

Our File: 100384

April 27, 2017

Ms. Doreen Friis  
Regulatory Affairs Officer / Clerk  
Nova Scotia Utility and Review Board  
1601 Lower Water Street, 3<sup>rd</sup> Floor  
P.O. Box 1692, Unit "M"  
Halifax, NS B3J 3S3

Dear Ms. Friis:

**Re: M07540 – Nova Scotia Power Inc. ("NSPI")  
2016 10-Year System Outlook Report (P-194)**

Please accept the following comments with respect to the above-noted matter on behalf of Port Hawkesbury Paper Limited Partnership ("PHP").

PHP reviewed the Board's February 9, 2017 letter on NSPI's System Outlook Report and the materials prepared by NSPI and filed with respect to this matter on March 30, 2017, and participated in the related Technical Conference on April 13, 2017.

It was clear from the Technical Conference that there was a significant difference of opinion between NSPI and the Board Staff consultants, Liberty and Synapse, on the issue of the approach to determining the future use of NSPI's thermal generation fleet.

In essence, NSPI's position appears to be that for the time being all of its coal fired thermal generation plants provide critical peaking (where not baseload) capacity, regardless of their current and planned utilization factors. Thus, in light of the fact that the terms of the anticipated new equivalency agreement on coal, the final terms of the Nova Scotia cap and trade program, and regional discussions on potential opportunities to work with the federal government on inter-provincial transmission interconnections are all still outstanding, NSPI suggests it would be counter-productive at this time to conduct a fuller analysis on the future of NSPI's thermal fleet, and more productive to maintain the flexibility of the existing thermal fleet and wait to conduct such a review once the foregoing items have become clearer.

Synapse and Liberty appear to be of the view that notwithstanding these uncertainties, a more rigorous analysis should be undertaken at this time, to determine whether there are options, other than maintaining the full coal fleet, which would become clear under all reasonable scenarios.

Further, despite recent prior issues with certain of NSPI's fossil fired fleet, NSPI's presentations indicated that those issues had been addressed, although Liberty felt this was not yet clear with respect to Tufts Cove Unit 3 in particular. All parties appear to agree that the goal is to determine the least cost long term solution with respect to NSPI's thermal fleet. PHP agrees.

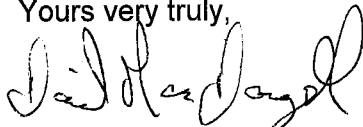
Thus, the issue does not appear to be the necessity of carrying out the review, rather the appropriate timing. As well, the underlying assumptions will be critical. Accordingly, at this time, PHP is of the view that continued focus by all parties (the utility, government, ratepayer representatives, etc.) should be focussed on ensuring an appropriate design for the provincial cap and trade regime, a supportive new federal equivalency agreement, and efforts to avail of federal support for regional transmission initiatives. Each of these items will need to be vigorously worked on over the next year. At the same time, the status of the Muskrat Falls project should become much clearer as to its timing of completion.

PHP fully supports rigorous analysis in determining go forward planning, capital and otherwise, but also considers it vital that solid assumptions be utilized in such plans.

In light of the foregoing, PHP is generally in support of the steps suggested by NSPI, together with regular input from and reporting to all stakeholders. Efforts could however also be started to commence development of the key underlying assumptions and methodology required for any review.

PHP appreciates the opportunity to have provided these comments.

Yours very truly,



David S. MacDougall

cc: Interested Parties