

BLACKBURN ENGLISH

BARRISTERS  SOLICITORS

E.A. Nelson Blackburn, Q.C.
David F. English, B.Comm., LLB
Joseph M.J. Cooper, Q.C.
Janet Nolan Conrad, B.A., LLB
Paul B. Miller, MBA, LLB
Derek M. Land, B.A., LLB
Martha L. Beyea, LLB
Ellen R. Burke, LLB
Jonathan P. English, B.B.A., LLB
Thomas J. Kayter, J.D.

☐ Suite 231, Bedford House
Sunnyside Mall
1595 Bedford Highway
Bedford, Nova Scotia
Canada, B4A 3Y4
Telephone: (902) 835-8544
Fax: (902) 835-4310
E-mail: bedford@blackburnenglish.com
www.blackburnenglish.com

☐ 287 Highway #2
Enfield, Nova Scotia
Canada, B2T 1C9
Telephone: (902) 883-2264
Fax: (902) 883-8744
E-mail: enfield@blackburnenglish.com
www.blackburnenglish.com

September 19, 2014

OUR FILE:

Mr. Tim Wood
Nova Scotia Power
PO Box 848
Halifax, NS B3J 2V5

Dear Mr. Wood:

**RE: M05522 – IRP Technical Conference
Analysis Results September 12, 2014**

Please accept the following as submission from the Small Business Advocate with respect to the above-noted matter.

I. Introduction

The Small Business Advocate (“SBA”) is pleased with the opportunity to participate as an active stakeholder in the NSPI 2014 IRP. The SBA views this IRP as an important planning exercise which will influence electricity costs over the next 25 years and beyond. The SBA and its consultant participated in the September 12th technical conference. The SBA had limited time to review the PowerPoint Presentation Materials provided by NSPI prior to the technical conference. Given the short timeframe for review, the SBA’s ability to provide insightful comment on NSPI’s strategic direction is limited.

The SBA offers these comments as the next step in participation throughout the 2014 IRP.

II. Overview of SBA Comments

The SBA’s comments touch on the following:

1. The difficulties that result from the SBA having a very short time prior to the IRP technical conference to analyze and consider significant amounts of analytical data and results;

2. The decision framework employed by NSPI;
3. The detail provided regarding options and resource plans analyzed by NSPI; and
4. The action plan items NSPI sponsored during the technical conference held on September 12, 2014.

The SBA has concerns that the overall process falls short of NSPI truly capturing the value of stakeholder engagement. The SBA is of the opinion that more detailed information is required from NSPI for stakeholders to truly offer meaningful input and discussion to NSPI in relation to filing of the final IRP report.

The SBA is concerned that regardless of stakeholder input, NSPI will not alter the strategy they intend to pursue in filing the final IRP report.

III. Stakeholder Process and NSPI's Decision Framework

The SBA was pleased that NSPI highlighted the need to ensure several considerations are canvassed when choosing a resource strategy. Prior discussions and analytical data appeared to focus on long-term Net Present Value (NPV) of costs associated with various resource strategies. It appears to the SBA that NSPI now recognizes the importance of affordability considerations as well as risk, flexibility and robustness of the 'candidate resource plans'. These considerations were reflected in the metrics listed on Slide 13 of the presentation materials used on September 12th by NSPI.

- NPV: Cross-section of near and long term
- Rate Effects: Relative time-series of revenue requirements
- Risk: Relative complexity of the plans
- Flexibility Diversity of technological solutions
- Robustness: Results of Sensitivity Analysis
- Future Regulatory emissions outlook

NSPI's analysis also included developing information on the varying operational impacts to the electricity system through its use of PLEXOS. Given the short timeframe available for review of materials provided by NSPI, as well as the limited information supplied, the SBA is unable to appropriately canvass how various results will ultimately affect NSPI's choice for a plan moving forward.

The SBA favors a process that considers the above noted metrics in determining an appropriate strategic direction. However, it is unfortunate that all metrics outlined were not sufficiently incorporated into the conference materials and decision framework as discussed at the technical

conference. Particularly, the SBA would have appreciated further detail surrounding the metrics of risk and flexibility. Notwithstanding the limited analysis of the quantitative or qualitative results of these metrics, NSPI has suggested a draft action plan. NSPI also noted emissions as a listed metric for consideration. However, a review of the materials provided by NSPI suggests emissions were included as a sensitivity with compliance measured, rather than a strategic metric. It is the SBA's position that given NSPI's consideration of emissions as a sensitivity, emissions should not be listed as a "metric" at Slide 13.

