NOVA SCOTIA ENERGY BOARD

IN THE MATTER OF: ***The Public Utilities Act***

- and –

IN THE MATTER OF: **An Application by the TOWN OF MAHONE BAY on behalf of its electric utility ("TOMBEU") for Approval of Amendments to its Schedule of Rates and Charges for the provision of electric supply and services to its customers**

Notice of Application by TOMBEU for approval of Amendments to its Schedule of Rates and Charges for the provision of electric supply and services to its customers

TO: The Nova Scotia Energy Board (the "Board")

1. TOMBEU is an electricity distribution utility, supplying electricity service to customers within their service territories in Nova Scotia.

2. On April 28, 2023, the Nova Scotia Utility and Review Board approved TOMBEU's Application for Approval of Amendments to its Schedule of Rates and Charges for the provision of electric supply and services to its customers and its Schedule of Rules and Regulations (the "Decision").

3. The Board's Decision in Matter M10832 directed a two-year phase-in of the rate increase, with the rate increase in 2023 capped at 20% for each rate class and increasing to the full approved increase beginning January 1, 2024. The Board directed TOMBEU to track the deferred revenue in 2023 by rate class and to apply to the Board in 2024 for approval to begin recovering the deferral, including interest, beginning January 1, 2025. In light of the significant increases to customer rates that occurred in 2023 and 2024, TOMBEU elected to wait a further year before seeking to recover the deferred revenue from customers.

4. TOMBEU submits the attached Direct Evidence in support of its Application, which provides TOMBEU's calculation of the total difference between the 20% rate cap and the full rate approved in the Board's Decision by rate class. In this Application, TOMBEU seeks approval to begin recovering the deferral from customers effective January 1, 2026, over a 24 month period, similar to the approach approved for the Riverport Electric Light Commission in Matter M11964. For the Domestic class, the rate impact for the proposed two-year recovery period is approximately 2.6%.

DATED at Mahone Bay, in the Province of Nova Scotia, this 18th day of December, 2025.

Per: **CAO of Mahone Bay**

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TOMBEU DIRECT EVIDENCE

Background

This Application arises from the Board's Decision in M010832, dated April 28, 2023, TOMBEU's GRA for Test Year 2023. The rate increase initially proposed by the Utility was a system average of 34.8%, with increases to all customer classes except Yard Lighting of more than 20%.

To mitigate rate shock to affected customers, the Board found it appropriate to phase in the proposed rate increases, and at paragraph 137, page 50, directed as follows:

> *"[137] Additionally, the Board finds that it would be appropriate to reflect more of the increase in the first year to reduce interest costs associated with the deferral, given the likelihood that under-recovered fuel costs will be added to TOMBEU's purchased power cost through NS Power's fuel adjustment mechanism. As such, the Board directs a two-year phase-in of the rate increase, with the rate increase in 2023 capped at 20% for each rate class and increasing to the full approved increase beginning January 1, 2024."*

Following this Decision, TOMBEU completed its Compliance Filing, including Exhibits 6-1, 6-2, and 7 dated May 12, 2023, and revised Compliance Filings were filed on June 12, June 15 and June 30, setting out its revised proposals for rates and charges effective April 28, 2023 and January 1, 2024. An Order approving the rates was issued by the Board on July 6, 2023. The rates effective April 28, 2023, were implemented and in effect for TOMBEU's customers from April 28, 2023 to Dec 31, 2023. The rates effective January 1, 2024 were amended by the Board's subsequent Decision and Order in proceeding M11443, dated January 8, 2024.

The cap and phase-in of the increase affected classes for which a rate increase in excess of twenty percent was proposed and approved. These included the Domestic class, Small General Service class, General Service, Time of Day, Net Metering and Town Street Lights, all of which would have required increases exceeding 30% for the full approved rates.

These classes accordingly received rate increases of 20% effective April 28, 2023, and a further increase was applied in January 2024 to bring the rates for each of these classes to the level that would allow TOMBEU the opportunity to recover its approved revenue requirement.

The rates for the Area Lighting class were increased to the full amount (13.1%) effective April 28, 2023, which was below the Board's cap of 20%, and therefore no revenue is considered to be deferred in respect of this class.

