P. 886 ORIGINAL Ex. N-7(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 85 – 104
AEC 27 – 39
Avon 67 – 76
CME 47 – 67
HRM 8 – 23

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Utility and Review Board

Volume 1

December 6, 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-85: **Reference Board Staff IR-37, please provide supporting detail and assumptions regarding the asset management level of $27.1 million.**

Response IR-85: The following chart provides the supporting detail for the asset management level of $27.1 million:

	Asset Management (in millions)	
OM&G	Vegetation Management	$6.8
	Vehicle Maintenance	$5.1
	Line Inspections	$1.3
	Planning and Engineering	$1.8
	Control Center Operations	$4.2
	Transmission Maintenance and Operations	$5.5
	Stores	$0.8
	Administration	$1.6
	Total	**$27.1**

The 2007 forecast for asset management spending is based on 2006 including increases in labour due to union and non-union labour increases.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-86: **Reference Board Staff IR-37, is any of the asset management work included in the $27.1 million carried out by Emera affiliates? If Yes, please identify the specific affiliates, description of work, and cost.**

Response IR-86: No.

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RESPONSE TO INFORMATION REQUEST

TO: **NSPI**

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

Question IR-87: **Reference Board Staff IR-37, is any of the asset management work included in the $27.1 million carried out by non-Emera companies? If Yes, please identify the specific companies, description of work, and cost.**

Response IR-87: Work carried out in asset management by non-Emera companies includes vegetation management contractors [redacted] and vehicle fleet maintenance contractors ([redacted] conducted by a network of local garages and contractors across the province who service NSPI's fleet).

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-88: **Reference Board Staff IR-37, what level of cost is expected to be incurred in 2006 for asset management work?**

Response IR-88: $25.8 million.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-89: **Reference Board Staff IR-37, was any of the asset management work included in the 2006 estimated cost carried out by Emera affiliates? If Yes, please identify the specific affiliates, description of work, and cost.**

Response IR-89: Cablecom Ltd. was awarded one contract in 2006 for asset management work. The contract was valued at $1,363.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-90: **Reference Board Staff IR-37, was any of the asset management work included in the 2006 estimated cost carried out by non-Emera companies? If Yes, please identify the specific companies, description of work, and cost.**

Response IR-90: Work carried out in asset management by non-Emera companies in the 2006 estimated cost includes vegetation management contractors [redacted] and vehicle fleet maintenance contractors ([redacted] conducted by a network of local garages and contractors across the province who service NSPI's fleet).

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-91: **Direct evidence, page 8, lines 3-5 indicates that the increased load adds $19.6 million to NSPI's overall fuel costs. Response to UARB IR-4, Attachment 11, page 1 indicates that the cost of the load increase is [redacted]. Please explain.**

Response IR-91: The $19.6 million is inclusive of volume changes from fuel switching and credit for heat rate improvements due to increased in load, please refer to the table below:

Fuel Switching
Heat Rate



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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-92: **Reference Board Staff IR-1**

Please provide an update of Figure 9.1 (page 168) using the ELI-2P-RTP rates approved by the Board in P-883, i.e 55.06 $/MWh for energy.

Response IR-92: Please refer to Attachment 1. The Extra Large Industrial Two Part-Real Time Pricing (ELI 2P-RTP) revenue shown is based on the Standard Energy Charge only. It does not account for the 2P-RTP net credits expected to be paid to SEB or the increased fuel costs associated with serving the flat line Customer Baseline Loadshape load under the ELI 2P-RTP tariff. NSPI has requested a true-up mechanism be approved to ensure that the value of the net credits paid is equal to the actual cost savings provided to the Company.

