P-886 ORIGINAL Ex. N-7(b)

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

Liberty 82 – 106
MEUNSC 19 – 22
NSDOE 11 – 17
SEB 92 – 143

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Utility and Review Board

Volume 2

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: Liberty

Question IR-82: **With respect to Liberty IR-2, please provide the resumes initially requested, but limit this response to the following individuals:**

- **Director, Fuels, Energy & Risk Management**
- **All individuals in the organization of the Sr. Manager, Solid Fuels, including the Sr. Manager**
- **All individuals in the organization of the Manager, Oil/Gas, including the Manager.**

Response IR-82: NSPI does not retain resumes for its employees.

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: Liberty

Question IR-83: **With respect to Liberty IR-3, please provide Liberty with a hard copy of the Fuel Procurement Policies and Procedures Manual.**

Response IR-83: This confidential information can be viewed at NSPI offices.

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: Liberty **REDACTED**

Question IR-84: **With respect to Liberty IR-21, for each listed force majeure event, please provide the following additional information:**

a. Dates and duration of the force majeure.
b. Specifics on disposition of any undelivered tons of coal, or fuel, such as delivered later, forgiven, etc.
c. Identification of any replacement coal, or fuel, obtained as a result of the force majeure and the cost of such coal, or fuel.
d. Summary of issue resolution.
e. Economic consequences of the force majeure to include comparisons of cost and quantity of coal, or fuel, not delivered with any cost and quantity of replacement coal, or fuel.

Response IR-84: The response to this question is confidential.

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: Liberty **REDACTED**

Question IR-85: **With respect to Liberty IR-81, part b:**

[redacted]

Response IR-85: As outlined in NSPI's Fuel Procurement Policies and Procedures Manual Section 1.1, NSPI's objective is to maintain a portfolio of long, medium and short term agreements. This strategy was developed to reduce the effects from market volatility through agreements with staggered expiration dates, volume options and varied pricing mechanisms.

Compliance is achieved when the percentage of solid fuel contracted under given terms (i.e. long, medium and short term) is structured within the parameters of the portfolio strategy.

A long term contract is defined as a contract which has a term [redacted]. This means that, as of the current point in time, NSPI will have a minimum of [redacted] of its solid fuel requirements covered under contracts with at [redacted]

Please refer to Confidential Attachment 1. Appendix A of the October 31, 2006 letter outlines the solid fuel portfolio dated September 29, 2006. At

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: Liberty **REDACTED**

Response IR-85: (cont'd)

this time, NSPI had between [redacted] of its solid fuel procurements under long term contracts for not only [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: Liberty

Question IR-86: **Liberty Question IR-9 sought the Strategist runs used to compute fuel and purchased power costs for the years 2006 and 2007. The response noted that Strategist did not address items such as "natural gas sales and other financial accounting adjustments." Please provide all workpapers and analyses supporting all such 2006 and 2007 costs not addressed by Strategist.**

Response IR-86: This confidential information is available for viewing at NSPI offices.

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: Liberty

Question IR-87: **With respect to Liberty IR-54, please confirm that natural gas is consumed for generation only at Tufts Cove. If natural gas is consumed for generation at other locations, please provide this information in the same format as for the original response to this IR.**

Also, please provide the originally requested information for the year 2008.

Response IR-87: Confirmed.

NSPI respectfully suggests the information for the year 2008 is not relevant to establishing the 2007 test year revenue requirement.

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: Liberty **REDACTED**

Question IR-88: **Please provide in Microsoft Excel machine readable format: (a) the transaction listing attached to the response to Liberty IR-29, and (b) similarly formatted listings for 2004 and for 2005.**

Response IR-88: Please refer to the Confidential Microsoft Excel Attachments 1, 2 and 3 filed electronically.

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: Liberty **REDACTED**

Question IR-89: **Please provide in Microsoft Excel machine-readable format the data underlying the graphs provided in response to Liberty IR-63.**

Response IR-89: Please refer to the Microsoft Excel Attachments 1, 2, 3 and 4 filed electronically. Electronic Attachment 4 is confidential.

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: Liberty **REDACTED**

Question IR-90: **With respect to Liberty IR-24, the NSPI response provided information through September 2006. Please provide an update to all of the reports in the original response through the most current month available.**

In addition, Attachments 1 and Attachments 2 present budget information and forecast information respectively. Please describe the difference between budgets and forecasts, and explain why on page 1 of attachment 1, the difference between the budget and actual for total fuel and PP expense is [redacted]; but on page 1 of attachment 2, the difference between the forecast and actual for total fuel and PP expense is [redacted].

