

*NEW BRUNSWICK
ENERGY AND UTILITIES BOARD*

**IN THE MATTER OF a Review of the New
Brunswick System Operator's 2010/2011
Revenue Requirement**

Board Reference: 2009-013

EVIDENCE (Interim Rate Request)

EVIDENCE (Schedules 1, 2, and 3)

**March 15, 2010
Volume 1 of 1**



NEW BRUNSWICK ENERGY AND UTILITIES BOARD

IN THE MATTER OF the *Energy and Utilities Board Act*, Chapter E-9.18, R.S.N.B., 1973, as amended.

- and -

IN THE MATTER OF a Review of the New Brunswick System Operator's ("NBSO") 2010/2011 Revenue Requirement

TABLE OF CONTENTS

1.	APPLICATION
2.	EXECUTIVE SUMMARY
3.	REQUEST FOR INTERIM ORDER & SUPPORTING AFFIDAVIT
4.	SCHEDULE 1
5.	SCHEDULE 2
6.	SCHEDULE 3
7.	<u>APPENDICES</u>
	Appendix A NBSO Audited Financial Results for the Fiscal Year Ended March 31, 2009
	Appendix B Table of Salary Increases
	Appendix C NBSO Organization Chart (March 2010)
	Appendix D Agreement for Secondment of Employees
	Appendix E Services Agreement
	Appendix F Collective Agreement
	Appendix G NBSO Letter to EUB Dated August 26, 2009 (Reference to Rebate of 2008/09 Surplus)

**NEW BRUNSWICK
ENERGY AND UTILITIES BOARD**

IN THE MATTER OF a Review of the New
Brunswick System Operator's (NBSO)
2010/2011 Revenue Requirement

A P P L I C A T I O N

WHEREAS:

1. The New Brunswick System Operator (the "NBSO") is required pursuant to an Order of the New Brunswick Energy and Utilities Board (the "Board"), in a Decision dated November 26, 2008 (pages 9-10), to have its revenue requirement for Schedules 1 and 2 of the Open Access Transmission Tariff (the "Tariff") approved annually; and
2. The NBSO is also required to file beginning in 2010, in accordance with the above-referenced Decision (page 17) and as part of the review of the annual revenue requirement, information on the actual revenues, the actual expenses and the expected expenses for Schedule 3(c) service; and
3. The NBSO has filed supporting Evidence with this Application; and
4. The NBSO requests that the Board issue an Interim Order pursuant to Section 40 of the *Energy and Utilities Board Act*, Chapter E-9.18, R.S.N.B., 1973 approving the NBSO's 2010/2011 revenue requirements for Schedules 1 and 2, and a change in the rate for Schedule 3(c) service, such revenue requirements to be effective from April 1, 2010 until further Order of the Board; and
5. The NBSO has filed an Affidavit in support of its request for the said Interim Order.

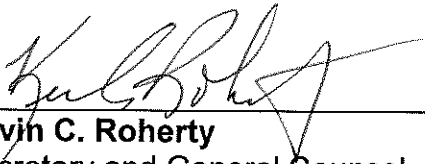
NOW THEREFORE the NBSO applies to the Board for the following:

1. An Order, pursuant to Section 111 of the *Electricity Act* for the following:

- a) Approval of a Schedule 1 (Scheduling, System Control and Dispatch Service) revenue requirement in the amount of \$11.787 million for the fiscal year 2010/11; and
 - b) Approval of a Schedule 2 (Reactive Supply and Voltage Control) revenue requirement in the amount of \$5.709 million for the fiscal year 2010-2011; and
 - c) Approval of a Schedule 3 (c) (AGC and Load Following for Non-Dispatchable Wind Power Generators) rate of \$0.50/MWh of Wind Energy.
2. An Interim Order pursuant to Section 40 of the ***Energy and Utilities Board Act*** approving the above noted revenue requirements for Schedules 1 and 2, and a change in the rate for Schedule 3(c) service, to be effective from April 1, 2010 until further Order of the Board.

DATED at the City of Fredericton, New Brunswick, this 11th day of March, 2010.

NEW BRUNSWICK SYSTEM OPERATOR



Kevin C. Roherty
Secretary and General Counsel

1 **EXECUTIVE SUMMARY**

2
3 The New Brunswick System Operator (“NBSO”) is applying to the New Brunswick
4 Energy and Utilities Board (the “Board”) pursuant to Section 111 of the *Electricity Act*,
5 Chapter E-4.6, R.S.N.B., 1973, for approval of:

- 6
7 a) A Schedule 1 (Scheduling, System control and Dispatch Service) revenue
8 requirement of \$11.787 million to cover the cost of NBSO operations for the fiscal
9 year 2010/11;
10 b) A Schedule 2 (Reactive Supply and Voltage Control) revenue requirement of
11 \$5.709 million for the fiscal year 2010/11; and
12 c) Approval of a Schedule 3(c) (Automatic Generation Control and Load Following
13 for Non-Dispatchable Wind Power Generators) rate of \$0.50/MWh of Wind
14 Energy.

15
16 Additionally, the NBSO requests that the Board issue an Interim Order pursuant to
17 Section 40 of the *Energy and Utilities Board Act* for the approval of the above described
18 Schedules 1 and 2 revenue requirements and a change to the Schedule 3(c) rate
19 effective April 1, 2010.

20
21 **Key Business Drivers**

22 In its application respecting its 2009/10 Schedule 1 revenue requirement, the NBSO
23 noted its need to move forward with its development as a self-supporting organization,
24 and its need for additional staff and space to meet its current duties and responsibilities
25 under the *Electricity Act*, the Tariff and the Market Rules. Increased workload,
26 succession planning and the evolution of policy and market environments were all
27 factored into the NBSO’s planning process which ultimately led to an approved budget
28 and resulting revenue requirement.

29
30 These same business drivers noted last year continue to influence NBSO’s business
31 planning and ultimately its Schedule 1 revenue requirement. It must be noted, however,
32 that the October 29, 2009 signing of the Memorandum of Understanding (“MOU”)

1 between the provinces of New Brunswick and Québec had a profound effect on the
2 initiatives outlined in last year's application. In fact, under the terms of the MOU, the
3 NBSO would cease to exist as an independent entity. Consequently, several activities
4 and related expenditures were put on hold or delayed following the signing of the MOU.
5 As the Board is aware, however, the NBSO's situation changed on January 20, 2010
6 with the announcement that the NBSO was no longer included in the NB/HQ transaction.
7 The result of this is that certain expenditures planned for fiscal 2009/10 were not
8 incurred, were delayed but still incurred within the current fiscal year, or were deferred
9 and have been included in the 2010/11 revenue requirement.

10
11 Notwithstanding the impact of the MOU, the NBSO did move forward with many of the
12 initiatives described in last year's application. The acquisition of additional space was
13 completed in September of 2009 and by the end of the current fiscal year, five (5) of six
14 (6) additional staff included in the 2009/2010 revenue requirement will have been hired.
15 Full realization of the NBSO as a self-supporting organization, fulfillment of our mandate,
16 particularly in respect to compliance matters, workload and succession planning
17 continue to be key business drivers and as a result, the NBSO's Schedule 1 revenue
18 requirement includes the hiring of seven (7) additional staff, including two (2) IT
19 Professionals, two (2) Engineers, one (1) Technical Market Advisor, one (1) Regulatory
20 Affairs staff and one (1) addition to the Administrative Support staff.

