ORIGINAL Exhibit - N-31

2006 NSUARB-P-886
NOVA SCOTIA UTILITY AND REVIEW BOARD
IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and –

IN THE MATTER OF AN APPLICATION BY NSPI FOR APPROVAL OF CERTAIN REVISIONS TO ITS RATES, CHARGES AND REGULATIONS

CONSUMER ADVOCATE RESPONSES TO INFORMATION REQUESTS

From: Nova Scotia Power Incorporated
January 13, 2007

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Nova Scotia Utility and Review Board

IR-1 Reference page 7

Are Ms. Brockway or the CA requesting as a result of Ms. Brockway's evidence on fuel cost estimates that the Board revisit and increase the ELI 2P-RTP base energy charge in the current proceeding? If so, what level of increase is proposed, and what is the evidentiary support for such an increase based on fuel cost estimates?

Only to the extent that the Board would otherwise determine that non-ELI customers must cover any difference between the estimates of fuel costs in the recent setting of the ELI base energy charges and the fuel costs determined in the current proceeding.

IR-2 Reference page 8

Assume that the Board approves a revenue requirement that conforms to the Application. What (besides Ms. Brockway's ELI 2P-RTP recommendation to increase the base rate to a 97% Revenue/Cost ratio) are Ms. Brockway's Revenue/Cost recommendations for each customer class, and what is the basis for each such recommendation?

It is not possible to make a final recommendation about R/C ratios until the revenue requirement is set, as the percent increase in revenue requirement will drive the percent increases that would be seen in any class. However, Ms. Brockway can offer the following options:

(1) Use Dr. Stutz' proposed methodology to adjust the R/C ratio of the General Demand class from the across-the-board starting point, to a R/C ratio half the way to 105, for the reasons in his testimony.

(2) Increase the R/C requirement for the ELI class from 95% to an amount no greater than the amount corresponding to a 12% percentage rate increase for this class. Without making the Stutz adjustments to the Company's proposal and without adjusting the revenue requirements shown at Figure 9.4 of the Initial Filing, this change would correspond to a R/C ratio of 95.65 for the ELI class. The reasoning is that the ELI class has the lowest R/C ratio by far, and even under the Board's reasoning with respect to an allowance for possible effects of using hourly fuel cost estimates, there is room to move this class closer to the 100 R/C centerpoint. The percent rate increase cap was proposed at 12% because it is not so much higher than the 11.1% rate increase proposed by the Company to violate concepts of rate stability.

IR-3 Reference pages 10 to 16

a) Is Ms. Brockway intending by this section to provide expert evidence on return on equity, cost of capital, capital markets or how the financial community will receive and react to the Board's decision in this Application? If so, please indicate the basis of her expertise in this area.

Only to the extent of examining the internal logic of Dr. Morin's testimony, and examining his assertions of relative risk in terms of the Company's actual situation at present.

b) Which jurisdictions, if any, in which Ms. Brockway has appeared as a witness, have specifically accepted Ms. Brockway as qualified to provide expert evidence on the above noted matters? For each such jurisdiction, provide a copy of the tribunal's acceptance and acknowledgement of Ms. Brockway's expertise in these areas.

Ms. Brockway has not testified as an expert in the topics listed in IR-3(a) other than to the extent she testified before the Board on the need for cost of capital to be adjusted downward to reflect lower risk in the event the Board approved a fuel clause.

IR-4 Reference pages 18 to 23

a) Please provide Ms. Brockway's understanding of the effects of Bill 20 on the setting of rates by the Board for NSPI.

As the explanatory note to Bill 20 states, the bill would prevent Nova Scotia Power being granted more than one general rate increase in any twelve-month period unless the Nova Scotia Utility and Review Board determines that exceptional circumstances exist that cause substantial financial harm to the ratepayers of Nova Scotia Power or to Nova Scotia Power.

b) In respect of 8 of the 9 areas, Ms. Brockway proposes that "further review" (p. 20) may be necessary once the exact level of costs are known.

i) Please detail the process(es) that Ms. Brockway sees as reasonable and needed in respect of each of those 8 areas.

