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Undertaking U-6:

To take cost changes from NSEB IR-128 and NSP credit each customer class with 1.5 kilowatts per customer, applying the credit to the NCP demands used for determining the Minimum System demand allocators.

Response U-6:

NS Power has conducted a complete rate setting analysis, incorporating recalibration of the below-the-line (BTL) rate costs which form an input into the COSS¹, to show the effect of applying 1.5 kW per customer credit to each rate class' NCP demand for determining minimum system demand allocators of the distribution system costs.

The results of this rate analysis, as illustrated in tab "Figure 14-1" of Attachment 6, show the following shifts in the proposed smoothed rate increases by rate class.

Customer Class	Proposed COSS Methodology		Modified COSS Methodology as per U-6		Variance	
	Smoothed		Smoothed		Smoothed	
	2026	2027	2026	2027	2026	2027
Domestic	3.8	4.1	3.2	3.7	(0.6)	(0.4)
Small General	3.6	3.9	3.4	3.8	(0.2)	(0.1)
General	(0.2)	0.6	0.9	1.4	1.0	0.9
Large General	(4.5)	(3.1)	(3.7)	(2.5)	0.7	0.7
Large General	(0.5)	0.3	0.5	1.1	1.0	0.8
Medium Industrial	(6.5)	(4.8)	(5.6)	(4.0)	0.9	0.7
Large Industrial	(7.0)	(4.7)	(6.6)	(4.3)	0.4	0.4
Municipal	1.7	3.1	2.2	3.4	0.5	0.3
Unmetered Classes	7.9	7.2	7.0	6.3	(0.9)	(0.9)
Total	1.7	2.4	1.7	2.4	(0.0)	0.0

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

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For the purposes of providing this response, NS Power has updated the 2026-2027 cost of service studies, filed originally as 2026-2027 GRA SR-01Att02 PCON and 2026-2027 GRA SR-01Att03, by making the following modifications:

- The interruptible demand of PHP rate class was reduced from 65 MWs to 57 MWs. This change was reflected in attachments to CA IR-001. Please refer to rows 353-362 of Exh 6.
- The number of customers under the Municipal class was corrected from 1 to 5. Please refer to row 30 of Exh 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 row 26 of Exh 9b.
- NS Power has credited each customer class with 1.5 kW per customer by making the following modifications.
 - Exhibit 9b
 - Class non-coincident kW demand adjustments, differentiated by the secondary and primary voltage levels were calculated in rows 24 to 36 by multiplying the loss adjusted 1.5 kW demands by the number of customers in each class.
 - The voltage-based distribution system adjustment factors reflecting shares of the total of the class non-coincident kW demand adjustments in system total demand were calculated in rows (39) and (40) for the Secondary and Primary factors, accordingly.
 - Exhibits 3c, 3e and 3g
 - The original demand- and customer-related shares of the distribution system investments in row 18, labelled “(3) FACTORS bfr Adjustment”, were modified in row 14, labelled

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1 “(1) FACTORS”, through application of the Secondary and
2 Primary adjustment factors from Exh 9b as follows.

3 ○ Row 22 “(5) FACTORS before Zero Cap”

- 4 ▪ The demand shares in columns (2) and (4) from
5 row 18 were divided by (1-voltage based factors
6 from exhibit 9b) to estimate the values of
7 increased shares of the demand-related
8 investment for a load carrying capacity of the
9 minimum size equipment equivalent to 1.5 kW
10 usage per customer.

- 11 ▪ The values by which demand-related investments
12 in columns (2) and (4) were increased were
13 subtracted from customer related categories from
14 row 18 “FACTORS bfr Adjustment” in columns
15 (3) and (5) to keep the total of all four shares at
16 1.

17 ○ Row 24 “ADJUSTMENT after Zero Cap Restriction”.

- 18 ▪ In the event the values under customer-related
19 categories in columns (3) and (5) at row 22 were
20 negative, the adjustment to demand categories in
21 columns (2) and (4) was capped at the values of
22 the customer-related categories to ensure that the
23 resulting customer-related factors do not fall
24 below zero. Only the Primary Customer
25 category from column (3) in Exh 3g was affected
26 by this restriction resulting in its adjusted weight
27 in row 14 being set at zero.

28 ○ Row 14 “(1) FACTORS”

- 29 ▪ Adjustment calculated in row 24
30 “ADJUSTMENT after Zero Cap Restriction”
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Please refer to the following attachments.

- Partially Confidential Attachments 1 and 2 include the 2026 and 2027 COSS, filed as Attachments 1 and 2 in response to CA IR-01, modified for the inclusion of a load carrying capacity adjustment. Please note that the BCF COSS files, filed as SR-01 Attachments 5 and 6 in the GRA, have not changed as a result of these modifications.
- Attachment 3 includes a comparison of the 2026 and 2027 class costs, broken down by fuel and non-fuel categories, to those filed in in response to CA IR-01 under Attachments 1 and 2.
- Attachment 4 includes a modified Revenue to Cost Ratio analysis, originally filed as SR-01 Attachment 7 in the GRA.
- Attachment 5 includes a description of the R/C ratio setting process which corresponds to 2026-2027 GRA SR-01 Att 01b.
- Attachment 6 includes a revised proof of revenue, originally filed as 2026-2027 GRA OR-01 Attachment 1 in the GRA, and then refiled as Attachment 5 to CA IR-001.
- Attachment 7 includes Tables 1 and 2 from Ms. Palmer's evidence expanded for inclusion of
 - revised R/C ratios² and class revenue increases under the Basic Customer Method
 - R/C ratios and class revenue increases corresponding to the Company's Minimum System Method adjusted for the transfer of load carrying capacity of 1.5 kW per customer associated with the minimum size equipment.

² The R/C ratios in Ms. Palmer's evidence represent ratios of class revenues at current rates to class costs of service, displayed in column "F" of the R/C Ratio Analysis done by NS Power. NS Power's COSS spreadsheet lists class R/C ratios in Exhibits 1 and 10 from column "R" of its R/C Ratio Analysis file.

**Confidential Attachment 1
has been filed electronically.**

**Confidential Attachment 2
has been filed electronically.**

Attachment 3 has been filed electronically.

Attachment 4 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 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 2026 analysis, the R/C ratio of the Municipal class exceed the 1.05 bound. This was rectified in Step #4 below.
 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. In addition, in case of the 2026 analysis the ratio of the Municipal rate class is brought down to 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 1.0443 in 2026 and 1.0471 in 2027. In 2026 the Domestic, Small General and Unmetered classes ended up with R/C ratios below the level of 1.0443 whereas in 2027 only the Domestic and Unmetered classes had R/C ratios below the 1.0471 level.

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 6 has been filed electronically.

Attachment 7 has been filed electronically.