Figure 9.1 Modified

	R/C Ratio	% Revenue Increase	Proposed Revenue	
ABOVE-THE-LINE CLASSES				
Residential	90.8%	0.0%	$481.6	
Commercial				
Small General	93.7%	0.0%	$28.1	
General Demand	101.4%	0.0%	$244.3	
Large General	90.9%	0.0%	$32.9	
Total Commercial	**99.4%**	**0.0%**	**$305.3**	
Industrial				
Small Industrial	94.3%	0.0%	$23.0	
Medium Industrial	93.3%	0.0%	$46.8	
Large Industrial	91.5%	0.0%	$68.9	
ELIIR-2	87.2%	0.0%	$114.8	1
Total Industrial	**90.1%**	**0.0%**	**$253.5**	
Other				
Municipal	89.7%	0.0%	$15.0	
Unmetered	100.7%	0.0%	$24.4	
Total Other	**96.2%**	**0.0%**	**$39.4**	
Total Above-the-line classes	93.1%	0.0%	$1,079.8	
Below-the-line		0.0%	$18.7	
Exports		0.0%	$8.5	
Miscellaneous		0.0%	$10.5	
Total Revenue		0.0%	$1,117.5	
Revenue Requirement		0.0%	$1,197.6	2
Revenue Shortfall			($80.1)	

Note: 1 This assumes that the incremental fuel costs to serve ELI 2P-RTP load above the CBL are equal to 2P-RTP incremental charges, and that avoided fuel costs associated with 2P-RTP load below the CBL are equal to 2P-RTP credits paid, or alternatively, any net difference is recovered through a true-up mechanism as requested by NSPI.

Note: 2 This does not reflect the increased fuel costs associated with serving the flat line CBL load under the ELI 2P-RTP tariff.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-93: **Reference Board Staff IR-3, Attachment 1**

The maintenance duration for the steam-electric units totals 38 weeks (sum rows 1-11).Please provide the comparable total actual weeks of maintenance for the steam-electric units for each year 2000-2006.

Response IR-93: Please see the table below. Note that 2006 includes actuals to November 27, 2006 and an estimate for the remainder of the year.

Total Actual Weeks of Maintenance 2000-2006
(Steam Units - Coal and Tufts Cove 1, 2 & 3)

Year	Weeks of Maintenance
2000	[redacted]
2001	
2002	
2003	
2004	
2005	
2006 YTD	

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-94: **Reference Board Staff IR-84, Attachment 1, page 13 of 13**

Please explain why there is a difference in the natural gas price quoted for Tufts Cove and Tufts Cove 4,5.

Response IR-94: The difference in the natural gas price quoted for Tufts Cove and Tufts Cove 4 and 5 is due to the allocation of the Mark-to-Market gains and/or losses on natural gas hedges. These gains and/or losses are reflected in the costs for Tufts Cove 4 and 5.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-95: **Reference Board Staff IR-4, Attachment 4.**

Please explain why the 2007 import costs are not the same as those shown in response to Board Staff IR-84, page 1 of 13, total import costs.

Response IR-95: The 2007 import costs which are detailed in UARB IR-4, Attachment 4 include all forecasted purchases of import power.

The costs that are detailed in UARB IR-84, page 1 of 13, have the portion of imported power forecasted for export sales removed from the total import costs (and included with the export cost of sales).

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-96: **Reference Board Staff IR-4, Attachment 6**

a. Please provide the derivation of how NSPI allocated the cost difference into price variance and mix variance.

b. Why isn't (e.g. for the all coal section), the total variance costs in '000$ the same as the sum of the price variance and the mix variance?

c. Based on the response to parts "a" and "b", provide any required updates to Appendices 6 to 10.

Response IR-96: a. The formula used to calculate the price variance in UARB IR-4, Attachment 6 is as follows:

- Change in price/MMBtu for each solid fuel type, multiplied by the 2007 forecasted volume of each corresponding commodity.

The mix variance is a function of the change in solid fuel mix and is calculated as follows:

- Change in mix percentage of each solid fuel type, multiplied by the total 2007 forecasted MMBtus, multiplied by the 2006C forecasted price of each corresponding commodity.

b. The volume variance (which is the change in volume multiplied by the 2006C forecasted percentage of each solid type multiplied by the 2006C forecasted price) is not included in the price and mix

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Response IR-96: (cont'd)

calculation. The sum of the price, mix and volume variance make up the total dollar change in solid fuel costs from 2006C to 2007.

c. There are no required updates to Attachments 6 to 10.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-97: **Reference Board Staff IR-8, Attachment 1.**

a. **Please provide an explanation of why the import price was so high in August 2006. Include in your response a description of both events on the NSPI system and in the market for import power.**

b. **Please provide an explanation of the large increases assumed for 2007 import prices in $/MW.h over those actually paid in 2006.**

Response IR-97: a.-b. The response to this question is confidential.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-98: **Reference Board Staff IR-16**

a. What is the NSPI Net Operating Capability as used in reliability studies to demonstrate compliance with its planning reserve obligations? If different than the 2283 MW, please provide a table similar to Attachment 1, but with the Net Operating Capability used for reserve obligations.

b. Is the 1.3 MW shown for wind generation the installed capacity or that used in reliability studies?

