 21 taxes				
2008	$15.2	$9.4	$13.6	$38.2
2005 Q1 taxes				
2008	$1.7	$1.1	$1.5	$4.3

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The *Public Utilities Act,* R.S.N.S. 1989, c.380 as amended

IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-32: **Reference page 70, lines 13 and 17**

a. Is the quoted $6.0 million the increase in depreciation expense or the increase in revenue requirement for 2007? If just the depreciation expense, provide the resulting impact on revenue requirement after tax impacts are included.

b. Provide the same responses for the $1.3 million on line 17.

Response IR-32: a.-b. The increases of $6.0 million and $1.3 million are the increases in depreciation expense. The revenue effect would be as follows:

Depreciation Expense Rate Variance	$ 6.0
Depreciation Expense Volume Variance	$ 1.3
Total Depreciation Expense Increase 2007 over 2006C	$ 7.3
Revenue Requirement ($7.3/(1-tax rate of 38.12%))	$11.8

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The *Public Utilities Act,* R.S.N.S. 1989, c.380 as amended

IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-33: **Reference Page 72-73**

Board Directive No. 10 of the Board Order of April 12, 2006 (P-882) directs NSPI to carry out the operations review. The Board approved the Terms of Reference on July 21, 2006. Why is this study scheduled for 2007 rather than the second half of 2006?

Response IR-33: In the Board Order of April 12, 2006 NSPI was directed to "prepare the terms of reference for the operations review and submit them to the Board for approval by May 31, 2006." Neither the Board's Decision nor the Board Order specified a date for completion of the operations review.

NSPI submitted draft Terms of Reference for this review by letter dated May 31, 2006, as directed by the Board. The key deliverables for the operations review were scheduled to be completed by July 31, 2006, according to the Terms of Reference as prepared by NSPI. On July 21, 2006 the Board responded to NSPI, approving the selected consultant and providing a number of revisions to the Terms of Reference. In regard to the completion date of the review, the Board only commented, "In addition, the Board notes that the July 31, 2006 date for the deliverables may have to be changed."

Given the delay in commencing the operations review, the consultant was not immediately available to NSPI, but anticipated being able to complete the review not later than the first quarter of 2007. Once this rate application was filed on October 10, 2006, NSPI re-engaged the consultant in order to have the report ready for the Board for this proceeding. The study will be completed and filed with the Board as soon as possible and in any event prior to the commencement of the hearing in this application.

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The *Public Utilities Act,* R.S.N.S. 1989, c.380 as amended

IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-34: **Reference Page 76, lines 7-11**

Provide reliability statistics, in the same format as Board Staff IR-38 from P-882, for the NSPI fossil fleet for 2005A, 2006F and 2007F.

Response IR-34: Please refer to Attachment 1.

Performance Factor	**ICBF**	**NSPI**	**CEA**	**NERC**
	ICbF 2005	**ICbF 00-04**	**ICbF 00-04**	**ICbF 00-04**
Plant				
PT. Aconi	6.93%	12.57%		
Tufts Cove # 1	15.57%	8.73%		
Tufts Cove # 2	8.61%	11.00%		
Tufts Cove # 3	11.61%	11.33%		
PT. Tupper # 2	15.86%	5.97%		
Trenton # 5	15.98%	12.22%		
Trenton # 6	14.75%	6.85%		
Lingan # 1	8.89%	8.10%		
Lingan # 2	7.05%	11.07%		
Lingan # 3	3.35%	5.46%		
Lingan # 4	7.33%	6.85%		
Fossil Fleet ICbF	10.53%	9.10%	19.90%	15.07%

*ICbF is not available for 2006Fand 2007F

Performance Factors

Plant	NSPI 2005	MOF 00-04	CEA 00-04	NERC 00-04
PT. Aconi	0.00%	0.94%		
Tufts Cove # 1	0.88%	2.62%		
Tufts Cove # 2	2.56%	2.76%		
Tufts Cove # 3	1.85%	3.17%		
PT. Tupper # 2	0.24%	0.41%		
Trenton # 5	1.18%	0.67%		
Trenton # 6	0.92%	1.23%		
Lingan # 1	0.90%	1.76%		
Lingan # 2	0.42%	1.19%		
Lingan # 3	0.00%	0.54%		
Lingan # 4	0.37%	0.27%		
Fossil Fleet MOF	0.85%	1.41%	2.94%	2.40%

