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Brianne E. Rudderham  
Direct Dial: 902.420.3323  
[brudderham@stewartmckelvey.com](mailto:brudderham@stewartmckelvey.com)

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**Via Electronic Mail**

Crystal Henwood  
Regulatory Affairs Officer/Clerk  
Nova Scotia Energy Board  
3rd Floor, 1601 Lower Water Street  
PO Box 1692, Unit "M"  
Halifax NS B3J 3S3

Dear Ms. Henwood:

**Re: M12551 - NSPI - 2026 Annually Adjusted Rates (AAR)**

These submissions are filed on behalf of Renewall Energy Inc. ("**REI**") with respect to NSPI's 2026 AAR application.

REI is the sole Licensed Retail Supplier ("**LRS**") authorized to sell renewable low-impact electricity in the Renewable to Retail ("**RtR**") market in Nova Scotia. First service is anticipated in Q4 2026 with an authorized deadline of March 31, 2027.

NSPI's 2026 AAR Application includes updates to nine tariffs, three of which materially impact the RtR market: the Energy Balancing Service Tariff ("**EBS**"), Standby Service Tariff ("**SS**"), and Renewable to Retail Market Transition Tariff ("**RTT**"). NSPI proposes significant increases to the SS and RTT in 2026, arising from NSPI's proposed changes in cost allocation methodology (SS) and the calculation of marginal costs (RTT). These increases would impose material costs on REI at the point of market entry.

REI provides submissions addressing four issues:

1. The unapproved 2026 Cost of Service Study ("**COSS**") should not be used in the 2026 AARs;
2. A new proceeding should be initiated by NSPI to review and amend the RtR tariffs, including REI's proposed implementation of forecasted monthly marginal costs and a true-up mechanism;
3. The calculation provided for the SS Tariff is incorrect, and unjustifiably changes the tariff methodology; and
4. The next AAR application should include additional reporting requirements for actual monthly marginal cost data.

## **1. IMPROPER USE OF THE UNAPPROVED 2026 COSS**

### **Only a Board-Approved COSS should be used in setting AARs**

The 2026 AAR rates should reflect the Board-approved COSS methodology rather than the unapproved 2026 COSS. NSPI's application relies on this unapproved methodology without offering a process for incorporating revisions should the Board require modifications in the pending GRA proceeding.

NSPI has calculated the non-fuel cost components of the energy charges for all the AAR tariffs, other than the GRLF and ELIADC, using the proposed 2026 COSS rather than the current COSS.<sup>1</sup> Additionally, within the SS and RTT Tariffs, the Demand Charge is determined by the demand-related costs of generation from the 2026 COSS, and results in increased rates.<sup>2</sup>

Reliance on the unapproved 2026 COSS presumes the outcome of the pending 2026–2027 General Rate Application (“**GRA**”), Matter M12451, bypassing the Board's regulatory oversight and embedding untested cost allocations in customer rates. This is inconsistent with both the purpose of the AAR mechanism and principles of regulatory fairness. At this stage, it remains uncertain whether the 2026 COSS will be approved as filed or whether the Board will require modifications.

NSPI's rationale for using the 2026 COSS—that it is “the most recent COSS”<sup>3</sup>, was developed collaboratively, and forms part of a GRA settlement—provides no justification for setting rates on an unapproved cost allocation methodology. REI was not a signatory to the GRA Consensus Agreement and does not agree with all proposed cost-allocation modifications. That settlement does not bind non-participants nor predetermine the GRA outcome. REI opposes the premature use of the 2026 COSS in setting the 2026 AAR rates.

### **2026 COSS Methodology Disproportionately impacts RtR Customers**

The RtR tariffs were developed and approved under a different cost allocation model and therefore do not reflect the substantial shifts in demand-related allocations now proposed. Applying the 2026 COSS at this stage would risk misaligning the RtR tariff design with a framework that has not yet been reviewed or approved by the Board.

