



Nova Scotia Utility and Review Board

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brian.curry@nspower.ca

Mr. Brian Curry
Regulatory Counsel
Nova Scotia Power Inc.
1223 Lower Water Street
PO Box 910
Halifax, NS B3J 2W5

Dear Mr. Curry:

M08059 - Generation Utilization and Optimization

In accordance with the Board's directives in the FAM Audit and the 10-Year System Outlook matters, NSPI held a technical conference on April 13th, 2017 to address concerns regarding low utilization levels of its thermal generation fleet and related resource optimization issues. Subsequent to that technical conference, participant comments were submitted to the Board.

Despite some areas of future planning uncertainty (such as Federal emissions requirements, the incoming Provincial cap and trade regime, the outlook for natural gas consumption, and expanded regional electricity transmission interconnections), it is the Board's view that further work is needed on the generation utilization and optimization issues. It appears that large thermal generating plants are being underutilized, and a robust analysis of optimizing millions of dollars of projected sustaining capital on those facilities still remains outstanding. In addition, analysis of storage options and wind capacity contributions deserve greater consideration.

In order to move forward with these matters, the Board will be engaging Synapse Energy Economics Inc. ("Synapse") to undertake an independent analysis of optimal utilization of generation resources and potential options that may be more economical for Nova Scotia ratepayers. This process is currently being initiated and will begin with development of Terms of Reference ("TOR") by Synapse. Stakeholders will be provided with an opportunity to review and comment on the TOR.

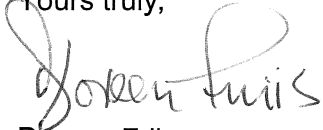
In order to achieve robust modelling and analysis, the Board expects that NSPI will provide Synapse with the Plexos data files, as well as technical information related to system stability and operational constraints, as will be required.

One of the points raised by the Industrial Group dealt with reclassifying thermal units that are primarily being used for capacity purposes. However, that issue will need to be deferred to a later

time since any resulting reallocation of costs would affect rates, which cannot be adjusted during the 2017-2019 rate stabilization period.

The Board thanks all parties who submitted comments and participated in the technical conference, and looks forward to further clarity resulting from this process.

Yours truly,

A handwritten signature in dark ink, appearing to read "Doreen Friis". The signature is fluid and cursive, with the first name "Doreen" written in a larger, more prominent script than the last name "Friis".

Doreen Friis
Regulatory Affairs Officer/Clerk

c: S. Bruce Outhouse, Q.C., Board Counsel
Bob Fagan, Synapse
Judith Ferguson, NSPI EVP Regulatory, Legal and Business Planning
Tim Wood, Director, Regulatory Affairs, NSPI
Technical Conference Participants