* MOF is not available for 2006Fand 2007F

Performance Factors **DAFOR**

Plant	2005	YTD 10-31 2006	Forecast 2007	NSPI 00-04	CEA 00-04	NERC 00-04
PT. Aconi	1.28%	1.37%	3.00%	3.85%		
Tufts Cove # 1	0.32%	0%	2.00%	1.11%		
Tufts Cove # 2	0.17%	0.38%	2.00%	2.10%		
Tufts Cove # 3	3.05%	0.12%	2.00%	2.39%		
PT. Tupper # 2	4.33%	2.57%	2.00%	0.87%		
Trenton # 5	11.86%	3.47%	4.00%	5.32%		
Trenton # 6	2.72%	1.20%	2.50%	2.42%		
Lingan # 1	1.84%	1.98%	2.50%	1.60%		
Lingan # 2	3.56%	2.96%	2.50%	2.36%		
Lingan # 3	1.90%	0.41%	2.50%	1.16%		
Lingan # 4	2.53%	1.54%	2.50%	1.66%		
Fossil Fleet DAFOR	2.88%	1.45%	2.50%	2.26%	11.20%	5.96

Performance Factors **Availability**

Annual Hours	8760	YTD 10-31	Forecast	CEA	NERC
	2005	**2006**	**2007**	**00-04**	**00-04**
Plant					
PT. Aconi	93.80%	91.10%	90%		
Tufts Cove # 1	84.50%	100.00%	92%		
Tufts Cove # 2	91.40%	84.10%	92%		
Tufts Cove # 3	90.30%	96.30%	87%		
PT. Tupper # 2	84.60%	92.00%	96%		
Trenton # 5	86.60%	81.30%	89%		
Trenton # 6	85.90%	92.70%	98%		
Lingan # 1	91.10%	93.90%	92%		
Lingan # 2	93.00%	94.00%	90%		
Lingan # 3	96.60%	83.20%	94%		
Lingan # 4	92.70%	95.50%	90%		
Fossil Fleet Availability	90.05%	91.28%	92%	80.10%	84.93%

* CEA Availability is calculated here as (100%-ICbF)

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The *Public Utilities Act,* R.S.N.S. 1989, c.380 as amended

IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-35: **Reference Page 77, Figure 4.3**

Provide details on the Power Production programs implemented to offset the labour cost increases by $0.8 million.

Response IR-35: The projected decrease of $0.8 million in Power Production is due to the varying planned maintenance outage cycle.

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The *Public Utilities Act,* R.S.N.S. 1989, c.380 as amended

IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations

RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-36: **Reference Direct Evidence, Page 77. It is stated that:**

"Customer Operations includes: Regional Operations (transmission and distribution field operating groups), Transmission and Distribution Assets (asset management – inspections, planning and engineering, fleet and vegetation management), the Ragged Lake Control Centre (System Operator function) and Administration."

a. Please provide expected total expenditures in 2007 for each of the above categories, ie transmission and distribution field operating groups, inspections, planning and engineering, fleet, and vegetation management, the Ragged Lake Control Centre (System Operator function) and Administration.

b. Are all of these functions carried out solely by Nova Scotia Power Inc. personnel? If No, please identify other companies involved and separate expenditures between NSPI and each of those other companies.