To address the financial impact of the rate cap and phase-in on TOMBEU, the Board found that:

> *"[139] The difference between the rate cap in the first year, and the full rate approved in this decision, is to be deferred for later recovery by TOMBEU, with interest."*

In order to recover the deferred amounts, TOMBEU is required to report its tracked revenue from April 28, 2023 to December 31, 2023 for its Domestic (including TOD and Net Metering), Small General, General Service and Town Street Lighting classes, and to request the Board's approval to recover this deferral, with accrued interest, from each class respectively. By this Application, TOMBEU is reporting the deferred amounts by customer class, and requests the Board's approval for recovery, including cost of capital at 4.8%, the weighted average cost of capital approved in the Board's April 28, 2023 Decision.

Methodology

TOMBEU proposes to recover the deferred amounts by a charge per kWh determined separately for each of the affected classes, effective with all consumption starting between January 1, 2026 and December 31, 2027. This is the same approach followed TOMBEU is requesting a two-year revenue recovery period for all customer classes to reduce the magnitude of the impact on customers' bills. For the Domestic class, the rate impact for the proposed two-year recovery period is approximately 2.6%, whereas a one-year recovery period would increase the rate impact to 5.1%. For the Town Street Lighting class where the rates are set on a flat monthly amount per unit ($/month), the uniform charge per kWh for all lamp types has been converted to a flat monthly charge to be consistent with the rate schedule. This conversion reflects the estimated monthly energy consumption for each type of lamp and assumes 4,000 hours operating per year.

For each of the Domestic, Small General and General Service classes, the monthly amounts of deferred revenues were calculated by first applying the approved rate effective April 28, 2023 and then the approved rate effective January 1, 2024 to the consumption in each month from April 28, 2023 to December 31, 2023. The deferred revenue calculation for the TOD and Net Metering classes has been embedded in the calculation for the Domestic class. Consumption for a partial month April 28 through April 30, 2023 was computed by prorating the April total consumption for the number of days in the month in which the rates would apply.

A modified approach has been used to calculate the deferred revenues for the Town Street Lighting where the rates are set on a flat monthly amount per unit ($/month). The monthly deferral amount for each lamp type is calculated as the difference between the rates effective April 28, 2023 and Jan 1, 2024, multiplied by the number of units.

Deferred revenue was calculated for each month between April 28, 2023 and December 31, 2023, and financial cost applied commencing at the end of the month following the consumption, reflecting the delay for meter reading, bill processing and delivery and rendering of payments. Financial cost is calculated to continue to accrue through 2024 on a compound basis, and thereafter through 2027 on the outstanding balance until the full balance, with financial cost is recovered through the rider charge.

Consumptions for 2025 and the two-year recovery period from January 1, 2026 through December 31, 2027 have been forecast by applying the growth rate forecast for each customer class from TOMBEU's 2023 GRA, to the weather normalized actual loads updated to 2024.

A model is provided as **Attachment 1** showing all computations.

Request

On the basis of this modeling, TOMBEU is requesting that a rate rider of **0.5289** cents per kWh apply to all consumption in the Domestic class, including Domestic Time of Day and Net Metering, a rate rider of **0.4866** cents per kWh apply to all consumption in the Small General Service class, and a rate rider of **0.3572** cents per kWh apply to all consumption in the General Service class effective January 1, 2026 and ending December 31, 2027. For the Town Street Lighting, converting to a flat monthly amount based on estimated energy consumption per month for each lamp type, TOMBEU is requesting a rate rider of **$0.92/ month** for the LED 50 watt, **$0.98/ month** for the LED 53 watt, and **$1.53/ month** for the LED 83 watt effective January 1, 2026 and ending December 31, 2027.

The proposed charges will cease to apply as of December 31, 2027, at which time the deferral amounts will be fully recovered, subject to any variances between actual and forecast consumption in the classes.

In terms of public notice, TOMBEU intends to notify its customers of this Application and the proposed rate rider increase in their next bill, and can arrange for additional advertising following the issuance of the Board's Hearing Order as required.