21
22 Details respecting the need for these positions are provided elsewhere in the evidence
23 and the NBSO submits that these positions are the minimum requirement if the NBSO is
24 to become fully self-supporting while meeting its evolving role in the electricity industry.

25
26 With respect to the request for an Interim Order, the Board and all intervening parties are
27 fully aware of the extraordinary circumstances leading to this request. Given the fact
28 that the NBSO is now required to obtain approval of its Schedule 1 and 2 revenue
29 requirements on an annual basis, which in turn leads to charges to customers under
30 these two Schedules that are only "valid" up to March 31st of any given year, the NBSO
31 submits that it is essential that the interim relief sought be granted. The supporting

1 evidence provided under Tab 3 clearly indicates that the circumstances leading to this
2 request for interim relief were completely beyond the control of the NBSO.

3
4 In the case of Schedule 3(c), the evidence under Tab 6 clearly indicates that the current
5 rate of \$0.25/MWh has resulted in a shortfall of revenue to expenses for this service of
6 almost \$63 thousand for the first ten (10) months of fiscal 2009/10. Simple projection of
7 this trend over the entire year results in a shortfall of some \$75 thousand. Delaying what
8 appears to be a required increase in this rate to the July/August time frame will only
9 exacerbate the situation. Once again, the circumstances leading to the request for
10 interim relief respecting Schedule 3(c) were beyond the control of the NBSO.

11
12 The Board of Directors of the NBSO approved the NBSO Operations budget proposed
13 by Management for the fiscal year 2010/11, at a meeting held March 2, 2010.

14
15 In summary, the NBSO submits that the information filed herewith satisfies its entire
16 evidentiary burden in respect to this Application including its request for interim relief.

1 **REQUEST FOR INTERIM ORDER**

2

3 In support of its request for an Interim Order respecting the revenue requirement for
4 Schedules 1 and 2 of the Open Access Transmission Tariff for the fiscal year 2010/2011,
5 NBSO files herewith the Affidavit of Sylvain Gignac, NBSO President and CEO.

**NEW BRUNSWICK
ENERGY AND UTILITIES BOARD**

IN THE MATTER OF a Review of the New
Brunswick System Operator's 2010/2011
Revenue Requirement (Application Dated
March 15, 2010)

AFFIDAVIT

I, **Sylvain Gignac**, of the City of Fredericton, in the County of York and Province of New Brunswick MAKE OATH AND SAY THAT:

1. I am the President and Chief Executive Officer of the New Brunswick System Operator ("NBSO") and as such have personal knowledge of the matters herein deposed to except where otherwise stated to be by way of information and belief in which case I verify believe such information to be true.
2. I have read the Application of the NBSO for approval of the revenue requirements for Schedules 1 and 2 of the Open Access Transmission Tariff (the "Tariff") for fiscal 2010/2011 (the "Application") and the evidence in support thereof filed with the Energy and Utilities Board (the "Board") contemporaneously with this Affidavit and believe that such documents demonstrate:
 - (a) the appropriateness of the Schedules 1 and 2 revenue requirements and the change in the rate for Schedule 3(c) service applied for; and
 - (b) that an interim order pursuant to Section 40 of the *Energy and Utilities Board Act* is necessary in respect of both Schedules 1 and 2 of the Tariff, and the rate to be charged for Schedule 3(c) service.
3. In a decision dated November 26, 2008 the Board directed NBSO to, *inter alia*, apply annually for approval of its revenue requirements for Schedules 1 and 2 of the Tariff, commencing with the fiscal year 2009/2010. The approved revenue



requirements would then be included in a Board approved formula to produce monthly charges for Schedules 1 and 2, respectively.

4. On January 26, 2009 the NBSO applied to the Board for, inter alia, approval of Schedule 1 and 2 revenue requirements for fiscal 2009/2010. Following four (4) days of hearings, the Board approved revenue requirements for Schedules 1 and 2 for fiscal 2009/2010. The resulting charges to transmission customers under Schedules 1 and 2 are applicable only up until March 31, 2010 following which no approved charges under Schedules 1 and 2 will be in place.
5. By e-mail dated October 8, 2009, the Board advised the NBSO and all interested parties of a schedule respecting an application by the NBSO for approval of Schedule 1 and Schedule 2 revenue requirements for fiscal 2010/2011. The schedule provided for the filing of an application by the NBSO on November 17, 2009 and the holding of a hearing respecting such application on February 9 and 10, 2010.
6. On October 29, 2009 the governments of New Brunswick and Québec signed a Memorandum of Understanding ("MOU") respecting a potential transaction involving the sale of certain of the assets of NB Power and the elimination of NBSO. As a separate independent entity.
7. Article 3, Energy Regulation in New Brunswick, § 3.1(a) of the MOU reads as follows:

"3.1 The government of New Brunswick will cause the following changes to the system of electricity regulation in New Brunswick:

- (a) The New Brunswick System Operator (the "NBSO") will be merged into HQ sub or a subsidiary of that corporation formed to acquire the assets of Transco ("HQ Transco"). All functions of the NBSO, as well as the assets and employees of the NBSO, will be assumed by HQ Transco at and following the closing."*

8. By letter dated November 6, 2009 from NBSO Secretary and General Counsel Kevin C. Roherty to the Board, the NBSO requested that, in view of the contents of the MOU, the proceeding respecting the NBSO's application for approval of Schedule 1 and 2 revenue requirements (the "Proceeding") be adjourned *sine die*.
9. By letter dated November 13, 2009 from the Board to Mr. Roherty, the Board adjourned the Proceeding until further notice.
10. On January 20, 2010, the government of New Brunswick announced that the NBSO was no longer part of the proposed transaction between NB Power and Hydro-Québec.
11. By letter dated January 28, 2010 from Mr. Roherty to the Board, the NBSO requested that the Board set a schedule for the resumption of the Proceeding.
12. By letter dated January 29, 2010 from the Board to the NBSO and all interested parties, the Board set March 15, 2010 as the date for the filing of NBSO's application for approval of revenue requirements respecting Schedules 1 and 2 for fiscal 2010/2011, and June 1, 2010 as the hearing date respecting the application.
13. As noted in paragraph 4 above, the current charges under Schedules 1 and 2 are based on revenue requirements only for the fiscal year ending March 31, 2010. As the hearing respecting Schedule 1 and 2 revenue requirements for the period April 1, 2010 to March 31, 2011 will not be held until June, the situation exists that, absent interim relief, there will be no approved charges for Schedule 1 and 2 ancillary services for the period April 1, 2010 to the June/July time frame, at the earliest. Schedule 1 and 2 ancillary services are mandatory services necessary for the safe and reliable operation of the integrated electricity system and thus it is essential that they be provided and paid for.
14. With respect to the rate for Schedule 3(c) service, the actual shortfall in revenue to expenses for this service for the first ten (10) months of fiscal 2009/10 is

approximately \$63 thousand. Delaying the requested increase in the rate for this service to the July/August time frame will exacerbate the existing situation where there is a mismatch between the revenues and expenses for this service.

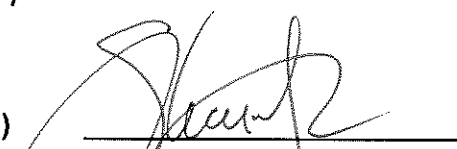
15. Due to circumstances described in this Affidavit, it was not possible for the NBSO to file an application for approval of Schedule 1 and 2 revenue requirements and a change in the rate for Schedule 3(c) service for fiscal 2010/11 in a time frame which would allow for the full hearing process to take place and have the Board render a decision by April 1, 2010. None of the circumstances referred to above were within the control of the NBSO.