The proposed 2026 COSS materially shifts costs from energy to demand by classifying all transmission costs as demand related and by reallocating a larger proportion of generation costs to demand. This disproportionately impacts demand-related tariffs, resulting in significant demand charge increases despite an overall decrease in non-fuel generation costs.

The 2026 COSS also proposes a shift in responsibility for demand-related costs from the larger rate classes to the Residential class. As the Board and NSPI are aware, most of REI's customer demand originates from the General Service and Industrial rate classes. The calculation of the SS charge, in particular, does not account for this shift and is therefore disproportionately affected by the proposed changes. As a result, customers in those rate classes would face higher

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<sup>1</sup> N-1, 2026 AAR Application page 7.

<sup>2</sup> N-1, 2026 AAR Application page 33

<sup>3</sup> N-1, 2026 AAR Application page 33.

demand-related costs as RtR customers than they would as bundled NSPI customers. This creates a misalignment between cost and causation, and results in an over-collection of revenue under the SS tariff.

Reliance on the 2026 COSS would unnecessarily increase costs for REI and its customers, contrary to the objective of promoting competition in the RtR market. Supporting and facilitating competition is an express consideration the Board must consider when setting rates and tariffs, as confirmed in s. 6(2) of the *Energy and Regulatory Boards Act*, SNS 2024, c. 2, and s. 2 of the *More Access to Energy Act*, SNS 2024, c. 18. Applying an unapproved cost allocation model that increases costs for RtR customers undermines this legislative direction.

It is recognized that due to the forecasted schedule of the Mersey River Wind Farm, and hence the commencement of REI's RtR service in late Q4 2026, RtR tariffs will have limited impact for the 2026 financial year; however, the impact of the COSS is significant and will need to be addressed through a tariff review and potential revision prior to Q4 of 2026.

### **The AAR Application is not the Forum to apply new Cost Allocation Methods**

The AAR process is designed to be streamlined and formula-driven. Introducing an unapproved COSS that incorporates significant methodological changes is inconsistent with this administrative framework and results in tariffs that no longer reflect the established cost allocation methodology.

NSPI has not provided sufficient justification for applying the new methodology in the AAR context. NSPI has failed to address the possibility that the Board may revise or reject elements of the COSS methodology in the GRA proceeding, nor has NSPI proposed any true-up or corrective mechanism should the Board ultimately require changes.

In these circumstances, relying on the unapproved 2026 COSS risks embedding untested and potentially incorrect cost allocations into customer rates, contrary to the purpose of the AAR framework and the Board's oversight role.

### **No True-Up Mechanism Exists to Correct for any COSS Changes**

NSPI sets the AARs using forecasts that, with the exception of the ELIADC Tariff, are not subject to a true-up. While the Board has previously found that the absence of a true-up mechanism is fair given that both parties bear the risk of inaccurate estimates,<sup>4</sup> this principle was articulated in the context of forecast variances, not an unapproved allocation methodology.

The two RtR Tariffs most negatively impacted by using the 2026 COSS methodology, the SS and RTT, do not incorporate a true-up mechanism. Applying an unapproved methodology without any corrective mechanism creates regulatory asymmetry and risk. If the Board ultimately modifies the 2026 COSS in the GRA, AAR customers will be charged rates based on a methodology the Board has expressly rejected, with no recourse.

REI recommends the 2026 AAR rates be set based on the currently approved COSS methodology. This ensures rates reflect Board-approved cost allocations and avoids

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<sup>4</sup> M11422, 2024 AAR Application, Decision Letter, March 5, 2024, page 5.

methodological risk. The new COSS methodology can be implemented in future AAR applications following Board approval.

