The ChronicleHerald.ca HALIFAX, NOVA SCOTIA | Wednesday September 6, 2006

Power deal no deal?

NSP president says proposal from Stora, Bowater would force up rates
By JUDY MYRDEN Business Reporter

George Cooper, the lawyer representing Stora Enso and Bowater, wheels a cartload of documents into the hearing room at the Nova Scotia Utility and Review Board prior to the start of a power rate hearing on Tuesday. (Darren Pittman / Staff)

Nova Scotians will face higher power bills if two of the province's biggest pulp and paper makers get a break on their electricity bills, Ralph Tedesco, Nova Scotia Power president and chief executive officer, warned Tuesday.

"For other customers very likely it would mean higher bills if Stora gets what it is looking for," Mr. Tedesco told reporters on the first day of a regulatory hearing in Halifax into new power rates for Stora Enso Port Hawkesbury and Bowater Mersey Pulp and Paper Company.

Mr. Tedesco said NSP's other customers, including residential and business consumers, would be forced to make up a revenue shortfall of between $58 million and $200 million over the next five years if the Nova Scotia Utility and Review Board approves a discounted rate for Stora and Bowater.

"They (power rates) would go up several percentage points," said Mr. Tedesco.

The utility squared off against its two biggest customers before the board, which has set aside four days to hear evidence into three different proposals for setting a new power rate for NSP's extra-large industrial customers.

The board asked NSP in March to submit a new proposal for its largest customers after it was determined that the old formula no longer worked. The board is expected to hand down a decision later this month.

Alan Richardson, NSP's manager of customer service, testified the utility wants the two paper companies to remain as clients but not at the expense of its other 440,000 customers.

"We urge the board to avoid rates that unfairly favour certain few customers at the expense of all other Nova Scotians," Mr. Richardson told a three-member panel of the review board. "If an industry believes it needs special treatment, it should address that in other forums. Special treatment for select industries is a matter of public policy. They are not issues for rate making."

Stora Enso has said it needs a 15 per cent lower power bill. That would mean a $15-million saving on a bill that would have cost $100 million in 2006 if the mill had been operating. Stora has threatened to close the Port Hawkesbury operation, throwing 610 employees out of work, unless it gets a break on power costs.

Outside the hearing room, Stora's and Bowater's lawyer George Cooper argued his clients want to pay fair costs for electricity.

"Stora and Bowater are putting forward their position, that their proposals are cost based and therefore fair to them and others," he told reporters outside the hearing room.

Mr. Cooper said the "companies are seeking a rate that charges them the actual cost to serve them. No more, no less."

Consumer advocate John Merrick, a Halifax lawyer, opposes residential customers paying more for power at the expense of giving Stora and Bowater lower bills.

"What's at stake is to ensure every customer, particularly the large customers, pay their fair share of the cost of any new rate that is developed," said Mr. Merrick. "To the extent that they are able to reduce their cost of energy, somebody else has to pick up the differential. There's only a certain size of pie and if somebody diminishes their size of what that pie is, then somebody else has to take a bigger piece."

Mr. Merrick said the "elephant in the room" is Stora's threat to close the Port Hawkesbury mill if it does not get a lower rate.

"This isn't the place for that issue to be dealt with. It's the function of the board to set rates according to correct rate-making principles. It's not the function of the board to decide whether corporate citizens of this province get additional financial relief in order to stay."

Minas Basin Pulp and Power of Hantsport and 14 other companies oppose their competitors potentially getting a break on power bills when a new rate is set for January.

Scott Travers, Minas Basin president and chief operating officer, said all companies are being hit hard and that Nova Scotia industries already pay a lot for electricity compared to other jurisdictions.

Mr. Travers is also concerned about the possible impact on expanding Nova Scotia's economy if a discounted rate is approved for only two customers.

"I am really concerned about present industry in this province, but beyond that how do we get to a point of growth in this province by attracting other industry to our province? We're not

doing it this way. If every new industry coming along is going to have to pay a higher rate because two industries got a better rate, now that's unfair, that's not a growth position for this province to be in."

The hearing continues today at the review board's office.

(jmyrden@herald.ca)

http://www.thechronicleherald.ca/Business/526523.html