



DECISION

IN THE MATTER OF a proposal by New Brunswick
System Operator (NBSO) Re: Allocation of its Operating
Surplus for 2006/2007

January 29, 2008

NEW BRUNSWICK
ENERGY AND UTILITIES BOARD

DECISION

The New Brunswick System Operator (“NBSO”), on September 26, 2007, applied to the New Brunswick Energy and Utilities Board (“Board”) for approval of a proposed allocation of the operating surplus of \$1,871,993.47 for the fiscal year 2006/2007. The specific amount of the rebates as proposed by NBSO are shown in Appendix A. NBSO calculated the rebates using the respective monthly non-coincident peak load values.

Integrys Energy Services (“Integrys”) wrote to the Board on October 10, 2007 stating that it disagreed with the proposal of NBSO. Integrys requested the Board to establish a process by which interested parties could more fully consider the various issues and provide submissions. Integrys stated that, given the relatively complex nature of the matter, a technical conference and/or an oral hearing would be of value.

The City of Summerside, on November 6, 2007 sent a letter to the Board stating that it opposed the method proposed by NBSO. They offered an alternative method and supported an open process to discuss this matter.

The Board, in a letter to all market participants dated November 7, 2007 established a process for the review of this matter. The process was as follows:

Interested parties to provide submissions by November 30, 2007

NBSO to respond by December 21, 2007

A technical session to be held on January 9, 2008

Final written submissions by January 24, 2008

Oral hearing on January 31, 2008

The Board received written submissions from Integrys, Maritime Electric, New Brunswick Power Distribution and Customer Service Corporation (“DISCO”), the Public Intervenor, and the Northern Maine Independent System Administrator. NBSO provided a written response to these submissions.

The technical session was held on January 9, 2008 and a record of this session is attached as Appendix B.

Integrys wrote to the Board on January 21, 2008 stating that the parties who are potentially economically affected by this matter have negotiated a proposed settlement. Integrys asked that NBSO schedule a follow-up technical conference to discuss the issues that are causing these surpluses to occur.

NBSO, also on January 21, 2008, sent a letter to the Board stating that they were in agreement with the proposed settlement and were prepared to organize a follow-up technical session.

The Board, on January 22, 2008 wrote to the parties requesting that they inform the Board as to whether or not they agreed with the proposed settlement. The Board said that if it did not have a response from a party by January 24, 2008 that it would assume that the party agreed with the proposed settlement. Further, the Board said that it would not require final written submissions by January 24, 2008.

Maritime Electric, DISCO, the New Brunswick Power Generation Corporation and the Public Intervenor wrote to the Board stating that they agreed with the proposed settlement. The Board was not informed by any party that they did not agree with the proposed settlement.

The Board will accept the proposed settlement for the specific purpose of rebating the NBSO's 2006/2007 operating surplus. The details of this settlement are provided in Appendix C.

The Board is not, at this time, approving a methodology for use in rebating any future operating surplus that the NBSO may have. It is the Board's understanding that such surpluses may well arise and the Board therefore encourages the parties to discuss this issue with the hope of developing a method that can be submitted to the Board for its review.

As a result of the above decision, the Board is cancelling the oral hearing that had been scheduled for January 31, 2008.

APPENDIX A

NBSO PROPOSED ALLOCATION of 2006/2007 SURPLUS

NB Power Distribution and Customer Service	\$1,643,495.96
Maritime Electric Company	106,897.29
City of Summerside	12,182.58
NMISA – North	85,571.76
NMISA – South	8,916.01
Eastern Maine Electric Co-operative (Domtar)	8,948.71
WPS (Perth-Andover)	3,739.14
NB Power Generation	2,242.01
NB Power Nuclear	<u>0.00</u>
TOTAL	\$1,871,993.46

APPENDIX B

RECORD OF TECHNICAL SESSION – JANUARY 9, 2008

A technical session was held on January 9, 2008 at the Wu Centre on the UNB campus in Fredericton, NB to discuss the surplus earned by the New Brunswick System Operator from its operations in 2006/2007.

Representatives from the following were present:

- New Brunswick System Operator
- Integrys Energy Services
- Northern Maine Independent System Administrator
- City of Summerside
- Maritime Electric
- New Brunswick Power Distribution and Customer Service Corporation
- Public Intervenor
- Market Advisory Committee
- New Brunswick Power Transmission Corporation
- New Brunswick Power Generation Corporation
- New Brunswick Power Holding Corporation
- New Brunswick Energy and Utilities Board

The purpose of the session was to identify the issues that are associated with an allocation of the 2006/2007 surplus and to identify where there was consensus and where there was not.

The parties agreed on the following:

The amount of the 2006/2007 surplus was \$1,871,993.46.

The surplus was due to both an increase in the quantity of services sold by the System Operator and a reduction in the costs of the System Operator.

The factors that were identified as contributing to the surplus were:

- Hourly Selection as Opposed to Monthly Nominations
- Reserve Sharing Agreements
- Availability of Export Sales
- The Cap on Self-Supply

Regulation and Load Following as Spinning Reserve

It is not possible to identify the specific dollar impact that each factor has on the surplus.

The three methods that are proposed to be used for allocating the surplus are:

1. Non-Coincident Peak
2. Capacity-Based Ancillary Services Sales
3. Capacity-Based Ancillary Services Sales by Service

There was no consensus as to which method should be used.

Parties are to submit final written comments by January 24, 2008 and a public hearing will be held on January 31, 2008. There will be no witness panels at the public hearing but staff, from the various market participants, will be available to answer technical questions should this be necessary. The parties will be able to make final submissions at the public hearing.

APPENDIX C

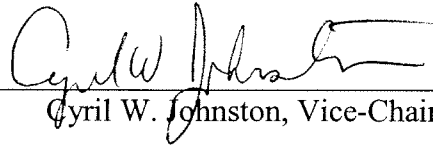
SETTLEMENT of 2006/2007 SURPLUS as APPROVED by the BOARD

NBP CS&D	\$1,414,168
MECL	139,641
Summerside	28,221
NMISA – MPS	236,544
NMISA – EMEC	4,458
EMEC – DOMTAR	11,658
Perth-Andover	23,283
AVEC	-
Emera	-
WPS Energy	-
HQ	-
NSPI	-
NBPM	-
NBP Genco SS	14,021
NBP Lepreau SS	<u>-</u>
TOTAL	\$1,871,994

Dated at the City of Saint John, New Brunswick this 29th Day of January, 2008.



Raymond Gorman, Q.C., Chairman



Cyril W. Johnston, Vice-Chairman



Roger McKenzie, Member