Response IR-90: This confidential information can be viewed at NSPI's offices.

NSPI produces a fuel budget at the beginning of every year. This budget does not change and results are compared to this budget. NSPI also reforecasts fuel and purchased power periodically throughout the year. This explains the difference between the [redacted] variance to budget, and the [redacted], variance to forecast.

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: Liberty **REDACTED**

Question IR-91: **Regarding Table 8 of Appendix A to the Company's Application, do the amounts shown for the year 2005 under Fuel For Resale (lines 20 and 21) include** [redacted]

Response IR-91: The response to this question is confidential.

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: Liberty **REDACTED**

Question IR-92: **Why did NSPI acquire** [redacted]

Response IR-92: The response to this question is confidential.

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: Liberty **REDACTED**

Question IR-93: **Please provide a copy of the terms of reference for [redacted] report, dated [redacted], to NSPI regarding enhancing the value of NSPI's resale gas (referred to hereinafter as [redacted].**

Response IR-93: Please refer to Confidential Attachment 1.

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: Liberty **REDACTED**

Question IR-94: **The [redacted] reports [redacted] developed a spreadsheet (computer) model that could be used to estimate how much gas should be made available for resale, and at what price. (See Appendix D to the Report.) Is this model in a form to be used by NSPI now? What are NSPI's plans regarding the use of this model?**

Response IR-94: The response to this question is confidential.

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: Liberty **REDACTED**

Question IR-95: **What is NSPI's opinion of the gas resales process as prescribed by [redacted]? In particular, what plans does NSPI have for additional contact by NSPI personnel with potential bidders for the resale gas?**

Response IR-95: NSPI agrees with the recommendations put forth in the [redacted] Pending comments by the Board, NSPI expects to [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: Liberty **REDACTED**

Question IR-96: **Does NSPI think it would require additional resources (personnel, IT support, etc.) to conduct the gas resales function as prescribed [redacted] What additional resources? At what additional cost?**

Response IR-96: No.

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: Liberty **REDACTED**

Question IR-97: **What is NSPI's view of [redacted] (at [redacted]) that "Canada and the United States are a single gas market, for all practical purposes." Please explain.**

Response IR-97: This statement recognizes that the natural gas market and infrastructure in North America are highly integrated. Prices adjusted for transportation, and local supply and demand balances are related to one another. Further, the statement recognizes that there are no artificial barriers to pricing and price discovery, as natural gas is traded on the NYMEX.

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: Liberty **REDACTED**

Question IR-98: **Provide a detailed description of the "swing swap" hedging transaction that is mentioned on [redacted] of the [redacted]**

Response IR-98: Please refer to Attachment 1.

NATURAL GAS SWING SWAP, GAS DAILY DAILY FOR NYMEX LD1 SPREAD

ICE OTC

Quantity/Price

Pricing	GDD/LD1
Price Units	USD / MMBtu
Quantity Units	MMBtus
Price Increment	0.000
Min Lot Increment	2500
Granularity	daily

Dates & Terms

Floating Price Premium (A)	Traded Price
Floating Price (A)	The 'Floating Price' shall be the average of the midpoint prices for each calendar day during the Determination Period as published under the applicable delivery location section of the 'Daily Price Survey' table of 'Gas Daily'. The floating price for any business day shall be the mean of the prices published in such sections of 'Gas Daily' on such business day for the immediately preceding business day. Non-business days shall use the price from the subsequent business day.
Total Floating Price (A)	Floating Price (A) plus Floating Price Premium (A)
Floating Price (B)	A price in dollars per MMBtu dry equal to the monthly last settlement price for natural gas futures as made public by the New York Mercantile Exchange (NYMEX) for the month of production per ISDA commodity definitions.
Settlement	Cash Settled in USD.
Settlement Dates	The last pricing day in each delivery period.
Payment Dates	Five (5) New York Business Days after each settlement date via wire transfer of Federal Funds.
Other Terms	To be confirmed directly between the above parties in their full form of contract.

« PREVIOUS PRODUCT 275 OF 288 NEXT PRODUCT »

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: Liberty **REDACTED**

Question IR-99: **Please provide a copy of the** [redacted]

Response IR-99: This confidential information is available for viewing at NSPI offices.

