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Nova Scotia Utility
and Review Board

Nova Scotia Utility and Review Board
3rd Floor, 1601 Lower Water Street
Halifax, NS B3J 3P6

Attention: Ms. Nancy McNeil
Regulatory Affairs Officer/Clerk

Dear Ms. McNeil:

RE: Nova Scotia Power Inc.– 2007 Rate Hearing –P-886, Preliminary Issues List

HRM would like to provide the following comments on the issues to be addressed at the pending Nova Scotia Power Inc. 2007 Rate Hearing.

Unmetered Rate:
Although the reference to Rates is included in the issues list, HRM would like to ensure that that topic includes any issues that it may wish to bring forward in respect of the unmetered rate. As part of the 2006 rate case decision (NSUARB-NSPI-P-882) the Nova Scotia Utility and Review Board had ordered Nova Scotia Power to conduct and file a Cost of Service Study for Street Lighting, the first study since 1977. This review and study was filed with the Board on July 31, 2006.

Renewable Energy:
There are numerous outstanding issues surrounding the future and current impact on electricity pricing. Stakeholders and intervenors such as HRM have been and are continuing to consume considerable resources to effectively engage on issues.

HRM notes the significant number of regulatory proceedings related to NSPI issues recently, which appears destined to continue. In the last eighteen months there have been three rate cases, an open access and transmission hearing, power outage review hearing, vegetation management issues, a SO2 emissions hearing, and only weeks ago a special hearing to set Extra Large Interruptible rates. In addition there have been numerous stakeholder sessions on Electricity Marketplace Governance, DSM, and the current IRP process.

Although there are advantages to segmenting some of the issues faced by NSPI, there are advantages to a more consolidated approach. One consideration in looking at this issue is the integrated nature of the electricity marketplace. Stakeholders and intervenors cannot effectively participate without understanding the intended (or unintended) consequences on the balance of the rate base. Another consideration is the related cost of a multiplicity of proceedings.

HRM is aware of ongoing discussions on market development, and the issue of renewable energy developers access to the market. Positions of stakeholders have been fleshed out via the Electricity Marketplace Governance Committee (EMGC) Report, and recently released documents produced by the Nova Scotia Department of Energy aid in the understanding of actual implementation mechanisms.

Although this rate case and future rate cases will inevitably continue to address the issue of the cost of fossil fuel (coal, oil, natural gas), the time has come when the issues related to renewable energy sources have to be addressed as they constitute an integral part of the management of the fossil fuel and generation decisions.

The reliance upon wind globally has risen dramatically over the past 5 years. According to the Canadian Wind Energy Association global wind energy capacity has doubled every 3 years for the past decade. Economies of scale and the associated cost of production have benefited. However, due to this enormous growth, the industry is now becoming a victim of itself. Prices for industrial scale wind turbines have increased by 40% over the past two years, which raises the question of whether Nova Scotia needs to move more quickly to avoid further competitive cost pressures.

In order to allow Nova Scotians to move quickly once the marketplace opens it would be an effective and efficient use of resources if decisions needed in respect of the costs for use of the NSPI transmission and distribution system could be addressed as part of this rate hearing, rather than being left to a later hearing.

If the Board believes the development of renewable energy is not within its mandate until the IRP process is completed, the rate payers should be given the opportunity to exercise their right to prudently hedge against future rate increases that do no harm to the balance of the rate base. During the recent Extra Large Interruptible Rate hearing (NS UARB-NSPI-P-883) Nova Scotia Power filed the following clause in their compliance filing:

> ***"Special Consideration for Customer Purchasing Own Fuel***
> *At the customer's option, the customer and NSPI shall use best efforts to enter into physical and/or financial purchases or hedges, the settlement of which shall be credited or charged to the customer's rate. It is understood that the execution and settlement of these arrangements shall, under no circumstances, affect the rates or revenue requirements charged to the Company's other customers."*

This clause provided the large industrial customers with some opportunity at rate stability, provided they are willing to take the risk of hedges.

The Halifax Regional Municipality requests that the EMGC recommendations pertaining to Renewable Energy access to retail customers via Financial Bilateral Contract to provide the opportunity for rate stability which follows the policies and guidance of the EMGC and the Nova Scotia Department of Energy be implemented within this rate case.

Yours truly,

HALIFAX REGIONAL MUNICIPALITY

M. E. Donovan
Director, Legal Services & Risk Management

MED/tp

cc Rene J. Gallant, Counsel, NSPI
S. Bruce Outhouse, Q.C., Counsel, UARB