## **2. A RTR TARIFF REVIEW AND REVISION IS NEEDED**

### **Updated RtR Tariffs are needed to Improve Cost Causation**

REI acknowledges that the AAR process is not necessarily the proper venue for revising tariff structures.<sup>5</sup> However, NSPI's 2026 AAR filing reveals that the current RtR tariffs—particularly the RTT—are no longer aligned with cost causation principles. A separate tariff amendment proceeding is necessary to ensure:

- rates reflect the monthly variability of marginal costs;
- the Annual Energy Cost Adjustment methodology remains appropriate; and
- a true-up mechanism is considered to eliminate potential structural issues in the calculation of marginal costs, minimize the unbalanced allocation of risk between NSPI and REI, and minimizing extreme year-over-year volatility.

Without revision to the RtR Tariffs, REI faces material and avoidable risk at market entry, threatening the viability of the RtR market and undermining provincial policy objectives for renewable supply competition.

### **Material Impact on RTT Rates**

The marginal cost calculation, combined with the COSS methodology changes, significantly impact the 2026 RTT charge. The RTT Total Energy Charge is proposed to increase from 0.802 cents/kWh (2025) to 4.363 cents/kWh (2026), which NSPI's confirms is a 444.3% increase in the charge over a one-year period.<sup>6</sup> NSPI has confirmed that "*[t]he increase of 444.3 percent in the Energy Charge by Components is primarily a result of a change in the Annual Energy Cost Adjustment.*"<sup>7</sup> The vast majority of the decrease in the Energy Cost Adjustment from 2025 to 2026 is driven by the widening differential between forecast marginal costs and average costs. The variation is also partly caused by the 33.66% reduction in the Fixed Cost Adder, which NSPI has confirmed is caused by changes including the new COSS.<sup>8</sup> The Demand Charge is also increasing by 60.5% due to the COSS.<sup>9</sup>

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<sup>5</sup> REI does note, however, within the last two AAR proceedings NSPI has proposed and implemented changes to the 1P-RTP methodology.

<sup>6</sup> N-1, 2026 AAR Application page 37.

<sup>7</sup> N-6, NSPI (REI) RIR-19.

<sup>8</sup> N-6, NSPI (REI) RIR 13 (c). More specifically, this resulted in a smaller proportion of generation rate base being classified to energy (in the 2023 COSS this proportion was 64.4% whereas in the 2026 COSS it is 54.7%) and the increase of 13% in the annual TWh energy requirement of the above-the-line rate classes due to migration of the PHP load (which REI notes is only an assumption in the 2026 COSS and not yet a reality)

<sup>9</sup> N-6, NSPI (REI) RIR – 14. The 2026 COSS results in a bigger proportion of generation rate base being classified to demand (in the 2023 COSS this proportion was 35.6% whereas in the 2026 COSS it is 45.3%) causing an increase in the non-fuel demand-related costs of 24%.

NSPI has explained that the decrease in modeling output prices in 2026 is mainly driven by the sulphur dioxide (“**SO2**”) Certificate of Variance (“**CoV**”) received from the Nova Scotia Department of Environment and Climate Change in Q1 of 2025, that allows NSPI to increase its SO2 emissions in the near term.<sup>10</sup> NSPI has also confirmed that this outcome reflects assumptions of declining fuel prices. The combination of increased SO2 allowances and decreased solid fuel result in coal-fired units being forecast as marginal generators in a significantly greater number of hours.

The impact in the RTT rate increase results in significant cost consequences for REI. As noted in the enclosed REI Evidence, Appendix A, the marginal cost decrease from 2025 to 2026 is 24.5% and largely influences the significant increase in the RTT rate. This creates material financial risk for REI and undermines the promotion of competition on the market.

### **The Marginal Costs Proposed in the 2026 AAR Application are Unsupportable**

REI takes particular issue with NSPI’s forecasting inputs of marginal costs in setting AAR amounts. Within this Application, the average annual marginal cost forecast for 2026 applied in the EBS and RTT calculations is \$67.36/MWh, representing a 24% reduction from the 2025 forecast marginal cost of \$89.19/MWh.<sup>11</sup>

REI has significant concerns with NSPI’s approach to marginal cost given: (a) the lack of historical validation of forecast accuracy; (b) the asymmetric risk allocation from forecasting errors; and (c) the material monthly variability of these costs.

