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Undertaking U-5:

To take the cost changes from NSEB IR-128 and go through the stepwise exercise to produce new RC ratios and new resulting rates for the customer classes.

Response U-5:

NS Power has conducted a complete rate setting analysis to show the effect of replacing its proposal to continue the use of the Minimum System Method, which classifies the distribution feeder costs to the demand- and customer-related categories, with a Basic Customer Method, which classifies all feeder costs only to the demand-related category.

The results of this rate analysis, as illustrated in tab “Figure 14-1” of Attachment 4, show the following shifts in the proposed smoothed rate increases by rate class.

Customer Class	Proposed COSS Methodology		Modified COSS Methodology as per U-5		Variance	
	Smoothed		Smoothed		Smoothed	
	2026	2027	2026	2027	2026	2027
Domestic	3.8	4.1	2.2	2.8	(1.6)	(1.3)
Small General	3.6	3.9	1.7	2.4	(1.9)	(1.4)
General	(0.2)	0.6	3.1	3.5	3.3	2.9
Large General	(4.5)	(3.1)	(2.2)	(1.3)	2.3	1.8
Large General	(0.5)	0.3	3.0	3.3	3.5	3.0
Medium Industrial	(6.5)	(4.8)	(3.1)	(2.2)	3.4	2.5
Large Industrial	(7.0)	(4.7)	(6.0)	(3.8)	0.9	0.9
Municipal	1.7	3.1	3.0	3.9	1.3	0.8
Unmetered Classes	7.9	7.2	2.9	3.1	(5.0)	(4.1)
Total	1.7	2.4	1.7	2.4	(0.0)	(0.0)

For the purposes of providing this response, NS Power has updated the 2026-2027 cost of service studies, used in response to NSEB IR-128, by conducting a full analysis incorporating recalibration

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of the below-the-line (BTL) rate costs which form an input into the COSS.¹ The analysis conducted in support of the response to NSEB IR-128 was a self-contained calculation within the COSS spreadsheets, filed originally as 2026-2027 GRA SR-01 Att 02 PCON and 2026-2027 GRA SR-01 Att 03, which kept the BTL cost inputs constant.

Further, the 2026-2027 COSS spreadsheets were modified as follows.

- The interruptible demand of PHP rate class was reduced from 65 MW to 57 MW. This change was reflected in attachments to CA IR-001. Please refer to rows 353-362 of Exhibit 6.
- The number of customers under the Municipal class was corrected from 1 to 5. Please refer to row 30 of Exhibit 3i.
- The secondary voltage losses associated with the non-coincident kW Demands of rate classes were corrected by replacing the domestic class losses, which were applied to all rate classes, with the appropriate values. Please refer to row 26 of Exhibit 9b.

Please refer to Attachment 1 for a comparison by rate class of the above revised costs of service to those filed in response to NSEB IR-128. As ascertained by variances in column “Y” in tabs “2026 COSS Summary” and “2027 COSS Summary” the differences between % changes in class costs are contained within +/-0.1 percent.

Further, please refer to the following attachments reflecting the distribution feeder costs being classified as 100 percent demand.

- Attachment 2 includes an updated R/C ratio analysis which replaces that included in 2026-2027 GRA SR-01 Att 07.

¹ Please refer to columns “S” through “AB” of “Exh 4 Detail” of COSS spreadsheets.

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- 1
- 2 • Attachment 3 includes an updated description of the R/C ratio setting process which
- 3 replaces that included in 2026-2027 GRA SR-01 Att 01b.
- 4
- 5 • Attachment 4 includes proof of revenue and class revenue impacts which correspond to
- 6 2026-2027 GRA OR-01 Att 01.

**Attachment 1 has been
filed electronically.**

Attachment 2 has been filed electronically.

Nova Scotia Power

Determination of

Revenue Responsibilities

By Rate Classes

in years 2026 and 2027

1 Apportionment of the revenue requirement; exclusive of the FAM, DSM and Storm Cost Recovery
 2 Riders (SCRR); among the rate classes is done through the Cost of Service Study (COSS).

3
 4 From a COS methodology perspective, NS Power's customers fall into three broad categories:

- 5 • Electric service Above-the-Line (ATL) rate classes
- 6 • Electric service Below-the-Line (BTL) rate classes
- 7 • Non-electric service Miscellaneous revenues

8
 9 The total cost responsibilities of the ATL classes are determined as the total system revenue
 10 requirement net of the revenues forecasted to be collected from the other two categories. Please, refer
 11 to Exhibit 7 of the COSS spreadsheets¹ for the breakdown of class cost responsibilities.

12
 13 Some of the cost increases described in this Application, which drive the
 14 revenue requirement increases for ATL classes, also result in required increases to the BTL
 15 and Miscellaneous revenues. BTL rates, also referred to as Annually Adjusted Rates (AARs), are rates
 16 normally recalculated and set annually based on pre-approved formulae and methodology.

17
 18 There are several steps required to calculate the ATL revenue increase.

- 19 • Determine the annual ATL revenue requirement by subtracting revenues projected to be
 20 collected from the BTL classes and Miscellaneous revenues from the total system revenue
 21 requirement.
- 22 • Determine the total revenue shortfall from the ATL rate classes in each of the test year in
 23 the 2026-2027 period absent any change in the rates already approved to come into effect
 in 2026.

○ SR-01 Attachments 02, 03, 07.

- Assign the above shortfall to the ATL classes by applying the following revenue allocation process corresponding to steps 1 through 5 in columns from I to R.
 1. Set the revenue of the Unmetered and PHP rate classes at a level commensurate with the R/C Ratio of 1.0.¹ Apply an across-the-board increase to all the other ATL rate classes, to eliminate the shortfall in revenue requirement. This step corresponds to calculations in columns I and J.
 2. Classes whose revenue to cost ratios fall outside of the 0.95 – 1.05 range are set at the lower or upper bound of this range as appropriate generating an imbalance in recovery of revenue requirement which could either be a surplus or a shortfall. This step corresponds to calculations in columns K and L.
 3. Apply an across-the-board increase to all those ATL classes whose revenue to cost ratios are below the upper bound of 1.05. This step corresponds to calculations in columns M and N. In the event some class revenue cost ratios fall above the upper bound of 1.05 as a result of this step repeat steps 2 and 3.

There was no need to repeat these two steps in allocation of the 2026 and 2027 revenue responsibilities, under the assumption that PHP rate class stays at a ratio of 1.0.

4. Set the revenue of the PHP rate class to align its R/C ratio with that of the highest R/C ratio from step 3 above. In both 2026 and 2027 the highest ratio at step 3 was 1.05. This step generates a revenue surplus.
5. Eliminate the revenue surplus from Step 4 by lowering revenues of the rate classes with higher R/C ratios such that their R/C ratios are all set at the same level. This step resulted in the highest R/C ratio of 1.0371 in 2026 and 1.0421 in 2027. The same following rate classes ended up with R/C ratios below the above levels: Domestic, General, Small Industrial and Unmetered.

¹ In case of the Unmetered Class this This is a long-standing practicing dating back to the 2006 GRA whereas in case of the PHP class its R/C ratio is set at 1.0 because this is a new rate class in 2026.

Attachment 4 has been filed electronically.