

## ELECTRICITY MANDATE – ANNUAL CAPITAL EXPENDITURE PLAN

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### **What is an Annual Capital Expenditure Plan?**

An Annual Capital Expenditure Plan (“ACE Plan”) is a forecast of Nova Scotia Power Incorporated’s (“NSPI’s”) future spending to purchase or build new capital assets, and refurbish or replace existing ones. Examples of capital assets include such things as new generating plants, transmission and distribution power lines, computer equipment and programs, and vehicles.

### **What types of expenditure are included in the ACE Plan?**

To be a capital asset the item built or purchased must:

1. Have a useful life of more than one year, and
2. Have a value greater than a certain minimum (set by type of item).

Costs such as fuel costs and labour are operating expenses, and are not included in capital assets unless they are part of a construction project.

Comparing this to a home owner, the purchase of a house would be a capital asset. Heating costs and property taxes would not.

### **Do capital expenditures impact utility rates?**

Yes, they do. They are a significant part of calculating rates. The cost of a capital asset is recovered through rates over its expected useful life. This is referred to as depreciation and represents the amount of the asset used up during the year. The undepreciated balance is an element of the total investments made by a Utility. The Utility earns a return on their investment through a rate that provides an allowance for interest and return on equity.

### **Does an ACE Plan require the Approval of the Nova Scotia Utility and Review Board (“UARB”)**

Yes, it does. The Board must approve all spending for capital assets with a value greater than \$1,000,000. The Utility may also submit requests during the year for approval for capital projects outside the ACE Plan.

### **What is the process for obtaining Board Approval?**

- Each year NSPI files its ACE Plan with the Board. The plan sets out the amounts for which the utility is requesting approval.
- The Board sets out the timetable for the hearing in an Order
- The Board holds a public hearing on the application. A Notice of Hearing is published in local newspapers prior to the hearing.
- The public hearing is ordinarily held at the Board’s office in Halifax.

- After all the information has been received the Board will issue a Decision and an Order.
- The Board may require separate reviews or hearings for parts of the ACE Plan where it feels this is necessary.

### **Who participates in the ACE Plan process?**

Like any other public process at the Board anyone can apply to participate. Before the process starts a Notice of Hearing is issued and time is given for participants to apply. Typical participants include:

- NSPI
- Consumer Advocate
- Small Business Advocate
- Industrial customers (individually or as one or more groups)
- Municipalities such as Halifax Regional Municipality
- Government departments such as Energy or Environment
- Municipal Electric Utilities of Nova Scotia Co-operative

The Board also may receive letters of comment from interested persons. There is also an opportunity to request to speak at a public hearing session.

### **Who represents “small” customers in the ACE Plan process?**

Residential customers are represented by the Consumer Advocate and small businesses by the Small Business Advocate. For more information see the FAQs for Consumer Advocate and Small Business Advocate.