16. I make this Affidavit in support of an interim order pursuant to Section 40 of the *Energy and Utilities Board Act* approving the proposed revenue requirements for Schedules 1 and 2 and a change in the rate for Schedule 3(c) service effective April 1, 2010 until final completion of the hearing of the Application and further order of the Board.

SWORN TO BEFORE ME at the)
City of Fredericton, in the County)
of York and Province of New)
Brunswick, this 12th day of March,)
2010.)



A COMMISSIONER OF OATHS)
BEING A SOLICITOR)



Sylvain Gignac)
President and CEO)

1 **SCHEDULE 1**
2 **(Scheduling, System Control and Dispatch)**

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Schedule 1 is a mandatory ancillary service provided by NBSO. This service is required to schedule the movement of power through, out of, within, or into a Control Area in a reliable manner.

The proposed revenue requirement for Schedule 1 of \$11.787 million for 2010/11 represents NBSO operating expenses net of miscellaneous revenues.

Table 1-1 outlines Schedule 1 expenses and miscellaneous revenues for fiscal 2008/09 (Budget vs. Actual Results); 2009/10 (Budget vs. Forecast) and 2010/11 (Budget vs. 2009/10 Budget).

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Table 1-1
Schedule 1 Revenue Requirement
Fiscal 2008/09, 2009/10 and 2010/11

	2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
	Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
Summary by cost category									
Labor and benefits	\$ 5,701	\$ 6,064	\$ 363	6,832	6,344	\$ (488)	\$ 6,832	7,771	\$ 939
Board costs	116	138	22	123	112	(11)	123	123	-
EUB Assessments	230	406	176	220	286	66	220	400	180
Energy Control Center	347	335	(12)	426	303	(123)	426	352	(74)
Building - O&M	375	352	(23)	728	575	(153)	728	600	(128)
NBSO Capital			-		8	8		80	80
Service agreements - NBP	398	399	1	417	417	(0)	417	409	(8)
Computer software	111	114	3	190	184	(6)	190	244	54
Data communications	92	108	16	303	100	(203)	303	313	10
Insurance	140	132	(8)	140	138	(2)	140	145	5
Consulting	522	437	(85)	598	413	(185)	598	723	125
Travel	177	265	88	353	284	(69)	353	339	(14)
Training	97	31	(66)	89	50	(39)	89	90	1
Administration	58	104	46	218	140	(78)	218	267	49
Finance charges		(108)	(108)	-	-	-	-	-	-
EUB hearing	150	190	40	62	41	(21)	62	212	150
Subtotal	\$ 8,514	\$ 8,967	\$ 453	\$ 10,697	\$ 9,395	\$ (1,302)	\$ 10,697	\$ 12,068	\$ 1,371
Contingency				300	-	300	300	300	
Total SO Expenses	\$ 8,514	\$ 8,967	\$ 453	\$ 10,997	\$ 9,395	\$ (1,602)	\$ 10,997	\$ 12,368	\$ 1,371
Miscellaneous Revenue									
Schedule Balancing Service	(267)	(267)	-	(267)	(267)	-	(267)	(267)	-
Reliability Coordinator Service	(95)	(97)	(2)	(95)	(95)	-	(95)	(99)	(4)
Oasis & etag Service	(75)	(82)	(7)	(75)	(81)	(6)	(75)	(80)	(5)
Connection Studies	(100)	(243)	(143)	(260)	(85)	175	(260)	(100)	160
Conferences & Workshops		(32)	(32)	(35)	(7)	28	(35)	(35)	-
Total Miscellaneous Revenue	(537)	(721)	(184)	(732)	(535)	197	(732)	(581)	151
Schedule 1 Revenue Requirement	\$ 7,977	\$ 8,246	\$ 269	\$ 10,265	\$ 8,860	\$ (1,405)	\$ 10,265	\$ 11,787	\$ 1,522

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1 **VARIANCE EXPLANATIONS**

2
3 Each cost and revenue category shown in Table 1-1 is described below along with
4 variance explanations.

5
6 **Labour and Benefits**

7 ***Labour and benefits are comprised of the salaries (including overtime) and***
8 ***associated benefit costs for all direct hire NBSO employees and all staff***
9 ***seconded to the NBSO from the NB Power Transmission Corporation.***

10
11 Please refer to Appendix B for a Summary Table outlining changes in salaries by
12 department and category of increase for the fiscal years 2009/10 and 2010/11.

(amounts in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 5,701	\$ 6,064	\$ 363	\$ 6,832	\$ 6,344	\$ (488)	\$ 6,832	\$ 7,771	\$ 939

13
14
15 **Variance 1: 2008/09 Budget vs. Actuals (over budget \$363 thousand)**

16 There are two main reasons for this over expenditure. The unfunded pension cost
17 associated with the seconded employees was not included in the 2008/09 budget
18 (\$205 thousand). This expense was discussed at the 2009/10 Revenue Requirement
19 hearing and was determined to be a legitimate schedule 1 expense. The other labor
20 increase resulted from the hire of a casual resource to assist with system impact
21 studies (\$58 thousand). This increase was offset by an increase in revenue for
22 connection studies. Power System Operator's overtime was higher than budget (\$43
23 thousand). These positions are 24/7 and overtime is required to cover vacation, sick
24 time and training. The remainder of the increase is due to casual labor being higher
25 than budgeted.

1 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$488 thousand)**

2 The 2009/10 budget included \$361 thousand for the hiring of six (6) additional
3 resources. Interviews for these positions were conducted in early fall of 2009. With the
4 MOU announcement in October it was decided to only continue with the hiring of two
5 Power System Operators. These positions were filled in February 2010. Since the
6 announcement of January 20, 2010, hiring plans have resumed for the four (4)
7 remaining positions. Therefore, approximately \$316 thousand of the \$361 thousand
8 will not be expended in 2009/10.

9
10 The benefit rate applied to the salaries was lower than budgeted (\$138 thousand) due
11 principally to revised pension calculations by the actuary.

12
13 A contracted resource budgeted to assist with System Impact Studies was not required
14 to the extent expected as there were fewer studies. However, this expertise was used
15 on other initiatives identified in the 2009/10 revenue requirement; thereby reducing
16 consulting costs. The amount forecasted for the contracted resource was \$65
17 thousand lower than budget.

18
19 There was one unexpected vacancy early in the year in the Power System Operations
20 group (approximately \$90 thousand).

21
22 Because the hiring of the new employees was delayed, the Market Development
23 department hired a casual to assist with various projects (\$22 thousand).

24
25 The signing of the MOU in October, 2009 also had an impact on salaries and benefits.
26 As the Board is aware, under the terms of the MOU the NBSO was to be eliminated as
27 a separate independent organization and its functions rolled back into NB Power and
28 included in the sale of NB Power assets to Hydro-Québec. Notwithstanding the MOU,
29 the NBSO was required under law to continue to operate and fulfill its functions until
30 such time that the law was changed. As a result, the Board of Directors of the NBSO
31 determined that it was important that certain individuals, whose positions would be

1 eliminated or fundamentally changed under the proposal, be retained until March 31,
2 2010, the proposed deadline for the transaction. Accordingly, the Board of Directors
3 approved retention payments totaling \$86 thousand.

