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1 **Request IR-1:**

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3 **Section 2.1, DE-03 indicates that the fuel cost increase for the test year calculation amounts**
4 **to \$89.5 M more than the amount included in the 2007 Compliance Filing. This includes a**
5 **\$56.6 M commodity cost increase.**

6

7 **a) Please explain whether NSPI's Fuel Manual provides adequate guidelines for fuel**
8 **portfolio diversification and management for periods of high fuel price volatility.**

9 **b) If so, how could limited short term exposure result in a significant impact on NSPI's**
10 **fuel budget in such a short time?**

11

12 **Response IR-1:**

13

14 **a) NSPI's Fuel Manual does provide adequate guidelines for periods of high price volatility.**

15

16 **b) The solid fuel and liquid fuel markets have increased significantly in the last eighteen**
17 **months. For example, in the case of coal, the market has increased over 100 percent.**
18 **The \$56.6 million represents an absolute increase of 12 percent on the \$470 million**
19 **allowed in rates. Since this number is 12 percent compared to the movement of over 100**
20 **percent in the market, it represents the value the fuel portfolio is delivering as it reduces**
21 **volatility.**

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1 **Request IR-2:**

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3 **Figure 6.11, Page 109, DE-03 identifies Vegetation Management Program costs for 2007C**
4 **and 2009.**

5
6 **a) Is the \$13.8 M the amount being requested for vegetation management for 2009.**

7 **b) Has NSPI identified the danger-tree removals portion of the program to residents**
8 **and municipalities that will be impacted? If not, is there an intention to do so? If so,**
9 **when will that take place?**

10 **c) NSPI plans to spend a total of \$4.72 M on distribution inspections. Has NSPI also**
11 **budgeted for a response to these inspections, in terms of system upgrades?**

12
13 **Response IR-2:**

14
15 a) Yes. NSPI proposes this level of funding for each of the next 5 years beginning in 2009.
16 Please refer to UARB IR-5b Attachment 3.

17
18 b) NSPI has not begun notification associated with the storm hardening (danger tree
19 removal) funding requested. Customer notification will be a planned component of the
20 implementation of this work, following UARB approval of this funding.

21
22 c) The descriptor “feeder inspection” refers to the origin of the data used to identify
23 vegetation management work. The expenditures noted by “feeder inspection” is the
24 budgeted vegetation management work that was identified through these field
25 inspections. NSPI does not plan to spend \$4.72 million inspecting the distribution
26 system.

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1 **Request IR-3:**

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3 **Page 94, DE-03 identifies a DSM expenditure estimate for 2008 & 2009 of \$12.9 M with**
4 **recovery amortized over three years. Included in the 2009 as cost estimate is 1/3 of that**
5 **amount, \$4.3M. Based on NSPI's Standard Project Development Agreement - Form 4,**
6 **Clause 15.0, DSM program participants are required to sign over ownership of any**
7 **environmental credits that may "be associated with measures for which incentives have**
8 **been received."**

- 9
- 10 a) **Has the value of potential credits been factored into the total resource cost/benefit**
11 **analysis of DSM programs being offered by NSPI in 2008/2009? Please provide**
12 **details and references.**
- 13 b) **How were potential environmental credits valued in the program evaluation?**
- 14 c) **To what extent would 2009 revenue requirements be impacted if potential**
15 **environmental credits revenue was disallowed?**
- 16 d) **Has this provision been discussed as part of the DSM Collaborative Process recently**
17 **completed?**
- 18 e) **Does NSPI anticipate a continuation of this potential revenue stream after its role as**
19 **DSM administrator ends in 2009?**

20
21 **Response IR-3:**

22
23 The questions appear to relate to discussions between NSPI and the Halifax Regional
24 Municipality (HRM) staff regarding potential incentives for energy efficiency projects, in respect
25 of HRM's own governmental facilities, under NSPI's recently announced Custom Program for
26 Commercial and Industrial Customers.

27
28 NSPI launched this program consistent with the 2008 Settlement Agreement reached with
29 stakeholders (including HRM), and approved by the UARB in its May 7, 2008 decision.

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1 Response IR-3: (cont'd)

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3 The Settlement Agreement included a description of the Custom Commercial and Industrial
4 (C&I) Program, including the following:

5

6 “Incentives shall be negotiated (not formulaic or prescriptive), under the general
7 principle that the incentives offered should be no more than necessary to secure
8 implementation and targeted savings”.

9

10 NSPI designed the program in which the Company is willing to provide an incentive (negotiated
11 with the customer) in return for verified reductions in kW, kWh and any environmental
12 offsets/credits. This is captured in NSPI’s Standard Project Development Agreement - Form 4,
13 Clause 15.0.

