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1 **Request IR-1:**

2
3 **With respect to Page 7 of NSPI's Direct Evidence, Section 1.4, "Working With Customers**
4 **and Other Stakeholders", NSPI suggests (at Line 17) that an updated fuel forecast be**
5 **provided during the course of this proceeding.**

6
7 **a) In light of the Board's Letter on the Final Issues List to All Interested Parties, dated**
8 **June 16, 2008, wherein the Board noted that "any material increase in NSPI's**
9 **requested revenue requirement will necessitate an amendment to the application",**
10 **does NSPI still intend to provide an updated fuel forecast?**

11
12 **b) If NSPI intends to provide an updated fuel forecast, when will this be provided?**

13
14 **c) If NSPI intends to provide an updated fuel forecast, will NSPI also be providing an**
15 **updated projection of its own fuel and purchased power costs (including any**
16 **changes to assumptions in respect of fuel use, especially at Tufts Cove) to reflect the**
17 **updated fuel forecast? Will this be done regardless of whether or not NSPI intends**
18 **to amend it application?**

19
20 **d) On Page 76 of NSPI's Application, NSPI states that the "Board can establish the**
21 **Base Cost for Fuel amount for the FAM for 2009, using the fuel forecast**
22 **information filed (and to be updated later) in this proceeding." If NSPI provides an**
23 **updated fuel forecast, but does not amend its general rate application, is NSPI**
24 **proposing that the Base Cost for Fuel amount for the FAM be set using fuel costs**
25 **established in the general rate application, or that the Base Cost for Fuel amount for**
26 **the FAM be set separately under the FAM using the updated fuel forecast**
27 **information?**

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1 Response IR-1:

2

3 a) Yes.

4

5 b) The fuel forecast update will be filed no later than September 5, 2008, the established
6 date for filing IR responses by Intervenors and Board Counsel Witnesses.

7

8 c) Yes. NSPI considers the fuel forecast to be the representation of the Company's
9 anticipated test year fuel and purchased power costs.

10

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

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1 **Request IR-2:**

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3 **This question is confidential.**

4

5 Response IR-2:

6

7 This response is confidential.

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1 **Request IR-3:**

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3 **With respect to NSPI's Oil Forecast (Application, Pages 26-28), Natural Gas Forecast**
4 **(Application, Pages 28-29) and the price curve data used for HFO and Natural Gas**
5 **Forecasts (Operating Expenses, OE-01A, Confidential Attachment 3):**

6
7 **a) In light of the dramatic increase in the prices for these commodities since the date of**
8 **the price strips (December 28, 2007), how likely is it that these prices continue to**
9 **reflect a reasonable view of the prices anticipated for 2009?**

10
11 **b) Please explain why more contemporaneous price strips were not used in the**
12 **Application dated May 27, 2008 (five months after the date of the price strips)?**

13
14 **Response IR-3:**

15
16 a) The price strips do not reflect the current view of the price of Heavy Fuel Oil (HFO) in
17 2009. The current prices are higher than the December 28, 2007 prices.

18
19 b) NSPI commences a test year fuel forecast on a timeline that allows for completion of all
20 elements of a general rate application, including Evidence and Standard Filing
21 Requirements (required for the first time in this application). The pre-filing schedule is
22 one aspect of regulatory lag. The Fuel Adjustment Mechanism (FAM) forecast process
23 anticipates refreshing the fuel forecast at a time closer to the establishment of the Base
24 Cost of Fuel, thereby allowing costs and prices to be updated. This was Liberty's
25 recommendation. NSPI proposes to update the fuel forecast prior to the September
26 hearing, which will provide information that is more contemporaneous to the test year.