#### ***(a) No Evidence of Forecast Accuracy or Historical Validation***

Through the Information Request Process, REI asked a series of questions to test the validity of the marginal cost forecasting for 2026. In response, however, NSPI did not provide actual outcomes for prior AAR filings due to a cybersecurity breach that impacted its ability to access the requisite data.<sup>12</sup> The only comparison NSPI provided in this proceeding was a single-quarter comparison for Q1 2025, showing that actual hours for solid fuel plants were 12% above forecast and Tufts Cove actual hours were 11% below forecast.<sup>13</sup> This is not insignificant, and only represents one aspect of the calculation. This reporting does not confirm fuel type, or actual marginal costs incurred.

Within NSPI’s IR 3(b) response, it is also clear that the actual utilization of diesel combustion turbines was materially higher than forecast, by a factor of four.<sup>14</sup> From what is otherwise available from NSPI within 2025, the confidential FAM reporting confirms that the actual utilization of diesel combustion turbines was materially higher than forecast, and for Heavy Fuel Oil/Bunker C consumption, the forecasting variance was even more significant.<sup>15</sup> If this under-forecasting

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<sup>10</sup> N-1, 2026 AAR Application, page 11.

<sup>11</sup> N-1, 2026 AAR Application, page 11.

<sup>12</sup> N-6, NSPI (REI) -IR1(a)-(c) and IR 3(b).

<sup>13</sup> N-6, NSPI (REI) RIR - 3(b).

<sup>14</sup> N-6, NSPI (REI) RIR - 3(b).

<sup>15</sup> See: Confidential FAM Quarterly Report, Q1 2025, May 30, 2025; Confidential FAM Quarterly Report, Q2 2025, August 18, 2025; Confidential FAM Quarterly Report, Q3 2025, November 10, 2025.

persists, it results in materially incorrect marginal cost outcomes, whether higher or lower than actual in forecast periods, and contribute to significant year-over-year volatility when assumptions change.

REI recognizes that market-based fuel and power purchase forecasts are inherently unable to capture right-tail pricing events arising from extreme weather, geopolitical disruptions, supply chain constraints, or other exogenous impacts. While the precise timing and magnitude of such events are uncertain, their occurrence is a well-documented and a recurring feature of energy markets.

Given the materiality and volatility of marginal costs within the RTT calculations, the absence of any meaningful historical validation represents a critical evidentiary gap. There is insufficient evidence to conclude that the marginal cost forecasts are reasonably accurate.

Additionally, NSPI has explicitly confirmed that marginal costs are highly sensitive not only to the limited sensitivities assessed in AAR filings, but to all system input assumptions, stating that “[a]ll system assumptions can have a material impact on marginal costs of the system...”<sup>16</sup> Uncontrollable and highly uncertain variables within the marginal cost forecasting include fuel prices, global conflicts leading to disruption in fuel prices and supply, fuel shipping disruptions due to potential new trade tariffs, natural gas supply disruptions, import energy disruption due to unforeseen plant outages in New Brunswick and Newfoundland and Labrador, meteorological events affecting wind farms and transmission towers, and unplanned extended thermal plant outages beyond what is captured by forced outage rates.<sup>17</sup> All of these impact the validity and accuracy of the forecasting.

NSPI takes the position that given uncertainty of the development of system sensitivity assumptions noted, additional sensitivity analysis would be unproductive, and the base-case assumptions used are “an accurate representation” of forecast marginal costs.<sup>18</sup> REI submits that NSPI’s position is internally inconsistent. If all assumptions can materially affect marginal costs, yet no historical accuracy assessment or sensitivity analyses are provided, then the resulting forecast cannot reasonably be relied upon as a stable basis for tariff design.

