NSPI-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**

- and -

IN THE MATTER OF: **An Application by Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations**

NOVA SCOTIA POWER INC.
2007 RATE APPLICATION

RECEIVED
JAN 26 2007
Nova Scotia
Utility and Review Board

CLOSING SUBMISSIONS

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NOVA SCOTIA
AS REPRESENTED BY
THE DEPARTMENT OF ENERGY

Stephen T. McGrath

Nova Scotia Department of Justice
400-5151 Terminal Road
P.O. Box 7
Halifax, NS B3J 2L6
Phone: (902) 424-6288
Facsimile: (902) 424-1730
e-mail: *mcgrathst@gov.ns.ca*

1. The Nova Scotia Department of Energy ("NSDOE") would like to take the opportunity to once again commend the efforts of NSPI and those stakeholders who were able to set aside their differences and work together to achieve an agreement dealing with the entirety of NSPI's revenue requirement for setting rates intended to be effective April 1, 2007.[1] Once Stora Enso Port Hawkesbury Limited and Bowater Mersey Paper Company Limited (collectively "SEB") agreed to sign the agreement, this group of intervenors included representatives from all of NSPI's rate classes and all of the parties who filed evidence in this proceeding.

2. NSDOE believes that such collective actions are in the best interest of NSPI and its ratepayers. A settlement agreement amongst some intervenors does not preclude others from pursuing their interests in the proceeding. Indeed, the public interest is safeguarded by virtue of the fact that settlement arrangements are not binding upon the Nova Scotia Utility and Review Board (the "Board"), even if they are unanimous. Having said that, NSDOE is concerned that NSPI intends to immediately refocus its efforts on a fuel adjustment mechanism ("FAM") process, which in our opinion, will likely result in further delays in obtaining a resolution of ongoing integrated resource planning ("IRP") and demand side management ("DSM") processes.

3. On the positive side, it appears to NSDOE that the FAM process contemplated by the settlement agreement quite appropriately contemplates a process that will include a broad range of issues. The process would include consideration of not only the technical form or mechanism for any contemplated FAM, but a broadly based exploration of NSPI's "readiness" for a FAM.

[1] Exhibit N-48

4. Based on the exchange between counsel for SEB and NSPI during the hearing, it appears that the proposed process will require, at a minimum, the disclosure of fuel information to the same extent that is required in a rate case.[2] NSDOE also supports the Consumer Advocate's position that information from an appropriate operations review should also be available, and subject to exploration during any FAM process.[3] In addition, NSDOE notes that the Board's decision in last year's rate case directed a detailed audit of affiliate transactions.[4] NSDOE submits that the results of this audit should be part of any FAM process and that affiliate relationships would be an issue necessarily explored during any FAM process.

5. As noted, NSDOE's real concern, and it is more of a cautionary note than an objection, is with the timing of the process. The proposed time frame of July 15, 2007 may be sufficient to permit some form of stakeholder process and ensure that information relating to the operations review and affiliate transactions audit is available. However, NSDOE believes that it would be regrettable, to say the least, if a FAM process had a negative impact on the timeline for resolving issues presently underway in the IRP/DSM processes.

6. During an appearance before the Board dealing with NSPI's application for approval of air emission strategy capital projects on June 19, 2006, leading to the establishment of the IRP process, NSDOE noted:

> The Department of Energy also supports the beginning of an IRP process, as recommended by Dr. Stutz, as being an appropriate tool to use at this point in time for purposes of planning for various things, including the solution to meet emission

[2] Hearing Transcript, January 23, 2007, pp. 34-41

[3] Hearing Transcript, January 24, 2007, pp.69-71

[4] 2006 NSUARB 23, paras. 143-149 (NSUARB-NSPI-P-882)

> requirements in 2010. I understand, the Board does not intend to get into the drafting of terms of reference today, and I don't intend to deal with that, but the Province is concerned that as we go about that process it is, what my friend, Mr. Gallant had indicated, focused and timely. The Province does have some concern with respect to the timeliness of this process and, as my friend, Mr. MacDougall indicated, this discontinuance and the engagement of the IRP process has a context, and the context is the application to deal with emissions requirements in 2010. The Province is concerned that too lengthy an IRP process will result in an analysis paralysis of sorts, or effectively a decision by default. Certainly it is the Province's hope that the IRP process can be completed and that we are, in effect, dealing with solution X, whatever that might be, by next year.[5]

7. In its 2005 rate decision, the Board directed NSPI to initiate a technical conference process with respect to demand side management.[6] Subsequently, NSPI advanced a DSM plan for approval in last year's rate case though this was not approved by the Board. Instead, the Board approved funding for an outside consultant to complete NSPI's DSM plan design and development. The Board ordered that a separate hearing on DSM be held in the second half of 2006.[7]

8. In September 2006, recognizing the link between the DSM and IRP processes, the Board directed that NSPI's DSM filing be part of the IRP process and reserved any decision on whether or not it would be necessary to hold a hearing on DSM until after the IRP process is completed. Then, in November 2006, the Board extended the timelines for the completion of the IRP process following the request of the Board's consultant, Dr. Stutz, who noted that additional time was required to reflect the collaborative approach contemplated by the IRP terms of reference, particularly in light of the fact that resources would be stretched if required to deal with both the IRP process and the 2007 rate application at the same time.

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[5] NSUARB-P-128-05, Hearing Transcript, June 19, 2006, pp. 27-28

[6] 2005 NSUARB 27, para. 267 (NSUARB-NSPI-P881)

[7] 2006 NSUARB 23, paras. 473-477 (NSUARB-NSPI-P882)

9. In its rebuttal submission, NSPI noted:

> At the time of filing of the Application, the Board had recently directed that the DSM review be incorporated into the Integrated Resource Plan (IRP) process. Whether a 2007 DSM investment would be ordered was uncertain at the time of filing the Application, and it is not NSPI's desire to circumvent the DSM review by again explicitly seeking Board approval of its DSM plan in this Application. It is now clear that the IRP will not be complete in time for NSPI to make a DSM investment in 2007. As such, NSPI is not requesting that any funding be incorporated in the 2007 revenue requirement to implement the DSM plan.
>
> That being said it is unfortunate that DSM implementation will be further delayed. NSPI would welcome customer support for a preliminary investment in DSM in 2007 with that amount incorporated into the revenue requirement in this proceeding.[8]

10. NSDOE agrees that it is unfortunate that DSM implementation will be further delayed, but appreciates that, to date, there have been good reasons for this. NSDOE urges the Board to ensure, however, that the important IRP/DSM process is not further delayed because of the requested FAM process. The proposed timeline for the FAM process in the settlement may not cause delay, and NSDOE is not suggesting an adjustment at this point. If a conflict arises down the road, however, it is the FAM process that should be deferred.

All of which is respectfully submitted, this 26th day of January 2007.

Stephen T. McGrath

Nova Scotia Department of Justice
400-5151 Terminal Road
P.O. Box 7
Halifax, NS B3J 2L6

[8] Exhibit N-46, p. 83