4
5 One other factor also came into play. Under the direction of the President, the NBSO
6 reviewed its organizational structure. In concert with the NBSO's migration strategy, it
7 was determined that the new structure should be put in place and seconded managers
8 should become direct-hire NBSO employees prior to having staff and unionized
9 employees moving to the NBSO for April 1, 2010. Accordingly, the new organization
10 came into effect on March 5, 2010 and a number of required salary adjustments were
11 made at the same time. The result was an increase of approximately \$8 thousand in
12 fiscal 2009/10.

13
14 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$939 thousand increase)**

15 \$240 thousand of the increase is due to the full year effect of the six (6) employees
16 added in the 2009/2010 budget. These positions had been budgeted for only part of
17 the 2009/10 fiscal year.

18
19 As per the collective agreement, bargaining employees received a 3% increase
20 effective January 2010 and will receive an additional 3.5% effective January 2011
21 (\$105 thousand). Reevaluated positions and merit increases make up approximately
22 \$134 thousand of the increase.

23
24 Benefit costs are budgeted to be approximately \$55 thousand lower than in the
25 2009/10 budget due to the actuarial review mentioned in the preceding variance
26 explanation. \$315 thousand has been added for seven new positions in the 2010/11
27 budget. They are budgeted to be filled around mid year. The positions are as follows:

- 28 ➤ Two (2) IT Professionals \$78 thousand
- 29 ➤ One Regulatory Affairs Officer \$36 thousand

- 1 ➤ One Administrative support \$50 thousand (this position is the
- 2 only one budgeted for ten (10) months; other figures for new hires are
- 3 based on 6 months)
- 4 ➤ One Technical Market Advisor \$48 thousand
- 5 ➤ One Engineer \$60 thousand
- 6 ➤ One Planner / Engineer \$43 thousand

7

8 \$200 thousand has been added for increased salary costs for non-bargaining positions
9 as the result of the compensation study to be completed late in fiscal 2009/10.

10

11 Rationale supporting each of these positions follows:

12

13 **IT Professionals:** The need for these positions has arisen primarily due to the new
14 cyber security requirements imposed by NERC in their Critical Infrastructure Protection
15 Standards (“CIPS”). Not only is the initial development of procedures and policy
16 required, but the ongoing requirements for testing, training, record keeping, etc., mean
17 that more time is spent by all IT personnel in carrying out their responsibilities.

18

19 Secondly, as the NBSO continues toward independence, IT professionals have been
20 migrating from a mainly software development role to an operational role. This is
21 resulting in a backlog of development work required to support IT requirements of
22 the New Brunswick electricity market and other projects.

23

24 One of the additional IT staff members would focus on software development where the
25 second would help address the day-to-day operational needs.

26

27 **Regulatory Affairs:** The need for this position is driven primarily by an increased
28 workload in regulatory, organizational policy and procedures development, and
29 succession planning.

30

1 **Administrative Support:** The NBSO presently has two (2) administrative support staff
2 for approximately 50 employees in two locations. Workload dictates the need to add
3 additional administrative support. Adding a third person will also allow for increased
4 flexibility in terms of coverage at both locations for vacations, illness, etc.

5
6 **Technical Market Advisor:** The NBSO's responsibilities in the areas of strategy,
7 policy, and market design require additional dedicated technical competency. This new
8 resource would have the capability to perform infrastructure cost/benefit analysis,
9 power system and market modeling, and assessment of new technologies. Adding this
10 competency would be more effective than using resources from outside of the group,
11 and would lessen the demand on NBSO's own power system engineering resources
12 which have an ever-increasing workload in areas such as standards, compliance, and
13 transmission system studies.

14
15 **Engineer:** the NBSO continues to develop and implement programs pursuant to its
16 responsibilities under legislation and agreements to monitor and enforce compliance
17 with reliability standards. Currently there is a single staff member working in the
18 compliance area. An additional technical resource is required to carry out compliance
19 assessments.

20
21 **Planner/Engineer:** NBSO compliance programs require the support of a dedicated
22 resource to plan and implement compliance monitoring and enforcement processes on
23 an ongoing basis.

1 **NBSO Board Costs**

2 ***NBSO Board costs are comprised of the annual stipends, per diems and travel***
3 ***expenses for NBSO Board members.***

4

(amounts in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 116	\$ 138	\$ 22	\$ 123	\$ 112	\$ (11)	\$ 123	\$ 123	\$ -

5

6

7 **Variance 1: 2008/09 Budget vs. Actuals (over budget \$22 thousand)**

8 The recruitment of a new President resulted in additional meetings and travel expenses
9 being incurred by the Board.

10

11 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$11 thousand)**

12 Actual expenditures are expected to be slightly less than budget due to fewer
13 committee meetings.

14

15 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$ no change)**

16 Not applicable

1 **EUB Assessments**

2 *As an entity regulated by the EUB, the NBSO pays a proportional share of the*
3 *EUB's annual common expenses. The assessment also includes the EUB's*
4 *direct expenses associated with NBSO hearings. Additionally, the professional*
5 *fees and expenses of the Public Intervenor are paid by NBSO through the EUB*
6 *assessment.*

7
(amounts in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 230	\$ 406	\$ 176	\$ 220	\$ 286	\$ 66	\$ 220	\$ 400	\$ 180

8
9
10 **Variance 1: 2008/09 Budget vs. Actuals (over budget \$176 thousand)**

11 The budget did not anticipate the level of activity that occurred in 2008/09 related to
12 technical conferences, the Tariff hearing of October 27-29, 2008 and the Revenue
13 Requirement hearing of March 16-17, 2009.

14
15 **Variance 2: 2009/10 Budget vs. Forecast (over budget \$66 thousand)**

16 There was an additional hearing June 15-16, 2009 to address the unfunded pension
17 cost of the seconded employees and the cost of Schedule 2 services. This resulted in
18 additional expenses.

19
20 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$ 180 thousand increase)**

21 In addition to the filing regarding the annual revenue requirement, a Tariff hearing is
22 expected in 2010/11 and therefore the EUB assessment, including Public Intervenor
23 expenses, is expected to be considerably higher.

1 **Energy Control Center**

2 *This cost category is comprised of the amortization and finance charges paid by*
3 *NBSO to the NB Power Transmission Corporation for the NBSO’s occupancy of*
4 *its portion of the Energy Control Center. NBSO pays 73% of the total charges*
5 *related to ECC, the balance being paid by the other tenant, NB Power Distribution*
6 *and Customer Service Corporation. This category also includes any capital*
7 *additions to the building which are financed through NB Power Transmission.*

8 (amounts in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 347	\$ 335	\$ (12)	\$ 426	\$ 303	\$ (123)	\$ 426	\$ 352	\$ (74)

9
10
11 **Variance 1: 2008/09 Budget vs. Actuals (under budget \$12 thousand)**

12 The actual amortization and finance charges were slightly less than budgeted due to
13 the actual interest rate used by NB Power in the calculation being lower than the
14 budgeted rate.

15
16 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$ 123 thousand)**

17 The 2009/10 budget assumed capital additions within the year which would add \$121
18 thousand in amortization and finance charges for the year. The largest item was
19 SCADA. SCADA will be an NBSO asset. While there has been significant work on this
20 project with a Request for Proposal issued in the fall, the timeline for the full
21 implementation of SCADA is estimated to be March 2011.

22
23 NB Power Transmission Corporation is upgrading the UPS system and some HVAC
24 equipment which will be completed by the end of March 2010, therefore, amortization
25 and finance charges will not begin until fiscal 2010/11.