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1 **Request IR-4:**

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3 **With respect NSPI's Direct Evidence, "Testimony of Leonard R. Crook, Jr. - ICF**
4 **International", please provide a copy of the Power Point Presentation mentioned at to Page**
5 **65, Line 8.**

6

7 Response IR-4:

8

9 This confidential information can be viewed at NSPI offices (filed under NPB IR-15).

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1 **Request IR-5:**

2
3 **With respect to Page 86 of NSPI's Direct Evidence, Section 4.4, "The DSM Assumption in**
4 **the Load Forecast" NSPI notes that its Application assumes 77.8 GWh of energy savings in**
5 **2009, consistent with the IRP preferred plan, but that this assumption will be revised in the**
6 **Compliance Filing to reflect the Board approved DSM plan resulting from the April 2008**
7 **DSM hearing.**

8
9 a) **What does NSPI project for energy savings in 2009 in light of the Board's decision**
10 **in the matter dated May 7, 2008?**

11 b) **All other things being equal, what impact does this have on NSPI's Revenue**
12 **Requirement for 2009 (compared to the one presented in the Application)?**

13 c) **Please provide a comparison of the DSM projections resulting from the Board's**
14 **decision, for industrial sector energy, to the Canadian Manufacturers & Exporters'**
15 **December 2007 Study, "Energy Management Potential Analysis and Best Practices**
16 **Benchmarking in the Nova Scotia Industrial and Manufacturing Sector" found at**
17 **<http://www.cme-mec.ca/pdf/Energy%20Benchmarking%20Final%20Report.pdf>.**

18 **Please explain or comment on any variances between the two projections.**

19
20 **Response IR-5:**

21
22 a) **The projected energy savings associated with the Board approved expenditures for 2009**
23 **is 49.95 GWh.**

24
25 b) **This will not be fully assessed until the Compliance Filing is prepared but NSPI does not**
26 **anticipate this adjustment would cause a material change to the 2009 revenue**
27 **requirement.**

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1 Response IR-5: (cont'd)

2

3 (c) The above energy savings projection for 2009 includes about 12 GWh of savings from
4 the Commercial & Industrial (C&I) Custom program and 4.5 GWh of savings from the
5 Small Business Lighting program.

6

7 The CME's study estimates that the achievable industrial energy efficiency potential
8 through 2010 is a range of 23,800 to 125,800 GJ/yr.¹ This equals a range of about 6.6
9 GWh to 34.9 GWh. One GJ approximately equals 277.8 kWh, so 1000 GJ equals about
10 277,800 kWh. One GWh equals 1,000,000 kWh or about 3,600 GJ.

11

12 The Canadian Manufacturers & Exporters (CME) table represents the cumulative
13 potential for the years through 2010, so is not directly comparable to NSPI's 2009
14 program goals. However, assuming the potential savings through 2010 are achieved from
15 2008 to 2010, then the 2010 savings range estimated by CME would average 2.2 GWh to
16 11.6 GWh per year.

17

18 NSPI's C&I Custom program is eligible to both commercial and industrial customers. If
19 the savings for each group were equal for 2009, the industrial sector savings would be
20 about 6 GWh, close to mid range of the CME average annual potential savings of 2.2
21 GWh to 11.6 GWh.

¹ CME Exhibit ES7, page ix : <http://www.cme-mec.ca/pdf/Energy%20Benchmarking%20Final%20Report.pdf>

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1 **Request IR-6:**

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3 **With respect to Page 86 of NSPI’s Direct Evidence, Section 4.5, “Recovery of DSM Costs”,**
4 **NSPI advises that that the DSM investment outlined in the DSM Settlement Agreement of**
5 **\$3.1 million for 2008 and \$9.8 million for 2009, result in a total forecast expenditure over**
6 **the 2008-2009 of \$12.9 million. NSPI proposes to recover this amount in equal increments**
7 **over 2009, 2010 and 2011, allocating \$4.3 million to the 2009 test year revenue requirement,**
8 **to be “functionalized” as 100% generation related, “classified” as energy and demand**
9 **related using the weighted average classification applied to generation assets, and then**
10 **“allocated” among rate classes using the same mechanism as used for allocation of fixed**
11 **generation costs (NSPI Application, Section 10.0, “Cost of Service”, pp.191-92).**

- 12
13 a) **Does NSPI agree that the treatment of DSM costs under the independent DSM**
14 **administrator could be different than what is being proposed by NSPI?**
15
16 b) **What justification exists for treating DSM costs differently?**
17
18 c) **Of the projected \$3.1 million of DSM investment for 2008, how much has been spent**
19 **to date? Does the projected \$3.1 million figure remain accurate at this date?**
20
21 d) **Is NSPI proposing to show DSM charges as a separate item on customer’s bills?**
22
23 e) **In the event that NSPI’s actual DSM expenses are less than its actual DSM revenues**
24 **over 2008 and 2009, would any surplus be available for the use of the DSM**
25 **administrator for implementing additional DSM programs?**
26