REI’s concerns with marginal cost forecasts that have not been validated against actual data, is particularly concerning given the persistent Fuel Adjustment Mechanism (“**FAM**”) balances. This suggests a potential structural under-forecasting of annual energy costs. For illustrative purposes, REI has prepared the enclosed evidence, Appendix B, confirming the systemic inaccuracies in FAM reporting average fuel cost forecasts. In January 2021, the FAM had a surplus of \$19 million, whereas by 2025 the FAM was at a deficit of \$91.4 million. This is on top of the fact that within this timeframe, NSPI received the benefit of a \$165 million carbon cost forgiveness, \$117 Invest Nova Scotia receivable purchase, and most recently the backstopped \$500 million Federal Loan Guarantee. In sum, the average fuel cost has been short \$895.2 million over 5 years, or \$179 million per year (roughly 20% of the base cost of fuel).

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<sup>16</sup> N-6, NSPI (REI) RIR – 8(d).

<sup>17</sup> N-6, NSPI (REI) RIR – 8(d).

<sup>18</sup> N-6, NSPI (REI) RIR – 8(d).



When average costs are forecasted incorrectly, marginal costs are likely incorrect as well. Given that marginal costs are generally more volatile, it is reasonable to conclude these forecasts can be inaccurate to a greater extent than the average costs. NSPI's own forecast versus actual data provided in this proceeding for 2025 illustrates the volatility of marginal generation and the inaccuracy of the assumptions used,<sup>19</sup> and yet only represent one aspect of the marginal cost accuracy.

NSPI's failure to analyze or model the accuracy of annual versus monthly marginal cost pricing<sup>20</sup> is problematic, particularly given notable past forecasting inaccuracies. This is not a matter of NSPI not having the data: it does. NSPI simply does not produce the data through the AAR process, and the Board and AAR customers are not given the opportunity to test the accuracy of the prior forecasting.

Actual historical data is required to validate and improve forecasting of monthly marginal costs. In the absence of this fundamental check, the RtR customers are left absorbing a significant risk in any such under-forecasting assumptions used for marginal cost calculations. The production of actual versus forecasting calculated marginal costs promotes transparency and allows customers to test the accuracy of the forward-looking forecasts.

#### ***(b) Asymmetric Forecasting Risk Impacts***

While the Board has recognized the reasonableness of setting AAR rates based on forecasts given that both parties bear forecast risk, this risk-sharing disproportionately impacts REI. Theoretically the risk is fairly shared for over- or under-forecasting; in reality, however, the impact of forecasting inaccuracies differs vastly between NSPI and REI.

The change in the marginal cost forecasts from 2025 to 2026 has resulted in a significant increase in the cost of the RTT Tariff. As evidenced in Appendix A, REI's RTT energy charge increases by 444%. This will result in significant costs borne by REI upon market entry.

If this same forecast error were instead in REI's favour the magnitude of the impact would represent only a tiny fraction of total FAM costs, and it would have no impact on NSPI's earnings.<sup>21</sup> NSPI has explicitly confirmed that its "*earnings are not impacted by the over- or under-forecasting of annual average marginal fuel costs used for the pricing purposes of AARs*" because, "*the implicit imbalances between the recovered forecasted and incurred actual marginal costs are flown into the FAM.*"<sup>22</sup> NSPI further quantified this asymmetry, noting that even a 10% variance in actual marginal costs from forecast would result in an imbalance of only approximately \$0.1 million or 0.01 percent of the total FAM cost budget of \$913 million.

In contrast, a significant swing in costs primarily caused by the change in forecasted marginal costs, with no reconciliation to actual marginal costs via a true-up mechanism, represents a highly volatile and largely unpredictable expense item for REI, and, due to its absolute dollar magnitude,

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<sup>19</sup> N-6, NSPI (REI) RIR-3.

<sup>20</sup> N-6, NSPI (REI) RIR-7(c)

<sup>21</sup> N-6, NSPI (REI) RIR-9(a) and (b).

<sup>22</sup> N-6, NSPI (REI) RIR-9(a) and (b), lines 28-29

represents a material financial risk to REI. Comparatively, for NSPI it has no impact on its earnings. This asymmetry supports the need for a review of the RtR Tariffs.