1 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$74 thousand decrease)**

2 As explained above, the 2009/10 budget included amortization and finance charges
3 related to SCADA, new consoles for the control room and a UPS upgrade. SCADA
4 and the consoles are considered NBSO assets; therefore, these items have been
5 removed from this category and are addressed in the next cost category. New capital
6 added in 2010/11 includes a standby generator, and upgrades to the parking lot and
7 other HVAC equipment (Please Note: This is not the HVAC mentioned in the previous
8 variance analysis).

1 **NBSO Capital**

2 *In 2009 NBSO decided it would purchase its own capital assets and not depend*
3 *on having its capital needs be part of NB Power Transmission's capital budget.*
4 *The first assets to be capitalized are the furniture purchased for the West Hills*
5 *facility. New consoles for the control room are expected to be in place in the last*
6 *quarter of fiscal 2009/10.*

7
(amounts in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ -	\$ -	\$ -	\$ -	\$ 8	\$ 8	\$ -	\$ 80	\$ 80

8
9
10 **Variance 1: 2008/09 Budget vs. Actuals**

11 No NBSO capital assets in 2008/09

12
13 **Variance 2: 2009/10 Budget vs. Forecast (over budget \$8 thousand)**

14 At the 2009/10 Revenue Requirement hearing NBSO was asked to explore the
15 possibility of capitalizing the furniture purchased for the new office complex at West
16 Hills.

17
18 It was determined that capitalization of the furniture is appropriate. The capitalization
19 has taken place and the forecast represents amortization for 2009/10.

20
21 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$80 thousand increase)**

22 Control room consoles will be installed by the end of March 2010. There are other
23 leasehold improvements at ECC including a complete redesign of the control room.
24 The budget figure represents amortization.

1 **Building O&M - Energy Control Center and West Hills**

2 *The NBSO pays a proportional share of the operating and maintenance costs of*
3 *the Energy Control Center, including property taxes, heat and lights, cleaning,*
4 *plowing and general maintenance. In September 2009 a new facility was leased*
5 *to meet the need for additional space for NBSO. This is reflected in the*
6 *increased budget and forecast figures in 2009/10 and going forward.*

7
(amounts in thousands)

	2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
	Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
ECC	\$ 375	\$ 352	\$ (23)	\$ 421	\$ 420	\$ (1)	\$ 421	\$ 433	\$ 12
West Hills	\$ -	\$ -	\$ -	\$ 307	\$ 155	\$ (152)	\$ 307	\$ 167	\$ (140)
Total	\$ 375	\$ 352	\$ (23)	\$ 728	\$ 575	\$ (153)	\$ 728	\$ 600	\$ (128)

8
9
10 **Variance 1: 2008/09 Budget vs. Actuals (under budget \$23 thousand)**

11 When it appeared the overall budget would be over expended, an effort was made to
12 defer expenditures where possible. Repairs to the parking lot (\$40 thousand) were
13 deferred. This was offset however by general maintenance costs, including heat and
14 lights and property taxes, being higher than budget

15
16 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$153 thousand)**

17
18 At budget time no specific location or lease costs were known. The budget for new
19 office space was based on a full year occupancy for a total rent expense of \$153
20 thousand. Since NBSO only moved to the West Hills facility in September 2009, actual
21 rental costs which include property tax, common area and maintenance charges will be
22 \$73 thousand.

23
24 The budget for new office space also included one-time items such as furniture. At the
25 2009/10 Revenue Requirement hearing NBSO was asked to explore the possibility of

1 capitalizing these costs. This has been done and the amortization is reflected in the
2 ***NBSO Capital*** (page 18) cost category.

3

4 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$128 thousand decrease)**

5 Operations and maintenance costs for the West Hills facility are budgeted to be
6 significantly lower in 2010/11 since some costs have been amortized and other costs
7 were one-time items to set up the facility. Maintenance costs at ECC are budgeted
8 slightly higher as heat and lights, property tax and other maintenance costs have
9 increased over the past several years.

1 **Service Agreements**

2 ***The NBSO contracts with the NB Power Transmission Corporation for the***
3 ***provision of support services for employees including payroll, benefit***
4 ***administration, human resources services, business information systems,***
5 ***telecommunication, etc.***

6

(amount in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 398	\$ 399	\$ 1	\$ 417	\$ 417	\$ -	\$ 417	\$ 409	\$ (8)

7

8

9 All variances are less than 3%

1 **Computer Software**

2 ***This cost category includes support and maintenance contracts for software***
3 ***used by NBSO including PSSE, OATI, and MV90.***

4 *(amounts in thousands)*

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 111	\$ 114	\$ 3	\$ 190	\$ 184	\$ (6)	\$ 190	\$ 244	\$ 54

5
6
7 **Variance 1: 2008/09 Budget vs. Actuals (over budget \$3 thousand)**

8 The variance is less than 3%.

9
10 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$6 thousand)**

11 Year to date purchases as at preparation of the forecast indicated total expenditures for
12 the year for this category could be slightly less than budget.

13
14 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$54 thousand increase)**

15 The 2009/10 budget included the one-time purchase of licenses for PSSE software of
16 \$50 thousand. In 2010/11 there is a \$104 thousand budgeted expenditure for software
17 required to meet compliance standards, \$4 thousand of this would be an on going
18 expenditure. This software will enable NBSO to fulfill its role of ensuring entities
19 registered with the NBSO are meeting compliance standards.

1 **Data Communication**

2 ***Data communication includes the cost of weather reporting services, wind power***
3 ***production forecasting services, NERCnet, and dedicated voice circuits.***
4 ***NERCnet is a communications network that ties together all participants in the***
5 ***electric power industry to enable business to be conducted reliably and securely.***
6 ***Reliability and security refers to the telecommunications requisite to meet all***
7 ***commercial and operating needs.***

8 (amounts in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 92	\$ 108	\$ 16	\$ 303	\$ 100	\$ (203)	\$ 303	\$ 313	\$ 10

9
10
11 **Variance 1: 2008/09 Budget vs. Actuals (over budget \$16 thousand)**

12 Approximately \$18 thousand was spent on satellite communication equipment which
13 was not budgeted. This was an item not known at budgeting time but was an NPCC
14 requirement for system restoration.

15
16 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$203 thousand)**

17 The 2009/10 budget anticipated wind forecasting services to add \$215 thousand;
18 however, the implementation of this initiative has been delayed. The December 2009
19 forecast for the Wind Forecasting Initiative reflects the deferral of the procurement of
20 wind power production forecasting service to fiscal 2010/11. The deferral of the work
21 has allowed more time to prepare for and undertake an effective process for the
22 procurement of the service, and avoided a conflict with work associated with the MOU
23 between New Brunswick and Québec. Also, a delay in the construction of two wind
24 farms that were scheduled for late 2009 has mitigated the impact of not having the
25 forecasting service in place as early as was contemplated by the budget.

1 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$10 thousand increase)**

2 As explained in Variance 2 above, the 2009/10 budget included \$215 thousand for the
3 Wind Forecasting initiative. The total budget for this item was deferred and is included
4 in the 2010/11 budget.