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1 Response IR-6: (cont'd)

2
3 a) Yes. The new Demand Side Management (DSM) Administrator is also expected to be
4 regulated by the UARB. The Board will retain the right to modify NSPI's cost allocation
5 methodology. However, it is imperative that the Board make a decision in this proceeding
6 as to how currently approved DSM expenses by NSPI in 2008 and 2009 are to be
7 allocated across customer classes. DSM costs are presently being incurred which need to
8 be included in NSPI's rates until such time as a new DSM Administrator is in place and a
9 more permanent procedure determined.

10
11 b) DSM costs are not being treated differently. NSPI proposes to use the same cost of
12 service procedure that is used for other generation-related costs.

13
14 c) \$82,508 has been spent up to the end of May. The projected \$3.1 million remains
15 accurate.

16
17 d) Yes.

18
19 e) Based on the settlement agreement, NSPI expects to administer the delivery of DSM until
20 no later than June 30, 2009 at which time full responsibilities of DSM programming will
21 be transferred to the new DSM administrator. The remaining 2009 DSM program
22 delivery budget would be transferred to the new administrator to complete delivery of the
23 2009 DSM programs. The new administrator is expected to file an Application with the
24 UARB early in 2009, for post-2009 DSM programming and funding.

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1 **Request IR-7:**

2

3 **With respect to Page 112 of NSPI's Application, Section 6.4.3, "Customer Service", NSPI**
4 **identifies an increase in Customer Service OM&G over 2007C of \$0.8 million for "the**
5 **annual cost of processing power outage calls using a third party vendor as approved by the**
6 **UARB on November 16, 2007." Please provide a copy of NSPI's application for this**
7 **approval, and copies of all documents filed with or released by the UARB up to and**
8 **including the release of its approval on November 16, 2007.**

9

10 **Response IR-7:**

11

12 Please refer to Confidential Attachment 1.

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1 **Request IR-8:**

2

3 **With respect to Page 112 of NSPI's Application, Section 6.4.3, "Customer Service", NSPI**
4 **identifies an increase in Customer Service OM&G over 2007C of \$1.0 million for increased**
5 **write-off amounts expected in 2009 for commercial and industrial accounts. What accounts**
6 **for this increased amount, and does NSPI believe that write-off amounts will be sustained**
7 **at this level beyond 2009?**

8

9 Response IR-8:

10

11 Please refer to Avon IR-88b. Yes, this level of write-offs is expected to be sustained or
12 increased beyond 2009.

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1 **Request IR-9:**

2

3 **With respect to Page 158 of NSPI's Application, Section 8.2, Details of Rate Base – Average**
4 **Capital Assets, NSPI made mention of its recent application to include the Point Tupper**
5 **Marine Terminal in its rate base. Does NSPI's general rate application include the Point**
6 **Tupper Marine Terminal in rate base, and if so, what value has been assumed?**

7

8 Response IR-9:

9

10 Yes.

11

12 The following value has been assumed:

13

Date	Net Book Value included in application
December 31, 2007	\$30.2M
March 31, 2008	\$29.9M
January 1, 2009	\$29.1M

14

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1 **Request IR-10:**

2
3 **With respect to Page 164, "Fuel and DSM Deferred Asset", NSPI notes a request, in 2007,**
4 **that it continue the application in 2008 of the 2007 Rate Case Settlement Agreement**
5 **provision allowing NSPI to defer unrealized natural gas sales margins up to \$8 million for**
6 **later recovery.**