Once the Company has determined what additional revenue requirements would be needed for any of the areas, it would bring the request forward, with supporting detail, intervenors would have a chance to propound interrogatories and file testimony in response to the request, and hearings would be held.

ii) Please discuss whether such processes would delay the establishment of rates in the context of the constraints of Bill 20.

It is not clear what the Company means by "in the context of Bill 20." I do not see how the process outlined in response to IR-4(b)(i) would delay the establishment of rates. It might make it impractical to include all potential claimed adjustments to rates in the establishment of rates in any one general rate case. In that case, assuming the adjustments did not trigger the exception for substantial financial harm, they could be brought forward to be reflected in rates in the next general rate case.

c) With respect to fuel costs incurred in the first quarter of a calendar year 2007 test period, please explain how recovery of such costs breaches the test year approach to ratemaking.

The test year approach develops an estimate of annualized revenue requirements, and after allocating that to classes, produces rates by dividing the allocated share of that annualized revenue requirement by billing determinants. By contrast, the Company proposes to set rates based on an annualized estimate of fuel costs, and then add to the revenue requirement costs incurred before the rates were changed. In other words, the Company proposes to recover the equivalent of a full test year of fuel costs in its rates, and then add a quarter's worth on top. In addition, there is reason to believe fuel costs are going to ease off at least in the near term in 2008, so the Company's proposal would lock in a higher cost. See also the answer of the Consumer Advocate to SEB IR 8.

d) At page 22 it is stated: "Nor does NSPI propose to reflect any elements of a fuel clause that work in the customers' favour, such as automatic decreases in rates when fuel costs go down between rate cases." Are Ms. Brockway and the CA supportive of a fuel adjustment mechanism for NSPI, to capture and refund/collect decreases/increases from fuel cost forecasts embedded in rates. If not, why not?

No. The topic of fuel adjustment clauses is not before the Board in this docket. Nonetheless, Ms. Brockway states that there are numerous problems with fuel adjustment clauses. The two primary problems are that they eliminate regulatory lag and thus eliminate the incentive for the Company to be as efficient as possible in fuel procurement and fuel use, and that they distort the incentives between capital investment and fuel use. They also lead to greater volatility in rates to customers, make it difficult for consumers to budget to pay their electric bills, and create so-called generational inequities in which one group of customers causes the Company to incur certain costs and a different group of customers pays part of the costs.

e) Please explain the source or basis for the comment, "But the Company proposes to hold open the record only to make changes that would increase the revenue requirement".

The basis for this comment is the fact that all of the adjustments for which the Company proposes to hold the record open would increase the revenue requirement.

f) If the Board directs a specific investment by NSPI (for example in Vegetation Management or Demand Side Management) and that amount is known to the Board, NSPI and Intervenors during the general rate increase proceeding but was not known at the time of filing, is that investment considered to be hypothetical or speculative? If approved by the Board, for what reason would these costs not be recoverable?

There is no reason why costs approved by the Board should not be includable in rates. The question here incorporates issues of fairness and notice, prudence, and "knowability and measurability." Notice to consumers that the issue of cost recovery will be handled in a certain docket, determination of the extent to which after-the-fact prudence reviews will be undertaken before costs are allowed in rates, and consideration of rate case standards of inclusion of costs in revenue requirements all must be aligned before costs are included in rates.

g) Please explain the source of the suggestion that NSPI seeks a surcharge to increase rates.

NSPI proposes to add the additional fuel costs incurred in 1Q 2007 over the level reflected in rates set in P-881 to its revenue requirements for 2008. If this request is granted, it would not necessarily require an explicit surcharge. However, because it would raise the level of revenues the Company could recover before it was considered to have overearned on its rate of return, it would function as a de facto surcharge, allowing the Company to stay out and not lower its rates in the case that absent this addition to revenue requirements, it would have to lower rates to prevent overearning.

IR-5 Reference pages 24 to 34

Will the Consumer Advocate present Roger Colton for cross examination on his evidence in this proceeding?

No.