1 **Insurance**

2 ***This category is comprised of premiums for general liability and directors and***
3 ***officer's liability insurance.***

4

(amounts in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 140	\$ 132	\$ (8)	\$ 140	\$ 138	\$ (2)	\$ 140	\$ 145	\$ 5

5

6

7 **Variance 1: 2008/09 Budget vs. Actuals (under budget \$8 thousand)**

8 The budget had included a provision for increased premiums.

9

10 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$1 thousand)**

11 The variance is less than 3%.

12

13 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$5 thousand increase)**

14 The 2010/11 budget figure includes a provision for a slight increase in premiums.

1 **Consulting**

2 ***NBSO acquires consulting services for internal and external audit, specialized***
3 ***legal and benefit matters, actuarial studies, strategic planning, market***
4 ***development, executive recruitment, etc.***

5 (amounts in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 522	\$ 437	\$ (85)	\$ 598	\$ 413	\$ (185)	\$ 598	\$ 723	\$ 125

6
7
8 **Variance 1: 2008/09 Budget vs. Actuals (under budget \$85 thousand)**

9 Consulting expenditures were less than budget due to actual audit costs being under
10 budget by approximately \$23 thousand; costs budgeted for general legal advice and
11 benefit expertise were approximately \$20 thousand less than budget and the services
12 of the former CEO of NBSO were less than budget by approximately \$33 thousand.

13
14 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$185 thousand)**

15 Lower than budgeted expenditures are due to the hold on initiatives as a result of the
16 MOU announcement in the fall. Approximately \$200 thousand of the consulting dollars
17 identified for initiatives in the 2009/10 revenue requirement are forecast not to be
18 required this year. As mentioned in the labor variances the use of a contracted
19 resource on one of the initiatives resulted in not requiring consultant dollars.

20
21 Unbudgeted consulting dollars are required in 2009/10 to meet certain industry
22 standards in the area of Critical Infrastructure Protection Systems (CIPS) (\$65
23 thousand). Auditing services are forecast to be less than budget while legal services
24 are expected to be higher. As well, due to the MOU and other priorities of staff,
25 consulting dollars on market development projects are not expected to be required this
26 year.

1 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$120 thousand increase)**

2 The 2009/10 consulting budget contained dollars for specific initiatives. To explain the
3 year over year variance these dollars are subtracted from the 2009/10 budget to arrive
4 at \$276 thousand. To this is added:

- 5
- 6 ➤ consulting associated with CIPS (\$75 thousand)
 - 7 ➤ expertise will be contracted to develop the requirements for an upgrade
8 to the Market Optimization system (\$75 thousand)
 - 9 ➤ consulting resources to explore market integration and energy market
10 issues (\$40 thousand)
 - 11 ➤ \$40 thousand has been added at the corporate level to enable
12 the engagement of expertise on new industry initiatives (\$40 thousand)
 - 13 ➤ initiative-related consulting dollars (\$225 thousand) as follows:
 - 14 ○ Tariff Review (\$40 thousand)
 - 15 ○ Organization Development (\$185 thousand)

1 **Travel and Training**

2 *This cost category includes travel by NBSO staff for meetings and committee*
3 *work. The NBSO is involved in NPCC, NERC, IRC, AEWG, NICE, CANWEA,*
4 *CAMPUT, etc., and also travels to attend industry conferences. Additionally,*
5 *training costs and associated travel for certification and professional*
6 *development are included in this category.*

7 (amounts in thousands)

	2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
	Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
Travel	\$ 177	\$ 265	\$ 88	\$ 353	\$ 284	\$ (69)	\$ 353	\$ 339	\$ (14)
Training	97	31	(66)	89	50	(39)	89	90	1
Total	\$ 274	\$ 296	\$ 22	\$ 442	\$ 334	\$ (108)	\$ 442	\$ 429	\$ (13)

8
9
10 **Variance 1: 2008/09 Budget vs. Actuals (over budget \$22 thousand)**

11 Travel costs are influenced by several factors including location of meetings and
12 foreign exchange. NBSO became more involved with NPCC committees to fulfill its
13 role as a system operator. As well, relocation costs associated with the hiring of a new
14 President were not anticipated when the 2008/09 budget was prepared.

15
16 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$108 thousand)**

17 Based on the expenditures to date it appears the travel and training budget may come
18 in under budget. Travel costs are influenced by several factors including location of
19 meetings and foreign exchange; therefore, it is difficult to carry out a detailed analysis
20 until year-end. At the start of the year, due to pandemic concerns, travel was curtailed
21 for a brief period. As well, some travel associated with initiatives is forecast not to be
22 required in 2009/10 (\$43 thousand)

23
24 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$13 thousand decrease)**

25 The variance is less than 3%

1 **Administration**

2 *Administration includes professional dues, memberships, translation, printing,*
3 *miscellaneous supplies, production of the Annual Report, promotional items,*
4 *subscriptions, costs associated with hosting the Energy Conference or special*
5 *events, etc.*

6 (amounts in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 58	\$ 104	\$ 46	\$ 218	\$ 140	\$ (78)	\$ 218	\$ 268	\$ 50

7
8
9 **Variance 1: 2008/09 Budget vs. Actuals (over budget \$46 thousand)**

10 There are a variety of reasons for the budget being exceeded including additional
11 corporate membership fees for approximately \$6 thousand (CIGRE, OREG),
12 unbudgeted expenditures for promotional items (\$9 thousand), expenses related to the
13 former President's retirement (\$6 thousand) and higher than anticipated expenditures
14 for office supplies / materials, translation, printing and the annual Energy Conference.

15
16 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$78 thousand)**

17 Administrative expenses are expected to be below budget. One of the main reasons
18 for this is the decision not to hold an Energy Conference in 2009/10. As well, due to
19 the MOU announcement, some activities were put on hold, thereby reducing printing
20 and translation costs.

21
22 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$50 thousand increase)**

23 An additional \$25 thousand has been added to the budget to allow NBSO to pay for
24 speakers to attend conferences and technical sessions. As well, \$40 thousand has
25 been added for recruitment. Costs to date for this activity have been expensed against
26 travel and consulting. It is appropriate to track recruitment costs separately.

1 **Finance Charges**

2 ***The costs in this category are interest charges if funds are borrowed, offset by***
3 ***interest earned on bank balances, plus any foreign exchange charges.***

4

5 The amount shown in the 2008/09 Actuals is largely due to interest earned on bank
6 balances, due to surpluses. Being a not-for-profit organization; the amount in this cost
7 category is part of the overall surplus rebated to Market Participants.

1 **EUB Hearings**

2 *This cost category includes all NBSO direct costs associated with a EUB*
3 *hearing, including facility costs, legal fees, simultaneous translation, translation*
4 *and printing of documents, publication of regulatory Notices, etc.*

5 (amounts in thousands)

2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
Budget	Actuals	2008/09 Budget vs Actuals	Budget	Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
\$ 150	\$ 190	\$ 40	\$ 62	\$ 41	\$ (21)	\$ 62	\$ 212	\$ 150

6
7
8 **Variance 1: 2008/09 Budget vs. Actuals (over budget \$40 thousand)**

9 There were two hearings in fiscal 2008/09; the budget was based on there only being
10 one.

11
12 **Variance 2: 2009/10 Budget vs. Forecast (under budget \$21 thousand)**

13 The budget was for one hearing; the 2010/11 revenue requirement. There was a
14 hearing in June 2009; a continuation of the 2009/10 revenue requirement. Preparation
15 for the 2010/11 revenue requirement has begun; however, due to the impact of the
16 MOU, the hearing for the 2010/11 revenue requirement has been delayed and the
17 hearing costs will occur in the fiscal year 2010/11, rather than 2009/10 as planned.