Response IR-36: a. Customer Operations 2007 Forecast (in thousands $)

Transmission	5,948
Distribution	17,088
Regional Operations	23,036
Transmission and Distribution Asset	15,985
Inspections	1,329
Planning & Engineering	1,791
Fleet	5,116
Services Admin	605
Stores	785

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Response IR-36: (cont'd)

Vegetation Management	6,359
Ragged Lake Control Centre	4,438
Administration	8,808
Total Customer Operations	$52,267

b. Not all of these functions are solely carried out by NSPI personnel. Other companies involved are:

Vendors	**(in thousands of $)**
Vegetation Management Contractors	6,800
Various local fleet repair vendors	2,800
Various Traffic Control vendors	400
Power Line Technician Contractors (Storm Response)	4,000
Total	$14,000

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TO: NSPI

FROM: UARB

Question IR-37: **Reference Direct Evidence, Page 78. It is stated that:**

"Customer Operations costs are influenced by asset management needs, regulatory decisions, new customer growth and storm events."

a. Please provide expected total expenditures in 2007 for each of the above four influences.

b. Please provide supporting evidence for capital expenditures in each of the four cost influences.

Response IR-37: a.

	Asset Management	Regulatory Decisions	Customer Growth and Support	Storms	Total
OM&G	$27.1M	$0.2M	$19.6M	$5.4M	$52.3M

b. As is normal practice, evidence supporting the forecasted capital expenditures will be filed as part of NSPI's 2007 Annual Capital Expenditure (ACE) Plan.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-38: **Reference Direct Evidence, Page 78. It is stated that:**

"Customer Operations uses cost control strategies to ensure the business is run cost effectively. Overall OM&G expenses will increase in 2007 by $300,000 over 2006C, driven primarily by wage increases. This assumes no funding of new initiatives requested for 2007 and no further regulatory directives that increase costs."

a. Please discuss the cost control strategies used to ensure cost effectiveness.

b. Do any of the control strategies involve the use of non-NSPI personnel? If yes, please identify and discuss.

Response IR-38: a) Cost containment activities include:

- Customer Operations has aligned its structure around an Asset Management Model with clear lines of accountability between the asset manager and the service provider(s). This enables NSPI to focus on the condition of the assets, prioritization and effectiveness in work planning, and cost contestability between service providers through the development of a flexible work force model.
- Management and the union have agreed upon "single person work," which has allowed an increase in the number of single person crews to safely complete work assignments that were previously completed by two (or more) person crews, increasing productivity.

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TO: NSPI

FROM: UARB

Response IR-38: (cont'd)

- Shift work has been introduced for Power Line Technicians across the province, providing expanded hours of service to customers and reduced costs through the reduction of after-hour callouts and overtime.
- Less specialized work has been transferred from Power Line Technicians' to better utilize their higher skills, as well as reduce the cost for less specialized work to be completed.
- Supervisory personnel have been moved away from overtime pay in favour of performance-based compensation.
- NSPI was able to reduce costs by contracting Vegetation Management work to a single service provider. Benefit to customers is that more Vegetation Management work gets done for the same amount of spending.

b) The following cost control strategies involve the use of non-NSPI personnel:

- Vegetation Management services have been contracted to a single service provider, which has reduced contractor costs.
- Less specialized work such as traffic control services, pole setting and pole framing services has been reassigned from Power Line Technicians to external contractors.

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Response IR-38: (cont'd)

Under the flexible work force model, contractors are used for some Power Line Construction/Maintenance Services and Inspections. This reduces operational costs and improves the Company's ability to ramp up or ramp down the workforce depending on peaks in work flow.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-39: **Reference Direct Evidence, Page 78. It is stated that:**

"NSPI's Customer Service group includes: call centre, billing, meter services, credit and collections, customer communications and quality assurance, all of which were formerly included in Customer Operations. It also includes heating solutions, large customer management, load and revenue forecasting and conservation/energy efficiency programs."

a. Please provide expected total expenditures in 2007 for each of the above sub-groups, ie call centre, billing, meter services, credit and collections, customer communications quality assurance, heating solutions, large customer management, load and revenue forecasting and conservation/energy efficiency programs.

b. Please elaborate on the conservation/energy efficiency programs.

c. Are any of these functions performed by non-NSPI personnel? If yes please identify and indicate the level of expenditure.

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TO: NSPI

FROM: UARB **REDACTED**

Response IR-39: a.