Response IR-98:

a. The Net Operating Capability as used in reliability studies is the 2,283 MW within the accuracy noted.

b. The 1.3 MW is the installed capacity.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-99: **Reference Board Staff IR-84**

Please provide information for the combustion turbines, i.e. as provided in P-882, the response to SEB IR-195, Attachment 1, page 18 of 18.

Response IR-99: The combustion turbine units are the only units forecasted to consume diesel fuel in 2007. Please refer to UARB IR-84 Attachment 1 Page 3 for the 2007 forecasted volumes and costs of diesel at the combustion turbines.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-100: **Reference Board Staff IR-23**

Please explain the difference between the value quoted in the direct evidence, Page 54, line 4, and that provided in the response to Board Staff IR-4, Attachment 1 (and in the response to Board Staff IR-84, Attachment 1, page 13 of 13).

Response IR-100: The 2007 Heavy Fuel Oil (HFO) price [redacted] in the Direct Evidence is the total forecasted price per MMBtu of all HFO burn at all plants. The HFO prices in UARB IR-4 Attachment 1 are the forecasted prices per MMBtu individually by plant. The HFO price in UARB IR-84 Attachment 1, page 13 of 13 is the 2007 forecasted price per MMBtu at Tufts Cove only.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-101: **Reference Board Staff IR-49**

a. Please provide the Strategist System Reports and Unit Reports for the base case and the 25 MW decremental case (as provided in past AAR filing, i.e. August 5, 2005).

Response IR-101: a. Please refer to:
Confidential Attachment 1 – Base Case System Report
Confidential Attachment 2 – 25MW Decrement Case System Report.

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-102: Reference Board Staff IR-58

Please provide a continuity schedule for 2006F (i.e. to tie in to beginning balances 2007F).

Response IR-102:

Continuity Schedule for 2006F
(in thousands)

Function	Beginning Balance Gross Plant - 2006F	Adds - 2006F	Retirements 2006F	Ending Balance Gross Plant - 2006F
Generation				
Steam	1,686,350	36,372	(5,322)	1,717,400
Gas Turbine	31,107	1,770	(478)	32,399
LM6000	71,447	0	0	71,447
Wind Turbine	1,992	0	0	1,992
Hydro	369,962	11,600	(255)	381,307
Transmission	576,224	9,696	(693)	585,226
Distribution	1,009,753	35,273	(2,540)	1,042,486
General Property	269,411	16,173	(4,565)	281,019
Total	4,016,245	110,883	(13,853)	4,113,276

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Question IR-103: **Reference board Staff IR-61, Attachment 2, Page 1 of 1**

Please provide backup calculations for the energy rate in $/MW.h for
a. GR under GRLF
b. Mersey Additional Energy.

Response IR-103: a. The Generation Replacement (GR) "rate" is not a tariff but is the expected net unit revenue NSPI projects to receive from sales and purchases of energy to and from GR customers as they utilize their own generation. Based on previous operating experience, NSPI has projected this net revenue to be approximately [redacted] an associated net exchange of approximately 5 GWh, for a unit revenue [redacted]/MWh in 2007.

b. The Mersey Additional Energy rate [redacted]/MWh is the average unit revenue that NSPI would receive from the customer on this rate, if priced for 2007 at the current 2006 Large Industrial Rate, Interruptible Rider. Please refer to the following calculation.

Revenue			
Demand charge	[redacted]		
Energy Charge			
Total			
Unit revenue	[redacted]		[redacted]