18
19 **Variance 3: 2009/10 Budget vs. 2010/11 Budget (\$150 thousand increase)**

20 The 2010/11 Budget assumes 2 Revenue Requirement hearings (2010/11 in the spring
21 of 2010 and 2011/12 expected to be early in 2011). As well a Tariff hearing is expected
22 in 2010/11 for which an additional \$100 thousand has been added.

1 **Contingency**

2 *In its Decision of November 26, 2008, the EUB approved the inclusion of a \$300*
3 *thousand contingency in the 2009/10 revenue requirement. As noted in the*
4 *Decision, this contingency is to be used by the NBSO to deal with “significant*
5 *unanticipated legitimate expenses”.*

1 **Miscellaneous Revenue**

2 ***To the extent NBSO can earn revenues from the services outlined below, these***
 3 ***revenues reduce the need for Schedule 1 revenue.***

4

	2008/09		Variance 1	2009/10		Variance 2	Budget		Variance 3
	Budget	Actuals	2008/09 Budget vs Actuals	Budget	September 09 Forecast	2009/10 Budget vs Forecast	2009/10	2010/11	Budget 2009/10 vs 2010/11
Miscellaneous Revenue									
Schedule Balancing Service	(267)	(267)	-	(267)	(267)	-	(267)	(267)	-
Reliability Coordinator Service	(95)	(97)	(2)	(95)	(95)	-	(95)	(99)	(4)
Oasis & etag Service	(75)	(82)	(7)	(75)	(81)	(6)	(75)	(80)	(5)
Connection Studies	(100)	(243)	(143)	(260)	(85)	175	(260)	(100)	160
Conferences & Workshops		(32)	(32)	(35)	(7)	28	(35)	(35)	-
Total Miscellaneous Revenue	(537)	(721)	(184)	(732)	(535)	197	(732)	(581)	151

5
6
7 **Schedule Balancing Service**

8 ***This is an automatic updating of hourly energy schedules on behalf of Market***
 9 ***Participants. The service is provided by NBSO through software that was***
 10 ***developed and is maintained by NBSO.***

11
12 There has not been a change to the existing agreement and therefore, the amount is
13 budgeted to be the same in 2010/11.

14
15 **Reliability Coordinator Service**

16 ***The NBSO is the Reliability Coordinator (RC) for the Maritimes Control Area and***
 17 ***as a result the cost to provide these services should be shared among the three***
 18 ***Maritime Provinces and Northern Maine. NBSO has an agreement with each of***
 19 ***these areas (New Brunswick, Nova Scotia, Prince Edward Island and Northern***
 20 ***Maine) in its RC footprint regarding their portion of these costs. Each area pays***
 21 ***their proportional share as per the monthly coincident peak loads (referred to as***
 22 ***12 CP) for the previous year. The 12 CP are calculated annually and all entities***
 23 ***are billed accordingly.***

24
25 The variances are small and due to the annual calculation for the RC revenues
26 occurring after the budget cycle.

1 **OASIS and E-tag Service**

2 ***NBSO provides host services for “OASIS and E-tagging” on the NBSO network***
3 ***to various entities in the Control area.***

4
5 Variances in this category are due to foreign exchange since the E-tagging services are
6 in U.S. funds.

7
8 **Connection Studies**

9 ***These are technical studies performed when parties request a new transmission***
10 ***service for which the capability of the existing system to provide such service is***
11 ***unknown and therefore requires study. NBSO provides such service in***
12 ***accordance with the Tariff.***

13
14 The level of studies performed has fluctuated over the past couple of years. It is
15 difficult to accurately forecast the revenues from future studies. Since it can have a
16 significant impact on the Revenue Requirement NBSO has decided to budget
17 conservatively in 2010/11.

18
19 **Conferences and Workshops**

20 ***NBSO hosts conferences and workshops to educate and inform industry***
21 ***stakeholders. The registration fees offset a portion of the cost of these***
22 ***functions.***

1 **SCHEDULE 2**

2 **(Reactive Supply and Voltage Control)**

3
4 Schedule 2 is a mandatory ancillary service provided by generators or loads through
5 the system operator in order to maintain transmission voltages on the Transmission
6 Provider's transmission facilities within acceptable limits. The system operator, through
7 contracts with generation and load facilities, directs their operation to produce (or
8 absorb) reactive power.

9
10 At last year's hearing respecting Schedule 2, the Board approved the escalation of
11 costs based on the Consumer Price Index ("CPI").

12
13 NBSO is seeking approval of a Schedule 2 revenue requirement for the fiscal year
14 2010/11 of \$5.709 million, based on expenses that will be incurred in accordance with
15 contracts that NBSO has for the supply of Ancillary Services. Given the projected
16 billing determinants for the fiscal year 2010/11, the effective average rate for the year
17 would be \$129.75/kW-month.

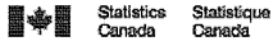
18
19 The history of Schedule 2 expenses is shown in Table 2-1 below. The amount is
20 increased each year based on escalation. Since the escalation is based on a CPI
21 figure from the previous year, the Schedule 2 expense is "known" at the beginning of
22 the fiscal year (April 1st).

23
24 There is no anticipated requirement for a "true-up" at year-end since there will not be a
25 surplus or deficit (i.e., revenues will equal expenses).

1

Table 2-1					
History of Schedule 2 Expenses					
Fiscal Year	Amount (in thousands \$)	Percentage Increase (%)	Compounded Increase (%)	Prior Year CPI (%)	Compounded CPI (%)
2005/06	\$5,241	n/a	n/a	1.5%	1.50%
2006/07	\$5,327	1.6%	1.64%	2.4%	3.94%
2007/08	\$5,534	3.9%	5.59%	1.7%	5.70%
2008/09	\$5,645	2.0%	7.71%	1.9%	7.71%
2009/10	\$5,692	8.0%	8.57%	1.7%	9.54%
2010/11	\$5,709	0.3%	8.90%	0.3%	9.87%

2



[Home](#) > [Summary tables](#) >

Related tables: [Consumer price indexes.](#)

Consumer Price Index, by province (New Brunswick)

	2005	2006	2007	2008	2009
	2002=100				
N.B.					
All-items	107.4	109.2	111.3	113.2	113.5
Food	107.4	110.4	113.9	118.2	124.6
Shelter	109.3	111.9	116.7	120.8	120.7
Household operations, furnishings and equipment	100.9	101.5	102.5	103.3	107.0
Clothing and footwear	97.3	97.2	97.3	94.3	95.9
Transportation	112.8	114.9	114.3	115.5	107.2
Health and personal care	102.2	103.0	103.1	103.2	108.5
Recreation, education and reading	102.8	103.5	105.1	105.0	105.4
Alcoholic beverages and tobacco products	121.0	123.3	127.3	129.4	132.4
Special aggregates					
All-items excluding food	107.4	109.0	110.7	112.1	111.3
All-items excluding energy	105.1	106.6	108.1	108.8	111.4
	% change from previous year				
All-items	2.4	1.7	1.9	1.7	0.3
Food	2.8	2.8	3.2	3.8	5.4
Shelter	4.2	2.4	4.3	3.5	-0.1
Household operations, furnishings and equipment	0.5	0.6	1.0	0.8	3.6
Clothing and footwear	-1.0	-0.1	0.1	-3.1	1.7
Transportation	3.8	1.9	-0.5	1.0	-7.2
Health and personal care	0.8	0.8	0.1	0.1	5.1
Recreation, education and reading	0.6	0.7	1.5	-0.1	0.4
Alcoholic beverages and tobacco products	2.1	1.9	3.2	1.6	2.3
Special aggregates					
All-items excluding food	2.3	1.5	1.6	1.3	-0.7
All-items excluding energy	1.4	1.4	1.4	0.6	2.4

Note: Annual average indexes are obtained by averaging the indexes for the 12 months of the calendar year.
Source: Statistics Canada, CANSIM, table (for fee) 326-0021 and Catalogue nos. 62-001-X and 62-010-X.
 Last modified: 2010-01-19.