14

15 This approach to attributes is consistent with how utility Demand Side Management (DSM)
16 programs are administered in other jurisdictions and is a critically important element of the value
17 NSPI is acquiring for Nova Scotia electricity customers as a whole, who are funding these
18 incentives through their rates.

19

20 NSPI is categorized as a Large Final Emitter and expects to be regulated at the federal and
21 provincial level, with respect to Greenhouse Gas (GHG) emissions. Federally, NSPI expects to
22 be regulated on an intensity basis. NSPI expects to be required to reduce the tonnes of GHGs
23 emitted per MWh of electricity produced.

24

25 NSPI has worked with others in industry and government to ensure that gains from verified
26 energy efficiency savings are treated on a level playing field with non-emitting supply side
27 options. NSPI expects that Federal Government regulations will provide for DSM to be
28 considered on par with supply options.

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1 Response IR-3: (cont'd)

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3 For NSPI to count either renewable supply or DSM, the Company will need to own the
4 attributes. In negotiating power purchasing agreements with renewable Independent Power
5 Producers (IPPs), NSPI has secured ownership of all attributes. The same approach is being
6 taken with DSM.

7

8 Not purchasing the attributes now will mean that NSPI will likely have to pay for them later,
9 either through penalties, or by buying them later from the same or other sources. This is not in
10 the best interests of NSPI's customers or the province.

11

12 Specific responses are provided below:

13

14 a) Total Resource Cost (TRC) values use estimates of the costs avoided by the utility
15 resulting from reductions in kWhs and kW. These values include costs associated with
16 emissions, including, but not limited to GHG emissions. For a detailed understanding of
17 the factors influencing the costs of emissions, please refer to the IRP filed in July 2007.

18

19 b) Please refer to part a. The value is inherent in the avoided costs which are used in the
20 DSM program evaluation.

21

22 c) NSPI does not expect to generate any "environmental credits revenue". By maintaining
23 ownership of the credits, the reductions from DSM programs will be counted by NSPI in
24 meeting its GHG targets under federal and provincial regulations. In this way, all NSPI
25 customers will get the benefit from these DSM investments.

26

27 d) During the Collaborative process, all issues raised by participants were discussed. The
28 provision is consistent with the DSM Settlement Agreement.

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1 Response IR-3: (cont'd)

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3 e) Please refer to the context provided above. NSPI does not expect any “revenue stream”.
4 NSPI does expect that it will continue to own the credits generated by the investments of
5 NSPI customer dollars and use them to the benefit of NSPI customers and the province
6 overall, regardless of who administers the programs. To do otherwise, would introduce
7 the potential for Nova Scotia electricity consumers to pay twice (in other words, pay for
8 the investments and then pay again through compliance costs or additional purchases of
9 credits).

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1 **Request IR-4:**

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3 **Appendix E of the Direct Evidence provides a five year forecast of operating, maintenance**
4 **and general expenses.**

5

6 **a) T & D Asset and Workforce Management is expected to increase from \$21.3 M in**
7 **2007 to \$31.7 M in 2009. What is the explanation for the increase in these operating**
8 **costs?**

9

10 **Response IR-4:**

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12 Please refer to DE-03 – DE-04 Appendix D page 42 for the detailed explanations.

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1 **Request IR-5:**

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3 **Line 1, Page 121 of DE-03 indicates that “lower credit ratings reflect increased investor**
4 **risk”. In addition, on page 122 the evidence indicates “NSPI’s relative business risk profile**
5 **is assessed to be higher than other regulated utilities...”**

6

7 **a) Can the credit rating of NSPI affiliated companies, or its holding company, impact**
8 **on the credit rating of the utility?**

9

10 **b) If not, how is the financial market able to differentiate between different risk**
11 **profiles of affiliated companies?**

12

13 **c) If so, should NSPI be compensated for business impacts on their credit rating that**
14 **are outside its control?**

15

16 **Response IR-5:**

17

18 a-b) Yes. The credit ratings of affiliates can affect Nova Scotia Power Inc. (NSPI) and the
19 NSPI credit rating can affect affiliates.

