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VIA COURIER

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Ms. Nancy McNeil
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
Halifax, NS B3J 3S3

RECEIVED
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Nova Scotia Utility
and Review Board

Dear Ms. McNeil:

Re: NSPI 2007 Rate Application P-886

Please accept this letter as the submission on behalf of the Consumer Advocate in relation to the compliance filing process and the concerns that have been expressed by Avon Valley et al.

We share the concerns expressed by Avon Valley et al. The compliance filing process is an important part of a rate application. The calculations that occur as part of the compliance filing can alter the expected impact of rate increases. Consumers, particularly residential consumers, want to know the amount of increase they can expect. Once the approved revenue is identified in a rate hearing, percentage increases are publicly reported. The increases for various classes often change as a result of the compliance filing without an opportunity to understand how the change occurred. That creates confusion and scepticism of the compliance process. As a basic proposition, the compliance filing should be as transparent and as receptive to input as the rate hearing itself.

Accordingly we endorse the suggestions made by Avon Valley et al in their letter to the Board dated January 31, 2007, that NSPI provide the parties information sufficient to replicate the Company's process of translating overall revenue requirements to class revenue requirements, and resulting R/C ratios. As Avon Valley et al request, the Intervenors should be given access to "revenue allocation scenarios along with the R/C's by customer class," including all "alternative revenue allocation scenarios submitted by NSPI to the Board" along with "communications respecting these alternative scenarios, the Compliance Filing itself and any revisions..." We also support the request that Intervenors be afforded the opportunity to comment on the proposed allocation to class, as well as the Compliance Filing itself, before the Board makes its decision.

In this hearing, NSPI provided the parties and the Board Exhibit N-49, which took the last stage of revenue requirement determination by class from the filing (Figure 9.4), and supplied the numbers by class that were the result of its allocation of the burdens and benefits of the settlement. However, the parties did not get the equivalent of Figure 9.1, nor of any intermediate stages in the process of getting from the Figure 9.1 starting point to the end result. The starting point and the intermediate stages are largely unknown to the parties.

While Avon did not specify it, the Consumer Advocate requests that Intervenors be provided with the revised COSS results that lead to the initial allocation of costs to classes. This would provide the backup for the "Figure 9.1" equivalent starting point of class revenue determination. Any party wishing to propose an alternative "Figure 9.4" would need this starting point information, and would need to be confident of its correctness. Especially in a docket such as this one, in which the settlement calls for an adjustment to the allocators for at least one class, in which reasonable alternatives could be proposed for allocation of depreciation, and in which allocation of fuel costs has such a large impact on class revenue targets, it is important for all affected to understand and be confident in the starting point. In the filing of the rate increase, the Company provided the COSS run that was the basis for the cost allocation implicit in Figure 9.1, the starting point of the class revenue determination process. It should produce not only its "Settlement Figure 9.1", but the COSS run that supports it.

The Company should also disclose the steps of the progression it made to get from "Settlement Figure 9.1" to Exhibit N-49. The Company may have used a variety of decisions or rules in addition to those Dr. Stutz had proposed in his direct testimony, and which were agreed to in the settlement, to get from the unknown "Settlement Figure 9.1" to "Settlement Figure 9.4" (Exhibit N-49). The Company may have interpreted the Stutz method in a way differently from the interpretation other parties would give the method. The parties are ignorant of these potential issues, and cannot provide an informed judgment about the merits of the resulting Exhibit N-49 without understanding them.

The request for the additional information described above and for the opportunity for input, can be handled without the process becoming bogged down or burdensome. The Company could have a given date for filing the information with the Board and Intervenors. There would then be a limited time within which any party would be entitled to raise issues and make submissions on any point arising from that information. Depending on the nature of the point raised, the Board, in the exercise of its discretion, could deal with it in writing based on existing submissions, by requiring further information or submissions from the Company or any party if any, or by having a short appearance before the Board.

We appreciate the opportunity of providing our views on what is an important part of any rate application. At present all of the transparency and openness of a rate hearing is diminished by

having the final allocation of the numbers go through a black box. The process will be improved by opening the box to allow an understanding of how the final allocation is performed.

Yours truly,

John P. Merrick

JPM:dlb

c - All Interested Parties *(via email)*

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