- 7
8 a) **Please confirm that the request was the one made by NSPI in a letter to the UARB**
9 **on July 20, 2007, and responded to by the UARB on July 23, 2007.**
- 10 b) **What was the variance in NSPI's natural gas sales margin from 2007 (Compliance)**
11 **to 2007 (Actual)?**
- 12 c) **What was NSPI's ROE in 2007?**
- 13 d) **What is NSPI's ROE to date for 2008?**
- 14 e) **What is NSPI's forecasted ROE for 2008, and when was it last forecasted?**
- 15 f) **Please itemize all of NSPI's cost and revenue variances from 2007 (Compliance) to**
16 **2007 (Actual)?**
- 17 g) **Please itemize all of NSPI's cost and revenue variances from 2007 (Compliance)**
18 **(January 1, 2007 to May 31, 2007) and 2008 Actual (January 1, 2008 to May 31,**
19 **2008).**
- 20 h) **Please itemize all of NSPI's cost and revenue variances from 2007 (Compliance) to**
21 **2008 (Forecasted)?**

22
23 **Response IR-10:**

- 24
25 a) **Confirmed.**
- 26
27 b) **Please refer to FOR-07 line 23 columns (1) and (2). The variance is \$21.5 million.**
- 28
29 c) **Please refer to CS-1-3 Line 10 column (1).**

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1 Response IR-10: (cont'd)

2

3 d) Return on Equity (ROE) is an annual calculation, therefore a year to date calculation is
 4 not applicable.

5

6 e) Please refer to CS-1-3 Line 10 column (3). The forecast was finalized at the beginning of
 7 2008.

8

9 f) Variances greater than \$1.0 million are explained below:

10

	2007 Actual (\$M)	2007C (\$M)	Variance (\$M)	Explanation
Revenue	1,114.0	1,159.5	(45.5)	Decrease in revenues of \$18 million as 2007 actual rates effective April 1, 2007 and the 2007 compliance amount was for the full year. The remaining \$27 million reduction was due to a decrease in load mainly from a large industrial customer returning to normal load after a shutdown later than expected and a reduction in residential load.
Fuel	433.8	470.0	36.2	Decrease in fuel due to reduced load of \$26M, favorable generation mix \$17M, favorable commodity pricing \$13M partially offset by lower fuel for resale of (\$21) million
Regulatory Amortizations	17.3	16.2	(1.1)	Regulatory amortization was higher in 2007 than compliance due to additional Glace Bay write-off in 2007 which was unanticipated in the compliance filing but partially offset by tax amortizations beginning when rates were effective April 1, 2007 as opposed to January 1 in the test year Compliance Filing.

11

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1 Response IR-10: (cont'd)

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	2007 Actual (\$M)	2007C (\$M)	Variance (\$M)	Explanation
Interest	108.4	112.6	4.2	Please refer to FOR-11. Short term interest increased against compliance by (\$0.8) million which was offset by a refund of interest associated with the capitalized overhead income tax recovery.
Corporate Taxes	66.7	77.3	10.6	Decreased primarily due to a refund associated with the capitalized overhead income tax recovery.

3

4 g) The 2007 Rate Case Compliance Filing was not completed monthly therefore the analysis
 5 requested is not possible.

6

7 h) Variances greater than \$1.0 million are explained below:

8

		2007C (\$M)		Explanation
Revenue		1,159.5		Revenue decreased primarily due to a reduction in load from large industrial customers.
Depreciation		130.1		Depreciation increased due to growth of asset base and the addition of Point Tupper Marine Terminal to rate base.

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1 Response IR-10: (cont'd)

2

		2007C (\$M)		Explanation
Regulatory Amortizations		16.2		Decreased due to timing of amortizations as 2007C was for the first twelve months of the tax amortization schedules as approved by the UARB. Due to rates starting April 1, 2007 the amortization schedule was delayed and therefore the 2008 forecast covers months 10 to 21 of the original approved amortization schedule. The schedule was calculated on a levelized revenue approach and therefore the amortization amounts change through the years.
AFUDC		(2.3)		Due to increased investments in capital which attracts AFUDC.
Interest		112.6		Please see FOR-11. Interest costs increased primarily due to short term interest increased versus 2007 compliance by (\$5.1) million due to increased short term borrowing rates and the inclusion of PTMT in rates.
Corporate Taxes		77.3		Decrease of taxes due to reduction in federal income tax rate by 2.62% in 2008 and a reduction in taxable income in 2008 due to availability of deduction for tax purposes for fuel deferral, DSM and capitalized overhead.

3

4