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TO: NSPI

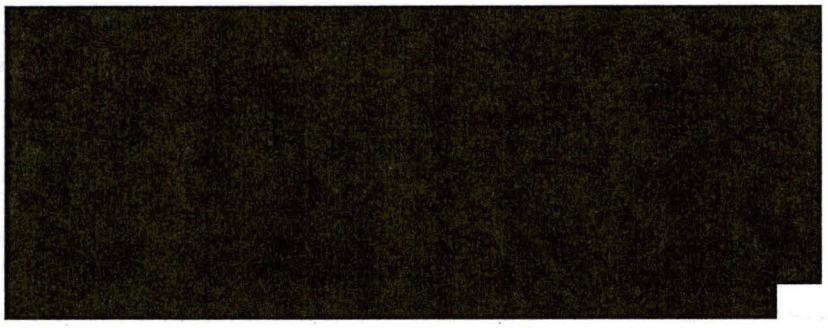
FROM: UARB **REDACTED**

Question IR-104: **Reference Board Staff IR-84, Attachment 1, page 4 of 13.**

a. Please provide an update on the status of the purchase of domestic coal for 2007 and future years. Include in your response an explanation of any differences between the assumptions used in the above-referenced IR response and the current situation.

b. What difference would there be in NSPI's 2007F fuel costs if the current situation was used instead of the filing assumptions?

Response IR-104: a.



b. As requested, NSPI has updated its solid fuel positions including fuel inventories as at September 30, 2006, new contracts, contract revisions, and options exercised, as well as overall optimization of solid fuel blends. HFO and natural gas were updated for new commodity hedging activities since July 31st and forward price forecasts as at November 27, 2006. As detailed in SEB IR-124 Revised, the decline in relative market prices since the October forecast also reflects the

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB **REDACTED**

Response IR-104: (cont'd)

hedged positions that NSPI has put in place as part of its fuel portfolio strategy.

In addition to updating commodity prices, NSPI revised the load shape based on the requirements associated with the new ELI 2P-RTP rate.

A summary of the changes is highlighted below:

Fuel Forecast – October Filing		**$498.7M**
Load and Generation Mix (CBL)		2.6
Commodity Pricing Changes		
Coal pricing, net	(3.1)	
HFO	(7.7)	
Natural Gas (NG), Burn	(6.6)	
Diesel	(3.6)	
Import Power	(0.4)	
NG Decreased Margin - Pricing	6.3	
NG Decreased Margin – Increased Burn	1.2	
Sub-total		(13.9)
Other		
Increase in Transportation Costs	3.1	
Other Items	0.1	
Sub-total		3.2
Sub-total Fuel Forecast Adjustments		**(8.1)**
Fuel Forecast – January Update		**$490.6M**

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-105: **Please provide a list of "comparable utilities" against which NSPI was bench-marked and indicate which ones Accenture may have studied in depth, and in which aspects.**

Response IR-105: Accenture has drawn its benchmarks for corporate service functions from across all industries. Attachment 1 identifies the companies included in the benchmarks. The specific companies used to benchmark each area are identified in the March report filed as a response to CA IR-45.

Of the utilities used in the benchmarks, Accenture has carried out OM&G reviews and benchmarking studies for the following utilities:

- Centrica PLC
- Consumers Energy Company
- OGE Energy Corporation
- Ontario Power Generation
- Progress Energy, Inc.
- Williams Company
- Xcel Energy Inc.
- EnCana
- BC Hydro
- LG&E Energy Corp
- TransAlta Corporation
- Baltimore Gas & Electric
- Conectiv, Inc
- PG & E Corporation
- Reliant Energy Inc.
- PPL Corp

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Response IR-105: (cont'd)

For the remaining non-utility companies, Accenture estimates that it has carried out engagements for approximately 80% of the listed companies.

Accenture has drawn its benchmarks from across industries for the corporate services functions