20

21 c) NSPI’s credit rating is primarily influenced by factors directly and solely related to its
22 own business. These include:

23

- cash flow metrics

24

- liquidity

25

- regulatory environment

26

- capital structure

27

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1 Response IR-5: (cont'd)

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3 Specifically the risks of NSPI as identified by S&P are:

- 4 • exposure to fuel price risk
- 5 • intermediate financial profile
- 6 • significant regulatory assets with delayed recovery prospects

7

8 Please refer to OP-12, Attachment 3, pages 31-38 of the Application.

9

REDACTED

1 **Request IR-6:**

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3 **Page 11 - Other, DE-03 indicates that: “..the Trenton 5 outage required to replace the**
4 **generator and install the baghouse ..”**

5
6 **a) How long is Trenton 5 scheduled to be off-line for this work.**

7 **b) What is the impact of this outage on the Utility’s revenue requirements for 2008 in**
8 **terms of replacement energy?**

9 **c) Does NSPI plan to import energy during this outage? As a result of this outage?**
10 **through an extended maintenance outage schedule for 2008?**

11 **d) If so, will the outage at NB Power’s Pt Lepreau impact the delivery and/or cost of**
12 **any necessary purchases? Provide the economic evaluation for optimizing the timing**
13 **of the Trenton 5 outage.**

14 **e) Provide the generation maintenance outage schedule for 2008**

15
16 **Response IR-6:**

17
18 NSPI assumes the questions in HRM IR-6 are in regard to the 2009 test year.

19
20 a) Trenton 5 is scheduled to be off-line for nine weeks. There is potential that
21 commissioning will extend the outage period.

22
23 b) The replacement energy cost for the incremental outage time is approximately [REDACTED]

24 [REDACTED].
25
26 c) NSPI plans to use a combination of replacement energy based upon the least cost
27 available alternative, which includes imported energy.

REDACTED

1 Response IR-6: (cont'd)

2

3 d) The outage period for Trenton 5 is part of the regular, seasonal maintenance plan for coal
4 plants which starts after the winter peak. The specific time at which the individual units
5 are taken out of service is influenced by operational issues such as prior inspection
6 findings, unit specific performance issues and transmission system restrictions. In the
7 case of Trenton 5 for 2009, the timing of the outage is aligned with a period where
8 cooling water conditions typically cause efficiency losses or restrict the maximum
9 capability of the unit, thus avoiding this period and the associated efficiency losses. The
10 avoided losses have not been quantified. It is uncertain whether the Point Lepreau outage
11 will affect costs as demand in New Brunswick has reduced due to the loss of industrial
12 load.

13

14 e) Please refer to OP-05, Attachment 1 for the 2009 maintenance outage schedule.

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1 **Request IR-7:**

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3 **Fuel - Page 5 DE-03 discusses fuel mix in relation to world commodity pricing and meeting**
4 **environmental regulations.**

5

6 a) **When NSPI markets surplus energy, how does the consumption of the associated**
7 **fuel supply factor into the mix and quality of the annual fuel budget?**

8

9 b) **How does NSPI price surplus energy such that it captures the impact that additional**
10 **generation has on emission caps such as SO2 and NOx?**

11

12 c) **What is the pricing differential (average %) between sulphur levels of coal between**
13 **0.5% and 3.0%?**

14

15 **Response IR-7:**

16

17 a) The emissions from the source of export energy generation are calculated. If required, the
18 fuel blends are adjusted to ensure compliance with environmental regulations. The
19 incremental cost of generation including emission costs will be used to assign the cost of
20 exports to the MWs being considered.

21

22 b) NSPI runs the forecast model with and without exports. The total cost difference
23 between the two runs, including compliance and emission caps, are allocated to the
24 export cost.

25

26 c) The pricing differential between sulphur qualities is dependant on the coal market at the
27 time. The quality and price information can be viewed at NSPI offices (filed under
28 Liberty IR-15).

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1 **Request IR-8:**

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3 **Environmental regulations relating to greenhouse gases do not apply to NSPI until 2010,**
4 **when the Utility is required to reduce it's GHG intensity level by 18%.**

5

6 **a) Does the 2009 revenue requirement reflect any costs associated with intensity**
7 **improvement?**

8

9 **b) If so, what are they, and how will they be applied?**

10

11 **c) If not, does the 5 year O&M Estimate (Appendix E) reflect any additional**
12 **expenditures to reduce GHG intensity levels?**

13

14 **d) If so, what are those expenditures, and what do they represent? If not, why not?**

15

16 **e) If these improvements are anticipated to be managed through the fuel budget, is an**
17 **allowance for intensity improvements identified in the fuel Plan over the next 5**
18 **years? If so, please identify the initiatives and their anticipated impacts.**

19

20 **Response IR-8:**

21

22 **a-b) Yes, the addition of renewable energy through Purchased Power Agreements (PPA) and**
23 **the expenses associated with energy conservation and efficiency are both included.**

24

25 **c-d) N/A**

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1 Response IR-8: (cont'd)

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3 e) Expenses associated with fuel are part of fuel budget and they are included to the extent
4 they can be forecast. Future probable expense items including carbon compliance
5 mechanisms such as technology fund, credits and offsets will be part of future fuel
6 budgets and expenses.