

Our File: 100384
March 26, 2014

Ms. Nicole Godbout
Regulatory Counsel
Nova Scotia Power
P.O. Box 910
Halifax, NS B3J 2W5

Dear Ms. Godbout:

Re: Integrated Resource Plan (IRP) 2014 – Matter M05522/P-884.14

In accordance with the current Board schedule with respect to the above-noted matter, please accept this letter as the initial comments of Port Hawkesbury Paper LP (“PHP”) regarding the Draft Assumptions circulated by Nova Scotia Power Inc. (“NSPI”) on March 14, 2014.

1. Environmental & Emissions Assumptions

As discussed at the Technical Conference, NSPI is proposing to model two scenarios with respect to future emission restrictions, including a “Scenario B” in which the post-2020 emission limits for SO₂, NO_x, and Hg are maintained at the 2020 levels to 2040, and there is no decline in the CO₂ limit post 2030. For modeling purposes, PHP supports the use of the scenarios as proposed. The modeling of these two scenarios will provide a useful indication of the relative costs associated with reductions of the type suggested in Scenario A, if reductions of that magnitude were considered at some point in the future.

2. Demand-Side Management (“DSM”) Assumptions and the Use of Load as a Resource

On Slide 97 of the Draft Assumptions, NSPI indicates that it “continues to work with ENSC and Synapse to develop DSM levels” and that it “will consider intervenor feedback on DSM levels to be modelled and propose ‘layers’ as soon as available for comment before April 11.”

PHP looks forward to receiving the additional information on the proposed DSM levels as soon as possible. PHP assumes that the views of Efficiency Nova Scotia with respect to the treatment of DSM will inform the assumptions to be used with respect to DSM in the IRP.

As all parties are aware, the IRP terms of reference were explicitly revised to consider the potential utilization of load as a resource. The current version of the Draft Assumptions does not specifically refer to consideration of this possibility. PHP would be pleased to meet with NSPI and Synapse in the near term and prior to the finalization of the assumptions on April 11 to provide direct input on the specific potential opportunities associated with its load to ensure that this will be appropriately examined as part of the modeling for the IRP.

3. Fuel Price Forecast Assumptions

In its latest version of the Draft Assumptions, NSPI has provided additional detail regarding its proposed Fuel Price forecasts. As the Technical Conference did not deal with this additional information, PHP has the following questions based on its review of these slides (48-73), responses to which would assist PHP in determining whether it has any specific comments on the Fuel Price assumptions:

(a) Slide 52 shows percentages of likelihood (PIRA) for the Base, High, and Low case natural gas scenarios of 45%, 25%, and 30%, respectively. The further slides do not refer to these percentages and PHP assumes that there is no specific weighting given to the probability of occurrence of the three separate cases in the proposed analysis. PHP would appreciate confirmation, or an explanation of why and how these percentage figures are to be utilized in the analysis.

(b) Slide 55 shows that for the natural gas Base Case (Expected), there is no premium for the periods 2018-2030 or 2030-2040. This appears to assume as a Base Case that the U.S. Northeast and Atlantic Canadian gas market structural issues are fully mitigated by 2018 for the entire Planning Horizon. What level of confidence does NSPI place on this assumption to the extent that it can utilize it as the Base Case, considering the occurrence of the current unexpected natural gas pricing conditions, the capital works required to address this issue, and the increasing upward pressure on natural gas demand in New England?

(c) Slide 65 states that for domestic coal, the price source is NSPI current contracts. For the analysis, what constraints, if any, are placed on the amount/volume of domestic coal and its source (i.e. will the modeling be able to choose Donkin coal, for example, or only coal from the coal fields currently supplying NSPI)? If the model is constrained in this regard, PHP believes it will be important to do sensitivities around the utilization of other indigenous resources to the greatest extent possible.

(d) Slide 51 refers to a "pending update with revised fundamental forecast (expected in March 2014)" for coal pricing. Please provide the updated Slide 66 (Solid Fuel Pricing Assumptions) as soon as possible on the basis of the revised underlying fuel forecast. Please note any significant assumption changes in the revision.

PHP looks forward to receiving the information noted above as soon as possible so that it can provide further comments, if any, prior to the finalization of the assumptions on April 11.

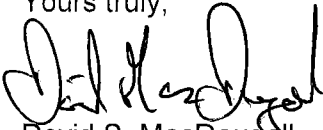
4. Transmission Assumptions

On slide 34, NSPI indicates that: "Back-up and Load Following for non-dispatchable renewables is assumed to be provided within NS and not included in Network Upgrade cost estimates. If back-up source is external to NS, then a second NS-NB tie is required." It is unclear to PHP if the modeling will have a constraint on the amount of non-dispatchable renewables that can be backed-up by Nova Scotia resources. If there is such a constraint, how will the modeling deal

with the non-dispatchable renewables excess to this constraint? PHP may have further comments on this issue depending on the response.

PHP appreciates the opportunity to provide this input.

Yours truly,



David S. MacDougall

cc: Interested Parties