To learn more about the Consumer Price Index, see [Your Guide to the Consumer Price Index.](#)

[Find information](#) related to this table (CANSIM table(s); Definitions, data sources and methods; *The Daily*; publications; and related Summary tables).

Date Modified: 2010-01-19

1 **SCHEDULE 3(c)**

2 **(Automatic Generation control (“AGC” and Load Following for Non-Dispatchable**
3 **Wind Power Generators)**

4
5 The few months of history that NBSO has with the revenues and expenses associated
6 with Schedule 3(c) do not warrant a deviation from the original NBSO proposal of 2008.
7 In that proposal, which was not fully adopted by the EUB, the plan was to increase the
8 Schedule 3(c) rate from \$0.25/MWh to \$0.50 MWh as of April 1, 2010. Not to increase
9 the rate as proposed would increase the probability of a deficit with respect to Schedule
10 3(c). Accordingly, NBSO again seeks EUB approval to increase the Schedule 3(c) rate
11 from \$0.25/MWh to \$0.50/MWh as of April 1, 2010.

12
13 **Background**

14 In May 2008, NBSO filed an application with the EUB for changes to the Open Access
15 Transmission Tariff (the “Tariff”). One of the requested changes dealt with a proposal
16 to add a new section to the Tariff, Schedule 3(c), Automatic Generation Control and
17 Load following for Non-Dispatchable Wind Power Generators (“AGC”). The new
18 service was intended to address potential cost shifting; coupled with the fact that NBSO
19 did not have access to unlimited balancing resources. In NBSO’s application, it was
20 noted that absent these charges, cost shifting could arise from wind power integration
21 costs incurred by NB Power Generation and passed on to new Brunswick ratepayers
22 through standard service rates, due to the integration of wind power production that is
23 not supplying load in New Brunswick. The intent was to establish a rate with which the
24 incremental cost of AGC and Load Following could be recovered from the Market
25 Participants responsible for the generation.

26
27 NBSO proposed a phased-in approach to rates over a 4-year period to avoid rate
28 shock for existing wind power facilities. As well, it would better align with the
29 progressive increase in costs per MWh as the penetration of wind power production
30 increased.

1 The following Table 10 is an **excerpt** taken from the Evidence filed by NBSO on May 1,
2 2008 (IN THE MATTER of an Application Dated May 1, 2008 by New Brunswick
3 System Operator for Changes to the Open Access Transmission Tariff, Volume 1 of 1,
4 Page 17, Board Reference: 2008-007).

5

Table 10		
Proposed Rates		
	Schedule 3(c)	Rate
	Start Date	(\$/MWh of Wind Energy)
1	April 1, 2009	0.25
2	April 1, 2010	0.50
3	April 1, 2011	0.75
4	April 1, 2012	1.00

6
7 NBSO would track its cost of providing these services to wind power producers and to
8 require self-supply by new wind facilities once the costs reached the year 4 rate of
9 \$1.00 MWh. This approach would provide greater certainty to purchasers of these
10 services. The proposed rate was \$1.00 per MWh of wind power production based only
11 on the facilities that were purchasing and not those that were self-supplying. The \$1.00
12 rate was based on cost estimates arising from the Maritimes Area Wind Integration
13 Study; and the projected rate was also based nominally on 400 MW of wind power
14 production capacity in the Balancing Area.

15
16 The Board decided on this matter in its Decision of November 26, 2008 as follows:

17
18 *“The Board approves the initial rate of \$0.25 per MWh of Wind Energy,*
19 *effective April 1, 2009. The Board approves, in principle, the escalation of the*
20 *rate as proposed by the SO.*

21
22 *The SO is ordered to file with the Board, beginning in 2010, as part of the*
23 *review of the annual revenue requirement, information on the actual*

1 revenues, the actual expenses and the expected expenses for the 3(c)
2 service.

3
4 The OATT wording for Schedule 3(c) services, as found in Attachment "A", is
5 approved.

6
7 The SO is ordered to provide information, as part of the review for the 2010/2011 fiscal
8 year, on whether or not there should be a limit on the amount of wind power energy
9 that will be eligible to receive 3(c) service".

10
11 **Discussion**

12 NBSO has tracked the costs of incremental regulation and load following required due
13 to the variability of wind power production at wind farms that are not electing to self-
14 supply these services. These costs are shown in the following Table 3-1:

15

Table 3-1		
Schedule 3(c) Revenues and Expenses		
April 1, 2009 to January 31, 2010		
a	Revenue Collected (\$000)	\$92.2
b	Expenses (\$000)	\$154.9
c	Energy Produced (MWh)	371,165
d=b/c	Cost per MWh Produced	\$0.42
e=a/b	Revenue/Cost Ratio	0.595

16
17 The expenses incurred to date do not suggest a need to change from the proposed
18 phasing-in of costs in order to mitigate rate shock and to adapt to the anticipated
19 increase in the cost per MWh of wind power production as more wind power capacity is
20 added to the Balancing Area. Accordingly, NBSO again seeks EUB approval to
21 increase the Schedule 3(c) rate from \$0.25/MWh to \$0.50/MWh as of April 1, 2010.

1 Forecasting revenues and expenses for Schedule 3(c) services is complicated by the
 2 fact that each wind farm can elect to purchase the service from NBSO, self-supply, or
 3 purchase from a third party. Forecasting the unit cost (i.e., per MWh of energy
 4 produced by wind farms in the Balancing Area that are purchasing the service from
 5 NBSO) is less affected by the elections of the wind farms than are the absolute
 6 Schedule 3(c) revenues and expenses. For 2010/2011 NBSO forecasts the following:
 7

Table 3-2		
Schedule 3(c) Revenues and Expenses		
April 1, 2010 to March 31, 2011		
a	Revenue (\$000)	\$111.0
b	Expenses (\$000)	\$79.6
c	Energy Produced (MWh)	221,000
d=b/c	Cost per MWh Produced	\$0.36

8
 9 As noted by NBSO in its application of 2008, the “...service is intended to address
 10 potential cost shifting and the fact that NBSO does not have access to unlimited
 11 balancing resources”. NBSO’s procurement of regulation and load following services,
 12 regardless of the purpose, is restricted to those quantities which NBSO can purchase
 13 from generators and loads. Those suppliers must have the technical capability to
 14 provide these services to NBSO, and must be willing to do so at a reasonable price and
 15 under the terms and conditions of the Market Rules. NBSO does not have unlimited
 16 contractual rights to such services, nor have there been strong signals from the
 17 marketplace of interest in additional provision of such services. Only one new supplier
 18 has executed an agreement for the provision of Capacity-Based Ancillary Services
 19 since NBSO conducted an RFP in 2006, and this supplier has not contracted to provide
 20 regulation or load following. Accordingly, NBSO continues to believe that it is
 21 appropriate to establish a limit on the amount of wind power energy that will be eligible
 22 to receive Schedule 3(c) service. NBSO continues to be of the opinion that to establish
 23 this limit before the regulation and load following resources are exhausted provides
 24 greater certainty to all and thus reduces regulatory risk in the marketplace.