



Nova Scotia Utility and Review Board

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By email: rene.gallant@emera.com

Mr. Rene Gallant
Regulatory Counsel
Nova Scotia Power Inc.
14th Floor, Barrington Tower
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Dear Mr. Gallant:

Nova Scotia Power Inc. - Application to revise the Chart of Accounts for Additives - P-111.6 - Mercury Sorbent Cost Recovery through the Fuel Adjustment Mechanism - P-887 2009 ACE Plan Work Orders - P-128.09 Mercury Abatement Program - Cl#s 34182, 34202, 34203, 34222, 34223, 34224, 34242

Nova Scotia Power Inc. ("NSPI") filed an Application with the Board on June 29, 2009 to revise the Chart of Accounts for Additives to include sorbent to be used in the Mercury Abatement Program.

In the Board's approval letter dated April 6, 2009, concerning the Mercury Abatement Program, the Board provided the following:

- c) NSPI has proposed to recover the cost of sorbent to be used in this mercury abatement program, estimated at \$20 - 30 million per year, via the Fuel Adjustment Mechanism (FAM). The Board has reviewed this and it does not appear that these costs are included in the current FAM tariff. Accordingly, the Board does not approve this request and NSPI is to initiate the process to amend the FAM tariff to include these costs.

In its Application, NSPI proposes to change the definition of additives in the Chart of Accounts to accommodate the Board's directive. NSPI advises that the sorbent must be delivered no later than November 2009, and must therefore begin ordering no later than August 2009. NSPI uploaded, to the Board's confidential depository, copies of the filing related to the Mercury Abatement Program, as noted above.

The Board understands NSPI held a technical conference call on July 17, 2009, with the P-887 (FAM) participants. By email dated July 20, 2009, the Board notified P-887 participants that comments on NSPI's Application were to be provided to the Board by Monday, July 27, 2009.

Submissions were received from the NewPage Port Hawkesbury Corp. and Bowater Mersey Paper Company Ltd. ("NPB"), the Avon Group, the Consumer Advocate, and the Nova Scotia Departments of Energy and Environment.

NSPI's Application notes that the FAM Plan of Administration, in Section 3.0, lists allowable fuel costs which are to be recovered through FAM including additives as noted in the Chart of Accounts 074-Fuel - Additives. The current description of that account is:

Use for the cost including freight, of all chemicals or materials added to fuel oil used for steam generation.

NSPI's Application proposed to amend this description as follows:

Use for the cost including freight, of all chemicals or materials added to fuel used for generation.

The four submissions received by the Board do not object to the recovery of the cost of sorbent via the FAM but disagree with the method proposed by NSPI. The participants have proposed that the sorbent cost should be tracked via a separate account rather than revising the current fuel additives description, as proposed by NSPI, to facilitate the documentation and review by all parties. Further, NPB has suggested that costs associated with mercury capture should be documented and included in the FAM monthly, quarterly and annual reporting on the basis of each generating unit.

The Board having reviewed the Application and submissions of the parties, agrees that the cost of sorbent be recorded and monitored in a separate account at this time.

Accordingly, the Board directs that:

1. NSPI's request to revise the description of Chart of Accounts, 074 - Fuel - Additives is not approved;
2. NSPI shall create a new Chart of Account labelled "Fuel - Mercury Sorbent";
3. FAM's monthly reports shall specifically record the mercury sorbent type (both any necessary oxidising agent and the actual absorbent), quantity and costs by each generating plant;
4. FAM's quarterly reports shall include:
 - a) cumulative quarterly mercury capture costs by each generating plant;
 - b) type and amount of sorbent used (oxidising agent and absorbent) for each generating unit;
 - c) fuel/fuel mix by each generating plant;
 - d) indicate whether NSPI is on track to meet the mercury emissions cap and quantify any deficiency;
 - e) describe all technical issues that have arisen related to the use of the mercury capture technology and sorbent, including any impacts on fuel/fuel mix;

5. FAM's annual report shall provide similar information to the quarterly report, and:
 - a) provide quantitative and qualitative descriptions of the impact on fuel use by virtue of the mercury abatement program;
 - b) technical or capital changes NSPI considers may be required to achieve its mercury emissions limits; and
 - c) provide an estimate of the amount and cost of the sorbent (oxidising agent and absorbent) anticipated for the upcoming year.

Yours very truly,

Nancy McNeil
Regulatory Affairs Officer/Clerk

cc. S. Bruce Outhouse, Q.C., Board Counsel
P-887 Participants

By email
By email