3Com Corporation
ACNielsen Corporation
Agere Systems
Agilent Technologies
Air Products and Chemicals, Inc.
Alcoa, Inc.
Alticor
American Express Company
Ameriquest Mortgage Company
Applera Corporation
Applied Materials, Inc.
AutoDesk Inc.
Avon Products, Inc.
Bank of America Corporation
Bayer CropScience
Bechtel Jacobs Company
Belk Stores Services, Inc.
BMW Group
Boeing Company
BorgWarner, Inc
British Airways
British Broadcasting Corporation
British Telecommunications plc
Brown-Forman Corporation
Cable & Wireless Global Operations
Cadence Design Systems, Inc.
Campbell Soup Company
Cardinal Health, Inc.
Carl Zeiss Holding Co., Inc.
Carlson Companies, Inc.
Centrica PLC
Cessna Aircraft Company
Charles Schwab Corporation
Chevron Corporation
Cincinnati Bell
Cingular Wireless
Cisco Systems, Inc.
Citigroup Inc.
Citizens Gas & Coke Utility
ClubCorp, Inc.
Compass Group, UK Limited
Consumers Energy Company
Convergys Corporation
Cooper Industries
Corning Incorporated
Corporate Express, Inc.
Covance Inc.
Crowley Maritime Corporation
Cytec Industries B.V.
Daimler Chrysler Corporation
Daisytek International Corporation
Dana Corporation
Dell Computer Corporation
Deluxe Corporation
Diageo plc
Dow Chemical Company
DTE Energy
Eastman Chemical Company
Eli Lilly and Company
ExxonMobil Chemical Company
ExxonMobil Corporation
Fidelity Investments (FMR Corp.)
FirstEnergy Corporation
Future Electronics Corp.
GAP, Inc.
General Electric Company
Georgia-Pacific Corporation
GMAC
H&R Block Inc.
Henkel of America, Inc.
Hewlett-Packard Company
Holcim
Hollister Incorporated
Honeywell International Inc.
IBM Corporation
International Paper Company
J.P. Morgan Chase & Co.
Janus Capital Group, Inc
JM Family Enterprises, Inc.
Johnson Controls, Inc.
KLA-Tencor Limited
Kohler Company
Lexmark International, Inc.
LG & E Energy Corp.
Liz Claiborne
Lockheed Martin Corporation
Lubrizol Corporation
Mattel Inc.
McKesson HBOC, Inc.
Motorola, Inc.
NCR Corporation
Nissan Europe
Nova Chemicals Corporation
Novartis Consumer Health Inc
NUI Corporation
OGE Energy Corporation
Ontario Power Generation
Pactiv Corporation
Panasonic
Pepsi-Cola Bottling Company
Perot Systems Corporation
Philip Morris International
Progress Energy, Inc.
Questar Corp.
Renault SA
Rhodia Inc.
Rock-Tenn Company
Rockwell Automation
Rockwell Collins, Inc.
Rohm & Haas
SAP AG
Tampa Electric Company
Teradyne, Inc
Textron Inc.
Time Warner Cable
Timken Company
TransAlta Corporation
Turner Broadcasting System, Inc.
Unilever plc
USAA
Whirlpool Corporation
Williams Company
Xcel Energy Inc.
Zurich Insurance Company

Source: Accenture

DATE FILED: March 5, 2007

UARB IR-105 Attachment 1 Page 1 of 1

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Question IR-106: **Please describe the scope of the assessment of NSPI as outlined initially by NSPI and then as redescribed and amended by the Nova Scotia Utility and Review Board. When was Accenture aware of the change in scope?**

Response IR-106: Accenture was first engaged in early February 2006 to carry out a benchmarking assessment of NSPI's operating expenses. This review was carried out during the month of February and a report was issued to NSPI on March 7.

In April 2006 NSPI forwarded to Accenture a copy of the UARB's directive from the 2006 Rate Case Decision and inquired as to whether Accenture would be able to assist in the completion of the directive. Accenture confirmed that it could.

On May 31, 2006, NSPI filed a proposed Terms of Reference based upon the Board's 2006 Rate Case Decision. Please refer to Attachment 1.

On July 21, 2006, the Board directed revisions to the Terms of Reference. Please refer to CA IR-38, Attachment 1 for a copy of the revised Terms of Reference.

Accenture was made aware of the changes to the Terms of Reference in late July or early August, 2006.

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NOVA SCOTIA POWER
An Emera Company

Consulting Services
Review of NSPI
Operations, Management and General Expenditures (OM&G) and Operations

Terms of Reference

May 2006

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Appendix "A" - OM&G Review excerpts (Sections 6.7 and 14.13) from the NSUARB Decision, March 10, 2006.

1 Nova Scotia Power Overview

Nova Scotia Power Inc. is a fully-integrated, electric utility operating in a traditional regulated environment. It is a wholly owned subsidiary of Emera Inc. (TSX-EMA). The company supplies over 97% of the generation, transmission and distribution of electrical power to 460,000 customers in Nova Scotia. NSPI owns 2,293 megawatts (MW) of generation, fuelled by a mix of:

- coal, petroleum coke (55%)
- oil and natural gas (27%)
- hydro, tidal and wind (18%)

2 Objective and Background

It is the objective of NSPI to enter into a consulting arrangement with a Service Provider for review of NSPI's OM&G expenditures and operations.