Workgroup	**2007 OM&G**
Call Centre[1]	$7,652,000
Billing & Payment Services	$3,357,000
Meter Services	$6,853,000
Credit Services (Net Bad Debt)	$3,064,000
Customer Communications and Quality Assurance	$1,020,000
Customer Solutions	$437,000
Heating solutions, large customer management, load and revenue forecasting[2]	$1,397,000
New Energy Efficiency and Conservation[3]	$550,000
Administration	$701,000
Total Customer Service	**$25,031,000**

b. NSPI's Demand Side Management (DSM) programs, including conservation and energy efficiency, are carried out under the direction of NSPI's General Manager of Customer Service.

The Manager of Conservation and Energy Efficiency reports to the GM of Customer Service, and is responsible for the coordination, development and implementation of DSM programs and initiatives.

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[1] The Call Centre work group includes the collections function.

[2] Heating solutions, large customer management, load and revenue forecasting costs are budgeted and accounted for in one cost centre.

[3] These amounts relate to incremental investments associated with the development of NSPI's Demand Side Management plan. Other costs related to conservation and energy efficiency are included in other cost centres. Please refer to UARB IR-39b.

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FROM: UARB **REDACTED**

Response IR-39: (cont'd)

In 2007, NSPI expects to:

i. Continue with its current level of DSM programs;
ii. Continue to develop NSPI's proposed plan for increased investment in DSM.

i) NSPI's Current DSM Programs:

NSPI's current DSM programs are delivered through staff who also have other accountabilities. A general list of these employees includes:

- Call Centre employees,
- Billing employees
- Meter data services
- Rates staff
- Heating solutions staff
- Sales and revenue forecasters
- Key account managers
- Communications staff
- Information technology

In addition, the following is a list of Conservation and Energy Efficiency initiatives and programs carried out in 2006. NSPI expects its 2007 initiatives and programs will be similar.

- Nova Scotia Home Builder's Association Home Show
- NSPI's website redesign

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Response IR-39: (cont'd)

- Clean NS Partnership
- Compact Fluorescent Lamp (CFL) article in Guysborough Journal
- CFL donation to FeedNovaScotia
- Eco-Efficiency Centre
- Code Green CBC TV Series
- Cheticamp community CFL campaign:
- Billing Inserts (see UARB IR-39b Attachment 1 & 2)
- Customer Events
- Community Events
- In-Home Power Monitor Pilot Program
- ACAP Cape Breton
- LED Traffic Lights
- ViewFinders Program
- LED Holiday Lighting Exchange
- LED based Street Lighting

On a national level, NSPI is actively involved with the Canadian Electricity Association (CEA) and works with other Utilities and Natural Resources Canada (NRCAN).

ii) Development of NSPI's proposed Plan for Increased Investment in DSM:

In addition to NSPI's current DSM programs detailed above, in 2007, NSPI expects to invest $550,000 of OM&G to further develop its proposed plan for increased investment in DSM.

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Response IR-39: (cont'd)

For 2007, the expected breakdown of this work and estimated cost is shown below:

		NSPI	External
a)	DSM in Integrated Resource Planning	$40,000	$150,000
b)	DSM Potential Study	$10,000	$100,000
c)	Move DSM from IRP to a Plan in Rates	$10,000	$100,000
d)	Detailed DSM Programming	$40,000	$100,000
	Total	$100,000	$450,000

c. None of the functions listed in UARB IR-39a are entirely performed by non-NSPI personnel. There are functions within workgroups that will be performed by non-NSPI personnel including:

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TO: NSPI

FROM: UARB **REDACTED**

Response IR-39: (cont'd)

Workgroup	**Function**	**2007 Expenditure**
Call Centre	New customer credit checks	[redacted]
Billing & Payment Services	Bill payment receipt External payment agents Bill printing	
Meter Services	Smart Energy Information Service Software Maintenance	
Credit Services	Collection agencies	
Customer Communications and Quality Assurance	Customer surveys	
Customer Solutions	High volume call answer (HVCA) stress test	
Heating Solutions	Printing and copying services for customer brochures	
New Energy Efficiency and Conservation	Develop revised DSM plan[4]	

[4] These amounts relate to incremental investments associated with the development of NSPI's Demand Side Management plan. Other costs related to conservation and energy efficiency are included in other cost centres. Please refer to UARB IR-39b.