***(c) Marginal Costs should be Reviewed and Calculated Monthly Going Forward***

NSPI uses annual average marginal costs for AAR tariffs, which obscures material monthly variation and results in cross-subsidization among months. REI is not proposing to set RtR tariff amounts on an actual monthly marginal costs basis; rather, REI proposes that rates be set annually based on forecasted calculated monthly costs, with a year-end true-up.

The accuracy of forecasting in setting yearly AAR tariffs is critically important. The Board has stated in the 2025 AAR decision, that "[g]iven that the AAR tariffs are based on forecasts, it is important to have confidence that there is a significant degree of accuracy in NS Power's forecast fuel costs."<sup>23</sup> REI agrees, and submits that it does not have sufficient confidence in NSPI's forecasted annual marginal costs, which heavily influence the RtR rates charged.

Monthly marginal cost pricing would improve forecast accuracy by better aligning costs with actual system conditions, reducing the impact of seasonal variations, and providing price signals that reflect actual cost causation. NSPI's annualized marginal cost calculation masks material monthly variability, which has cost consequences for customers.

In this AAR Application the marginal costs range from a low of [REDACTED] in September to a high of [REDACTED] in January for all periods.<sup>24</sup> This represents a [REDACTED] variance between the highest and lowest monthly marginal costs. On-peak marginal costs range from [REDACTED] in September to [REDACTED] in January, while off-peak costs range from [REDACTED] in October to [REDACTED] in January. These significant swings in pricing demonstrate that an annual average cannot reasonably serve as a proxy for actual system conditions.

NSPI dismissed monthly pricing as immaterial because FAM and AAR customers purportedly lack the ability or incentive to respond to monthly price signals.<sup>25</sup> REI disagrees. LRSs can pursue energy efficiency, demand response, and dispatchable generation to respond to price signals, and REI is actively pursuing such initiatives.

Cost causation is paramount regardless of customer response. Even if a supplier was unable to respond to price signals, it should still pay (or be credited) based on the best available representation of system costs. For example, energy balancing or spill transactions occurring in high-cost or low-cost months should be valued using monthly marginal costs rather than an annual average.

NSPI has acknowledged that *"monthly marginal cost pricing would result in a better alignment between cost recovery and cost causation."*<sup>26</sup> The minimal impact on the overall FAM or AAR customers should not negate the significant effects on REI and other LRSs.

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<sup>23</sup> M11989, 2025 AAR Application, Decision Letter, March 25, 2025, page 5.

<sup>24</sup> N-1, Application, Appendix A2, page 1/1.

<sup>25</sup> N-6, NSPI (REI) RIR-7(d).

<sup>26</sup> N-6, NSPI (REI) RIR-7(e).



Monthly marginal cost forecasting is not only feasible but necessary to ensure accurate price signals, reduce forecasting errors, and avoid significant distortions in the RTT and EBS tariffs.

Given this, the tariff structure should be changed to use monthly marginal costs forecast in advance—consistent with the AAR mechanism. While REI respects the Board’s reluctance to make any such tariff changes within an AAR application process, the noted concerns with the current structure of the RtR tariffs should be addressed prior to REI entering the market.

### **A True-Up Mechanism Should Be Considered for the RtR Tariffs**

A true-up mechanism is essential for the RtR tariffs, particularly the RTT. A one-year swing of over 444% in 2026 for the RTT Energy Charge delta is significant and demonstrates that the risk borne without a true-up is not the normal forecast risk the Board contemplated in earlier decisions.<sup>27</sup> This creates a methodological and structural risk, which REI is unable to bear.