The SBA requests that NSPI clearly articulate its decision criteria tradeoffs made within the draft report. The SBA understands and appreciates that NSPI is seeking comment from stakeholders on defining flexibility and risk metrics. Unfortunately, the SBA is not able to provide said comments as a result of time limitations for review of materials provided by NSPI.

IV. Resource Options and Candidate Resource Plans

The SBA is satisfied that NSPI has studied a reasonable amount of resource options that cover DSM, renewable energy, continued operation versus retirement of resources and conventional utility scale natural gas generation. The SBA notes, however, that value of customer sited generation has not been included in this analysis. NSPI needs to articulate how these options as the costs of technologies such as solar which continue to decline are included in its resource planning.

The SBA is somewhat satisfied with both the number and particulars of the Candidate Resource Plans outlined by NSPI, provided the analysis is a learning exercise. The actual strategic direction chosen by NSPI should not be limited to one particular Candidate Resource Plan, rather if warranted, NSPI should consider the possibility of a hybrid of two or more resource plans. There are likely changes in timing and availability of resources within the plan chosen by NSPI. The SBA anxiously awaits additional information from NSPI on its actual chosen strategy or path. The SBA expects an 'informing process' with a draft report that allows time for true stakeholder evaluation and comment.

V. Comments on Observations

NSPI discussed its Observations (slides 10-12) at the technical conference. The SBA provides the following regarding the specific SPI observations listed on those slides.

- Observation 4 – "If DSM delivery beyond 2020 does not meet the DSM forecast then the system will experience reliability and environmental/emissions challenges". The SBA does not understand how NSPI will allow reliability to suffer if DSM savings fall short of expectation. The SBA recognizes the challenge of creating actual DSM savings at the lowest possible cost and its benefits to small business if successful. The SBA is actively

involved with the DSM process in order to minimize adverse ratepayer impacts. The SBA expects NSPI to be a full participant and assure that through its IRP and other planning processes that emissions and reliability standards will be met even if resources fall short in terms of their performance. This is true whether the resource is an existing coal unit, wind generation, imports via the Maritime Link or DSM.

- Observation 7 – the question was raised in the conference and the SBA agrees it needs to be answered in the IRP report whether the use of FGD on coal plants restores the ability to utilize domestic coal. The SBA notes that NSPI did not discuss the short term rate impacts of the FGD investments which basically only breakeven over long period NPV metrics.
- Observation 11 – the SBA does not see how this observation is made. The SBA has concerns about the definition of the NPV parameters used through the materials in that they are obscured by the inclusion of a significant amount of costs common to all resource plans evaluated.
- Observation 12 – This observation that Max Coal is the ‘most’ economic has not been made on a basis that incorporates risk.

VI. Comments on the Action Plan Items

As previously mentioned, the SBA believes discussion of an action plan at the technical conference and in the materials was premature. The Action Plan was presented without numbering or prioritizing on slides 19 through 21. The SBA is not endorsing the action plan but will offer these specific comments on elements of the action plan.

- Demand-Side Management – The SBA does not understand on what basis the proposed action of pursuing demand response is made. Also, the SBA is concerned with the performance of all resources not just DSM.
- Renewable Resources – Why will it take NSPI two years to complete its interconnection and capacity value study for renewables? When will NSPI report to the UARB its 10 Year System Outlook Report? Will there be a stakeholder process for discussion of that report which is now looking like an extension of IRP?
- Regional Opportunities – Why are these options part of the IRP Action Plan but ignored within the IRP analysis?
- Existing Thermal Resources – How much investment in existing resources is NSPI planning to make during the next 24 months while it studies ‘Best Practices’ of the industry? Why does this take 24 months?

- What is the current retirement plan that will be presented in the 10 Year Outlook? It is not obvious from NSPI materials.

VII. Summary

The SBA has expressed concerns above that center around the decision process, specifically the metrics that have yet to be incorporated by NSPI. While the SBA is grateful to participate as a stakeholder in the process, there was lack of proper time for review of information and comment. Thus, while the SBA has offered comments, the SBA cannot endorse the IRP analysis, results, decisions and action plan at this time.

Yours truly,


E.A. Nelson Blackburn, Q.C.

SMALL BUSINESS ADVOCATE