

NON-CONFIDENTIAL

1 **Request IR-11:**

2

3 **In respect of NSPI (NSDOE) IR-3(a), the request sought information in respect of forecasts**
4 **for Natural Gas and HFO, however NSPI's response addressed only HFO. Please respond**
5 **for Natural Gas as well.**

6

7 Response IR-11:

8

9 The price strips do not reflect the current view of the price of natural gas in 2009. The current
10 prices are higher than the December 28, 2007 prices.

NON-CONFIDENTIAL

1 **Request IR-12:**

2
3 **NSDOE seeks clarification relating to NSPI (NSDOE) IR-1(d) and NSPI (NSDOE) IR-3(b).**

4
5 **In NSPI (NSDOE) IR-1(d) NSPI states:**

6
7 **Under the terms of the Fuel Adjustment Mechanism (FAM) Settlement**
8 **Agreement, approved by the UARB on December 10, 2007, the Base Cost of**
9 **Fuel for 2009 can only be reset as an outcome of a general rate application.**
10 **NSPI is proposing that the Base Cost of Fuel for 2009 for FAM purposes be**
11 **established in this General Rate Application (P-888).**
12

13 **In NSPI (NSDOE) IR-3(b), NSPI states in part:**

14
15 **The Fuel Adjustment Mechanism (FAM) forecast process anticipates**
16 **refreshing the fuel forecast at a time closer to the establishment of the Base**
17 **Cost of Fuel, thereby allowing costs and prices to be updated. This was**
18 **Liberty's recommendation. NSPI proposes to update the fuel forecast prior**
19 **to the September hearing, which will provide information that is more**
20 **contemporaneous to the test year.**
21

- 22 **a) Does NSPI intend to amend its General Rate Application to reflect the updated fuel**
23 **forecast it will be filing by September 5, 2008?**
- 24 **b) If NSPI does not amend its General Rate Application, is it NSPI's position that the**
25 **Base Cost of Fuel for the proposed Fuel Adjustment Mechanism should be set by the**
26 **UARB using the fuel forecast originally filed with its General Rate Application, or**
27 **using the updated fuel forecast.**
- 28 **c) If the updated fuel forecast proves to be materially higher than the fuel forecast**
29 **originally filed with NSPI's General Rate Application, and the FAM Base Cost of**
30 **Fuel is set using the fuel forecast originally filed with the General Rate Application,**
31 **what impact will this have on the fuel adjustment and incentive provisions of the**
32 **proposed FAM on a go forward basis?**
33

NON-CONFIDENTIAL

1 Response IR-12:

2

3 a-b) This decision has not been made, as the fuel forecast update is not yet complete. The
4 Base Cost of Fuel for the Fuel Adjustment Mechanism (FAM) will be the same as the
5 Fuel and Purchased Power expense accepted by the Board in this Application, regardless
6 of which forecast or update is used by the Board.

7

8 c) The FAM is designed to recover the actual cost of fuel and purchased power, subject to
9 the incentive provision, regardless of the amount included in rates at the beginning of the
10 year. Therefore, if the actual cost of fuel and purchased power is materially higher than
11 the amount included in base rates (the Base Cost of Fuel) the subsequent fuel adjustment
12 will be larger than if the Base Cost of Fuel had been set closer to the known test year
13 forecast. There would be little or no opportunity for the Company to earn the
14 performance incentive that the FAM is designed to promote.

NON-CONFIDENTIAL

1 **Request IR-13:**

2

3 **In NSPI (NSDOE) IR-2, NSPI any compensation that it might receive in the future in**
4 **respect of a particular supply disruption event (net of costs) will be credited against the fuel**
5 **account assuming the increased cost for the supply disruption is provided to NSPI in rates.**

6 **What specific costs does NSPI believe should be charged against any such recovery?**

7

8 Response IR-13:

9

10 Legal, consulting and other related expenses will be charged against any such recovery.

NON-CONFIDENTIAL

1 **Request IR-14:**

2

3 **Does the UARB's June 30, 2008 decision on NSPI's Application to include the Point**
4 **Tupper Marine Terminal in rate base require any changes to the assumptions used by**
5 **NSPI to prepare its General Rate Application (filed before that decision), including any**
6 **changes to the figures included in NSPI's responses to NSPI (NSDOE) IR-9 and NSPI**
7 **(NPB) IR-7? If so, what are those changes?**

8

9 Response IR-14:

10

11 The amount approved by the UARB in its Point Tupper Marine Terminal Decision dated June
12 30, 2008 is \$0.2 million higher than the amount NSPI included in its 2009 General Rate
13 Application. This adjustment can be made during the Compliance Filing.