NSPI takes the position that there is low materiality of the fuel imbalance in recovery of the marginal fuel costs, and that a true-up mechanism is not warranted.<sup>28</sup> However, REI would submit that the materiality analysis is not complete. NSPI fails to account for the extreme volatility and absolute cost impact on REI, or any future RtR customers. NSPI provides an incomplete justification for rejecting a true-up, noting that the load of the customers paying the forecasted average marginal cost of \$67.36/MWh under the GRLF and Shore Power in 2026 is 18 GWh, which represents 0.2% of the total FAM class load.<sup>29</sup> In this calculation, NSPI does not consider the impact to RtR customers, or anticipated customers.

Adding a true-up would promote fairness, dramatically improve cost causation principles, and enhance competition.

Where the magnitude of harm from forecast error falls almost entirely on one party and is potentially existential, the absence of a true-up mechanism is neither fair nor reasonable. This issue should be addressed in a RtR Tariff review proceeding.

### **3. INCORRECT SS TARIFF VALUES AND METHODOLOGY**

NSPI has applied for approval of a Demand Charge under the SS Tariff of \$5.452/kW, representing a variance of \$2.055/kW from 2025.<sup>30</sup> Appendix F3 provides the explanation for this Charge. The calculation provided, however, appears to be based on incorrect values and is influenced by a change in methodology to the SS Tariff related to an additional Interruptible Credit cost.

The calculation for the Demand Charge deducts ancillary service categories recovered under the Open Access Transmission Tariff (“OATT”) from demand-related fixed generation costs. Within Appendix F3, NSPI cross-references that the values are taken from specific 2026-2027 GRA

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<sup>27</sup> See: M11422, 2024 AAR Application, Decision Letter, March 5, 2024, page 5.

<sup>28</sup> N-6, NSPI (REI) RIR-9(d).

<sup>29</sup> N-6, NSPI (REI) RIR-9(a-b).

<sup>30</sup> N-1, 2026 AAR Application page 34, Figure 10.

exhibits.<sup>31</sup> However, the source reference does not match the details filed in the 2026-2027 GRA Application. REI understands that the reference may instead be to M12451 GRA COSS Sch 12-A, Att 11 OATT, figures 4-8. Nevertheless, when you compare the values contained in Appendix F3 to that in the 2026-2027 GRA Application exhibits, the totals do not match.

Under this assumption, and comparison, the "Load Following" amount of \$21,166 at Cell C23 is incorrect and should instead be \$30,213.

Given NSPI's own explanation that ancillary/OATT shifts materially drive the SS increase,<sup>32</sup> accuracy and consistency with the GRA amounts are essential. The "Load Following" and other ancillary amounts used in Appendix F3 must match the values and exhibit references in the GRA record. Based on the apparent inaccuracy, which REI is unable to reconcile, this value should be updated through a compliance filing, and the 2026 SS rate should be amended accordingly.

Additionally, NSPI has added to the same Appendix F3 calculation an Interruptible Credit cost of \$11,165.<sup>33</sup> In response to REI Information Request 15(b), NSPI has confirmed that the Interruptible Service Credit was not part of the 2025 AARs.<sup>34</sup> NSPI has further outlined that the rate itself does not include the Interruptible Credit but is provided for "*information purposes to inform pricing in the event of interruptible service in the RtR market.*"<sup>35</sup> On REI's review and calculation of the SS Tariff based on the contents of Appendix F3, it appears that the concluding "Standby Demand Charge Calculation" at \$5.452/kW, at row 60, includes the credit cost.

To the extent this value does change the applied for SS rate, REI does not agree with its inclusion in the 2026 SS Tariff rate. Instead, the inclusion of this credit cost should be considered and incorporated into the separate RtR Tariff revision proceeding recommended above. NSPI's interruptible program reduces the need for additional capacity, but the values in the agreed upon calculation of the SS include the appropriate cost of capacity calculation. The Interruptible Service Credit is reflective of the marginal cost of capacity, and without which capacity costs would be higher than in the COSS.

The inclusion of the Interruptible Credit cost constitutes an unapproved methodology change that is inappropriate for the streamlined AAR process. Whether this has been provided for "information purposes" or it does influence the ultimate value for the 2026 SS rate (which should be explicitly confirmed by NSPI), REI opposes its inclusion within this application and submits that the SS tariff amount should be updated accordingly through a compliance filing.