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: Liberty **REDACTED**

Question IR-100: **Please comment on the [redacted] Does NSPI [redacted] recommendations? If not, why not?**

Response IR-100: Please refer to Liberty IR-95.

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: Liberty **REDACTED**

Question IR-101: **Regarding NSPI's response to Liberty IR-35, what is the date of the forward price curves shown on pg. 2 of the Company's response. Please provide current (December 1, 2006) values for the same curves; i.e., as adjusted for delivery costs, handling costs and foreign exchange rates.**

Response IR-101: The date of the forward price curves is July 31, 2006.

Values for the same curves as of November 27, 2006 are:

Heavy Fuel Oil versus Natural Gas Burn at Tufts Cove

2007	Heavy Fuel Oil Forward Price Curve $/MMBtu	Natural Gas Forward Price Curve $/MMBtu	Fuel Burned Tufts Cove (Units 1, 2, 3) (Lesser Cost)
Jan	[redacted]	[redacted]	[redacted]
Feb			
Mar			
Apr			
May			
Jun			
Jul			
Aug			
Sep			
Oct			
Nov			
Dec			

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: Liberty **REDACTED**

Question IR-102: **Further, regarding the Company's response to Liberty IR-35, how much of a difference between the adjusted (delivered) prices of the alternate fuels (HFO and natural gas) is required to induce the Company to switch?**

a. Please list the types of costs that the Company incurs in switching fuels, and provide approximate amounts for each type of cost.
b. Would the Company switch fuels for a period shorter than one month? Please explain.
c. Please provide details of the decision to switch fuels: What analysis is done? By whom? How far in advance of the decision? Who makes the decision? What approvals are required?

Response IR-102: There is no fixed price difference between the two fuels that triggers a fuel switch. Several factors are taken into account, including:

[redacted]

a. The logistics to fuel switch [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: Liberty **REDACTED**

Response IR-102: (cont'd)

[redacted]

b. Please refer to Confidential Avon IR-71.

c. NSPI's [redacted] out the cost of generation for dispatch purposes daily. The market price of natural gas and the market price of heavy fuel oil are used to determine the production cost for Tufts Cove (units 1, 2 and 3). The [redacted] daily by the Team Lead, Scheduling and Operations. The gas marketer uses the [redacted] numbers on a daily basis to determine if a fuel switch opportunity exists. The decision to fuel switch is typically [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: Liberty **REDACTED**

Question IR-103: **Please complete the following table for NSPI's realizations from natural gas volumes sold:**

Year	MMBtu sold	Margins realized (C$)
2001		
2002		
2003		
2004		
2005		
2006 year to date		

N.B.: Margin equals sales price minus (purchase price at Goldboro plus transportation charges on MNP-C).

Response IR-103: Please refer to the Table below:

Year	MMBtu sold	Margins realized ($ CAD)
2001	[redacted]	[redacted]
2002		
2003		
2004		
2005		
2006 year to date		

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: Liberty **REDACTED**

Question IR-104: **Regarding the Company's response to Liberty IR-53, is the Company assuming** [redacted]

Response IR-104: The contract is not part of NSPI's revenue requirement. A specific assumption is not required as the price is a market-based pass-through. Whether NSPI receives some or all of the gas, the result is essentially the same.

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: Liberty

Question IR-105: **Confidential Attachment 1 of the Company's response to Liberty IR-54 was not properly reduced in size prior to reproduction, so parts of it are cut off of the page as provided. Please provide the attachment sized properly.**

a. Attachment 1 to Liberty IR-55 appears to have the same problem.

b. Also all the attachments to Liberty IR-66.

Response IR-105: Liberty indicated that this matter has been resolved.

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: Liberty **REDACTED**

Question IR-106: **Regarding the Company's response to Liberty IR-60, please provide the principal reason(s) for the gas purchases listed in 2005. Similarly, please provide the reason(s) for the gas purchases in 2006.**

a. Please explain the difference between gross and net prices. Why is there a difference between gross and net price when NPSI buys from Irving at Tufts Cove, but not when NSPI buys from Emera Energy at Tufts Cove?

Response IR-106: The principal reasons for the gas purchases listed in 2005 were:

[redacted]

The principal reasons for the gas purchases listed in 2006 were:

[redacted]

a. Gross price includes any net back (fuel, transportation) that are applicable to the trade whereas net price does not.

[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: Liberty **REDACTED**

Response IR-106: (cont'd)

