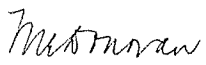


Halifax Regional Council
January 22, 2008

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
M.E. Donovan, Director - Legal Services & Risk Management

DATE: December 27, 2007

SUBJECT: Tufts Cove 6 Waste Heat Recovery Project

INFORMATION REPORT

ORIGIN

Utility and Review Board decision dated December 21, 2007.

BACKGROUND/ DISCUSSION

On December 21, 2007 the Utility and Review Board approved the conversion of Tufts Cove units 4 and 5 into a combined cycle, but without duct firing, for a cost of \$55.5 million. The Board declined to approve the spending of a further \$11 million to create an additional 24 MW of net capacity by means of duct firing for the following reasons:

- ▶ NSPI will have surplus capacity for the foreseeable future. (In other words, this additional 24mw of capacity is not required for the foreseeable future.)
- ▶ There is no immediacy to the suggested potential for steam sales.
- ▶ The economics of the additional capacity appear to be marginal.
- ▶ The additional reduction in carbon dioxide emissions is very small.
- ▶ There is no reduction in other emissions.

Given that s.48(3) of the *Public Utilities Act* requires new generation to be undertaken using a competitive process, as does the provincially accepted recommendations of the Electricity Governance Marketing Committee (EMGC), the Board held that the additional capacity to be

provided by duct firing should have been subject to a competitive process.

The Board also found

“If NSPI still wishes to pursue the option of installing the full project, including duct firing, there is, in the Board’s view, an alternative course of action. This would involve NSPI submitting sufficient documentation to the Board to demonstrate clearly that private power producers have been offered an opportunity to supply this additional capacity and have been unable to do so at a lower cost than the duct firing addition. Should NSPI wish to pursue this avenue, NSPI must also quantify, in whatever detail available, the value to the customers of the additional capacity to, in NSPI’s words, “reduce capacity risk” due to additional “reserve margin and operating flexibility”. The Board would reconsider the addition of duct firing upon receipt of this information.”

The Board did not impose any restrictions on the project in respect of the control of noise and vibrations, presumably on the basis that these issues are to be controlled through the environmental permit which is expected to be issued in March, 2008. Staff will ensure that HRM’s concerns in respect of the noise and vibration issues are brought to the attention of the Minister of Environment and Labour. Assuming NSPI proceeds with the project as approved, construction is expected to start in April, 2008 with a June 2008 in-service date.

HRM’s position with respect to the Tufts Cove 6 Waste Heat Recovery Project, was approved by HRM Regional Council on November 13th. Environmentally, HRM supported the addition of fossil fueled generation largely because it utilizes natural gas. While it is expected to displace generation from Tufts Cove Units 1 through 3, and the impact on GHG gas emissions reductions will not be as dramatic as if it were displacing coal fired generation, there will be improvements realized. In addition, reduction to air emissions, through reduced oil burn will be beneficial to the Municipality, and in particular, the residents who have had to live with particulate and oil residue from oil operation at the generating station. So, while operation of Units 1 - 3 will be economically driven, NSPI is of the view that with a 25% differential in operating costs needed to generate using oil, such operation will be limited for the foreseeable future.

HRM’s support of the project, including the duct firing, was premised upon the environmental perspective that the additional 24MW of net capacity that would be provided through duct firing, would be generated from other sources with greater emissions in the absence of the duct firing component at Tuft’s Cove 6. HRM’s was considering overall system emissions, versus solely the plant efficiency at Tuft’s Cove. Additionally, given the rapid inflation of construction and material costs, designing and building this additional 24 MW of capacity now, versus in future years may have been a more economic choice than deferring the project to the future, or depending upon other sources of new generation to be more economic. Through the UARB review process, and the UARB decision, it has become apparent that a) the incremental environmental benefits of the ductfiring portion of the application are not a significant factor at this time and b) a majority of intervenors and

the UARB, feel that the opportunity to generate an additional 24 MW in capacity should be put through a competitive process, rather than provided through duct firing in the absence of any competitive process.

BUDGET IMPLICATIONS

N/A

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

N/A

ALTERNATIVES

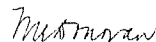
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ATTACHMENTS

none

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared & Approved by:



M.E. Donovan, Director, Legal Services 490-4226

Report Approved by:



Cathie O'Toole, Director of Infrastructure and Asset Management 490-4825