2007 NSUARB-P-886

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: NSDOE **REDACTED**

Question IR-11: **With reference to NSPI's response to Liberty IR-9, Attachments 1 & 2 The average marginal costs for 2006 and 2007 from the Strategist System Report are [redacted] and [redacted], respectively. Please provide detailed reasons for the 2007 marginal cost increase?**

Response IR-11: The estimated increase in annual average marginal cost in 2007 compared to 2006 is attributed to both an increase in fuel costs and an increase in load. The average marginal cost represents the cost that would be incurred to produce the next MWh. These costs are based on the fuels burned by the marginal units – those units that are dispatched last and serve the top portion of load. These fuels, which are predominantly heavy fuel oil, natural gas and light oil, increase in price in 2007 and contribute to the increased marginal cost.

In addition to increasing fuel costs there is also increasing load in 2007. This incremental load would also be served by the marginal units. There are some hours when there is sufficient incremental load forecast such that the unit on the margin becomes fully loaded and the incremental load would have to be partially served by the next available unit. This unit then becomes the new marginal unit. Typically the marginal cost of this new unit will be higher and will cause the annual average marginal cost to rise.

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: NSDOE **REDACTED**

Question IR-12: **With reference to NSPI's response to Liberty IR-10, Attachments 1 & 2**

In 2006, Petcoke (high and/or low sulphur) is consumed at [redacted] for a total amount of [redacted] In 2007, Petcoke is only consumed at [redacted] for a total of [redacted].

a. **Please provide detailed reasons why the 2007 consumption is [redacted] than in 2006?**

b. **[redacted]**

Response IR-12: 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: NSDOE **REDACTED**

Question IR-13: **With reference to NSPI's response to Liberty IR-10, Attachments 1 & 2**

The HFO cost in $/MMbtu for 2006 [redacted] as compared to 2007 [redacted] Please explain the increase in projected HFO cost given that crude oil prices have trended downwards since 2006C?

Response IR-13: The cost of HFO in 2006C is based on price strips from May of 2005. The trend for crude oil pricing has not been downward since that time; rather, it has trended upward. At that time crude oil was approximately $50 US per barrel for 2006 and as of November 28, 2006 crude oil is approximately $65 US per barrel for 2007. (Further to the market trend the cost of HFO is also affected by the financial hedges that are in place for the 2007 test year.)

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: NSDOE **REDACTED**

Question IR-14: **With reference to NSPI's response to Liberty IR-10, Attachments 1 & 2**

a. **At Tufts Cove, [redacted] Please explain why [redacted] consumption at Tufts Cove [redacted] in 2007?**

b. **Given the amount of natural gas consumed in 2007 at Tufts Cove, what percentage is this of the total natural gas available to NSPI?**

Response IR-14: a. [redacted]

b. The natural gas consumed in 2007 at Tufts Cove [redacted] of the total natural gas available to NSPI.

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: NSDOE **REDACTED**

Question IR-15:

a. **Please explain why the combustion turbines are forecast to produce significantly more energy in 2007 than in 2006, when the new ELIIR rates are designed to reduce the need to run combustion turbines?**

b. **Please confirm whether combustion turbine fuel costs were removed from the above-the-line rates, with the advent of the original ELIIR rate?**

c. **Please confirm that in 2007F, approximately [redacted] of combustion turbine related fuel costs have been added back into fuel costs, and will now be shared amongst all rate classes (see Liberty IR 10, Attachment 2, Page 3**

Response IR-15:

a. Combustion Turbines (CT) usage is expected to be higher in 2007 due to load growth. Unlike the former Extra Large Industrial Interruptible Rate (ELIIR) tariff, the new ELI 2P-RTP rate is not explicitly designed to reduce the need to run combustion turbines. It is a mechanism that sends hourly price signals to 2P-RTP customers, regardless of the generation source being used, and enables customers to adjust their load as they see fit.

b. Confirmed. Combustion turbine fuel costs were not included in Above the Line (ATL) rates when the former ELIIR tariff was in use.

c. Confirmed. CT usage required to serve in-province load is once again included in the fuel costs that are used to determine ATL rates. The [redacted] referred to in the question includes approximately [redacted] in CT usage to serve exports. Revenue from export sales more than offsets this [redacted] in CT fuel costs.

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: NSDOE **REDACTED**

Question IR-16: **With reference to NSPI's response to Liberty IR-10, Attachments 1 & 2**

a. **Please explain the significant [redacted] in domestic coal consumption from 2006 to 2007?**

b. **What is the average percent sulphur of domestic coal?**

c. [redacted]

Response IR-16: a. [redacted]

b. [redacted]

c. [redacted]

Please refer to Liberty IR-69.

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: NSDOE

Question IR-17: **With reference to NSPI's response to NSDOE IR-8**

What would the projected 2006 ROE have been if the fuel disallowance (approx $15 M) had been included in rates?

Response IR-17: The 2006 rates reflect the fuel disallowance. The information sought by this question is speculative and not relevant to the 2007 test year.