As part of its 2006 Rate Application, NSPI proposed increased investment in its operations and administration expenses. In responding to this aspect of the application, NSPI's regulator, the Nova Scotia Utility and Review Board (UARB), expressed its desire for an operations review to examine organizational efficiencies at NSPI.

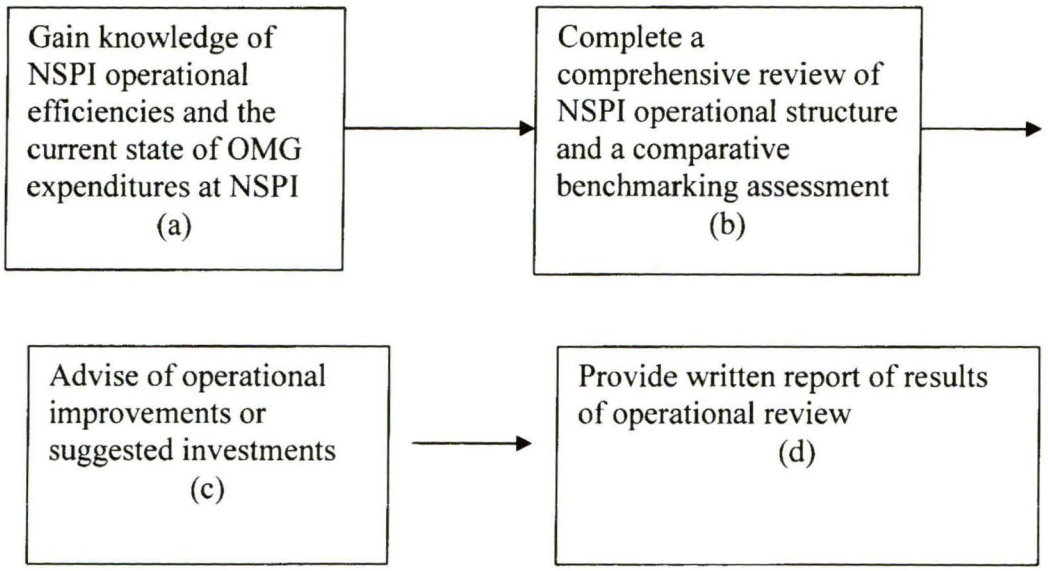
NSPI recognizes that opportunities exist for continuous improvement in administration and operation of the company. On a regular basis, NSPI seeks out such opportunities and implements operational improvements where appropriate. NSPI also recognizes the benefit of an independent evaluation of its operating efficiency that includes comparative benchmarking with appropriate industry standards.

In its March 10, 2006 Decision, the UARB acknowledged efforts by NSPI management to contain expenditures. It also concluded that a critical examination of NSPI's organizational structure would be a timely exercise. The Board directed NSPI to retain an outside consultant to undertake an operations review, and to file terms of reference for

this review no later than May 31, 2006. Relevant OMG excerpts from the Board's Decision are included in Exhibit "A".

3 Scope

NSPI expects the work of the consultant to include the following significant components:



a) NSPI current state: It is required that the consultant's expertise already includes best utilities practices, and utility operations and organizational structure, including in depth knowledge and experience with electric utility management in North America. The consultant should demonstrate and be fully versed in those structures that have proven both effective and ineffective. The consultant will need to supplement this with additional specific knowledge of NSPI's operational structure and administration, the current state of OM&G expenditure by NSPI, and the efforts to date by NSPI in managing and controlling OM&G costs.

b) Comprehensive Review: It is expected that the consultant will perform a comprehensive review of NSPI's organizational structure and operations. Based on the consultant's knowledge of best practices, the consultant's assessment of NSPI's situation, and the consultant's years of demonstrated experience and expert judgment, the consultant will provide specific recommendations on those

areas of NSPI's operations and expenditures that can be improved, and recommend steps to accomplish the improvements. This review will include specific assessment of the OM&G areas discussed in the Board's Decision March 10, 2006, Exhibit "A' of this RFP.

c) Advise NSPI Management: The consultant will work with NSPI to incorporate its recommendations for improved efficiencies and required new investment. This could involve adding, removing or modifying existing organizational structures.

d) The consultant will deliver a written report of its activities and recommendations.