#### **4. IMPROVED MINIMUM REPORTING FOR AAR APPLICATIONS**

The ability to review NSPI's forecasting accuracy year over year is essential to promote transparency, accountability and improve forecasting.

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<sup>31</sup> See : N-1(i) 2026 AAR Application, Appendix F3, Cells A20-26.

<sup>32</sup> N-6, NSPI (REI) RIR 14.

<sup>33</sup> N-1 (i), 2026 AAR Application, Appendix F3, Cell C29.

<sup>34</sup> N-6, NSPI (REI) RIR – 15(b).

<sup>35</sup> N-5, NSPI (NSEB) RIR- 9.

In the 2025 AAR decision, the Board considered the concerns raised by Consumer Advocate consultant, John Wilson, regarding NSPI's inaccurate monthly import forecasting and ordered reporting of actual monthly imports.<sup>36</sup> In rendering that decision the Board specifically stated:

*Given that the AAR tariffs are based on forecasts, it is important to have confidence that there is a significant degree of accuracy in NS Power's forecast fuel costs.*

REI agrees. This direction emphasizes the importance of monthly data and variance explanations for assessing forecast accuracy.

It is submitted that the Board should similarly direct NSPI to provide monthly actual marginal costs, in consideration of the noted inaccuracies and the impact of the marginal cost outputs on REI's cost structure.

REI submits that NSPI should be required to:

1. Report on forecasted versus actual monthly and hourly marginal costs dating back to 2021 within the next AAR proceeding;
2. Provide the actual reporting on monthly marginal costs on a go-forward basis; and
3. Provide explanations for variances greater than 10%+/- between forecast and actual monthly marginal costs.

NSPI already tracks hourly marginal units by generator. In response to REI's Information Request – 1(a), NSPI provided a table showing the number of hours and percentage of hours for each fuel type forecast to be the marginal unit in 2025, including Solid Fuel (3,479 hours, 40%), Liquid Fuel (1,361 hours, 16%), Gaseous Fuel (3,225 hours, 37%), Imports (44 hours, 1%), Export (192 hours, 2%), and Biomass (459 hours, 5%).<sup>37</sup> NSPI then also provided actual hourly marginal units tracked by generating unit for 2023, 2024 and Q1 of 2025, noting that "*actual hourly marginal units are tracked by generating unit only and not by fuel type consumed*" and that "*actuals after Q1 2025 are also not available*" due to the cybersecurity incident.<sup>38</sup>

Given that the cybersecurity incident should be resolved going forward, NSPI should have this data readily available for reporting purposes. This data can and should be reported on.

## CONCLUSION

REI respectfully requests that the Board direct NSPI to:

1. Recalculate the 2026 AAR rates using the most recently approved COSS methodology rather than the unapproved 2026 COSS, or alternatively, make the 2026 AAR rates interim and subject to adjustment based on the Board's final determination in the 2026-2027 GRA

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<sup>36</sup> M11989, 2025 AAR Application, Decision Letter, March 25, 2025, page 5.

<sup>37</sup> N-6, NSPI (REI) RIR-1(a).

<sup>38</sup> N-6, NSPI (REI) RIR-1(b)

proceeding (M12451), with any adjustments to be implemented through a compliance filing.

2. Initiate a tariff amendment proceeding to consider and amend the RtR tariffs by no later than March 31, 2026, to address the changes in cost allocation, the implementation of monthly marginal cost pricing, and the inclusion of a true-up mechanism.
3. Provide a compliance filing addressing the noted errors in the SS Tariff Demand Charges, at Appendix F3.
4. Provide forecast versus actual monthly and hourly marginal costs for 2021–2026 and explanations for variances greater than  $\pm 10\%$ , in a format comparable to Appendix A2, within the 2027 AAR Application.

Yours truly,



Brianne E. Rudderham

c. Participants in M12551  
Certifications