Key specific deliverables, due no later than July 31, 2006, include:

1. Comprehensive review of NSPI's Operations and Organizational Structure:
   a) Overall assessment of NSPI in the context of utility best practice
   b) Identification of areas where improvements can be achieved or further efficiencies obtained
   c) Recommendations as to how best to modify the management structure to achieve the improvements
   d) Specific discussion and recommendations (if applicable) in the following areas:
      - NSPI's overall OM&G expenditures
      - Industry Benchmarking in specific OM&G areas
      - Reasonable level of OM&G spending for NSPI, given this point in the process
      - Specific review and advice about NSPI:
        a. Finance and Accounting
        b. Information Technology
        c. Human resources
        d. Procurement
        e. Executive Management
        f. Legal and Regulatory Affairs
        g. Other areas that contribute in a significant way to OM&G

e) Recommendations on how to best proceed with the implementation of the advice recognizing:

- There may be a range of cost-effective options; and
- There must be an appropriate arrangement for recovery of increased costs, whether temporary or long term.

Following completion of the project the consultant may be asked to participate in stakeholder technical conferences, assist in preparatory work for related regulatory hearings or provide expert testimony about the consultant's work and report.

4 Technical Inquiries

Greg Blunden, General Manager, Fuels and Regulatory Finance, NSPI
greg.blunden@nspower.ca
Telephone: (902) 428-6639

5 Questions and Addenda

The Consultant is urged to carefully examine these Terms of Reference immediately and contact NSPI at once for any items that require clarification. All clarifications deemed by NSPI to be material will be issued as written addenda. No verbal interpretation provided by NSPI shall be valid and only written addenda shall bind NSPI.

In the event of a conflict between the Terms of Reference and any addenda, later issued addenda shall govern to the extent of any such conflict.

6 Ownership of Documents and Freedom of Information

All documents submitted to NSPI become the property of NSPI and are subject to disclosure to the Nova Scotia UARB and stakeholders. By submitting a report the prospective consultant thereby agrees to disclosure of its contents. NSPI's normal business practices will be observed in handling proposal materials. Any information the

prospective consultant considers confidential because of its proprietary nature should be marked as "confidential", and will be subject to appropriate consideration.

7 Confidentiality of Information

Information obtained from NSPI as a result of participation in this project is confidential and must not be disclosed without authorization from NSPI.

8 Nova Scotia Utility and Review Board (NSUARB)

The consultant must be aware that NSPI is a regulated utility. NSPI's decisions with respect to any project may be affected by the decisions of the NSUARB as they affect NSPI. All activities shall be subject to decisions, orders or approval of the NSUARB as may be necessary or appropriate.

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-107: **Please outline the sequence of communications with NSPI from first contact to tabling of final report.**

Response IR-107: The following is a summary of communication between Accenture and NSPI as it relates to the final report:

February 2006

- Accenture was contacted to carry out an assessment of NSPI's operating costs
- Arrangement letter was signed on February 6
- Field work was carried out during February in Halifax

March 2006

- Report was issued to NSPI on March 7

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April 2006

- UARB Rate Case Directive was received by Accenture
- Accenture confirmed that additional mandate could be completed

June – July 2006

- Accenture was kept apprised as NSPI awaited direction from the UARB about the proposed Terms of Reference

Late July / Early August 2006

- Accenture received UARB approved Terms of Reference
- Accenture was advised that its continued involvement was approved by UARB
- Revised Terms of Reference was discussed with NSPI
- Additional work was scheduled for Q1 of 2007

NOVA SCOTIA UTILITY AND REVIEW BOARD

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

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RESPONSE TO INFORMATION REQUEST

TO: NSPI

FROM: UARB

Response IR-107: (cont'd)

Late August and Early October 2006

- No communication from NSPI

Late October 2006

- Accenture was asked to begin and complete work as soon as possible

November 2006

- Arrangement letter signed on November 14
- Field work began in Halifax

December 2006

- Field work continued in Halifax
- Due date of final report was accelerated to January 8 at direction of NSPI

January 2007

- Final report was issued on January 8
- Information requests were received by Accenture on January 12
- Accenture responded to requests by January 15

February 2007

- Additional information requests were received by Accenture on February 15