

NOVA SCOTIA ENERGY BOARD

IN THE MATTER OF: The *Public Utilities Act*, R.S.N.S. 1989, c.380, as amended

- and -

IN THE MATTER OF: An Application by NOVA SCOTIA POWER INCORPORATED for
approval of an Extra Large Industrial Dispatchable Above-the-
Line Tariff applicable to Port Hawkesbury Paper

PHP INFORMATION REQUEST RESPONSES

To: **Consumer Advocate**

From: Port Hawkesbury Paper LP ("PHP")

Copies: 1 electronic copy (PDF searchable)

Contact Person: James MacDuff
McInnes Cooper
1300 – 1969 Upper Water Street
Purdy's Wharf, Tower II
Halifax, NS B3J 2V1
james.macduff@mcinnescooper.com

1 **Request IR-1:**

2
3 **In their evidence, Brubaker & Associates state:**

4
5 **The interruption demand service will not impose resource capacity cost on**
6 **NS Power because this demand will be served only on an as-available basis.**
7 **Hence, NS Power can avoid incurring the cost of resource capacity additions**
8 **to serve the interruptible demand. Therefore, no Capacity Charge will be**
9 **justified for interruptible demand, but NS Power's cost of serving the**
10 **interruptible demand can be recovered in the ELID energy charge, which is**
11 **designed to recover both fuel/energy power supply, and a portion of NS**
12 **Power's non-fuel cost of service. Under this ELID design, the ELID will not**
13 **require an interruptible credit for NS Power interruptible power supply**
14 **above PHP's firm demand of 8 MW. (N-2, page 2)**

15
16 **And further**

17
18 **PHP firm demand service will contribute 8 MW to NS Power firm ATL peak**
19 **demand. Hence, the firm 8 MW demand charge should reflect the PHP**
20 **allocated cost of including its 8 MW peak demand in NS Power's 3-CP**
21 **capacity cost allocation used within its COS. As discussed previously, PHP's**
22 **interruptible demand in excess of its firm service demand will be paid for by**
23 **the non-fuel cost included in the ELID energy rate. No interruptible credit**
24 **would be needed in this ELID pricing structure. (N-2 page 11)**

25
26 **(a) Please explain what is implied by "Under this ELID design, the ELID will not require**
27 **an interruptible credit for NS Power interruptible power supply above PHP's firm**
28 **demand of 8 MW."**

29 **(b) Is PHP proposing that no interruptible credit should be applied to PHP's demand**
30 **above 8 MW**

31
32
33
34
35

1 **Response IR-1:**

2

- (a) If the Board adopts an 8 MW demand allocator, the resulting rates will only reflect the costs of providing firm service. In this scenario, because PHP is not being charged for the system capacity required to serve its load above 8 MW, no interruptible credit is necessary. However, if the Board approves a demand allocator exceeding 8 MW, the tariff would effectively charge PHP as if a larger portion of its load were firm. In that case, an interruptible credit would be required to compensate PHP for the operational value it provides by allowing that specific portion of its load to be curtailed during system peaks.
- (b) No, see response to subpart (a).

3

Request IR-2:

In their evidence, Brubaker & Associates state:

If the ELID capacity charge is designed to include the cost of firm demand service for a 65 MW tariff capacity, then the interruptible credit should be applied to 57 MW of the 65 MW service that will be interruptible. NS Power is able to avoid incurring the cost of adding resource capacity additions to serve this interruptible demand. This interruptible credit should be priced at NS Power's estimated marginal cost of capacity of \$13.107/KVA, and updated in the next GRA filing to reflect the current cost of capacity. (N-2 page 3)

Please confirm that other than the interruptible credit price, the proposed ELID tariff is consistent with the above position of PHP. If not confirmed, please explain.

Response IR-2:

Not confirmed. BAI's position is that PHP's cost of service demand allocator should be 8 MW. The testimony outlining a credit for 57 MW is a secondary, conditional alternative offered only if the Board rejects the 8 MW cost-of-service allocator in favor of NS Power's proposed structure. Consequently, the proposed tariff remains inconsistent with PHP's position, not only due to the inadequate credit price but also because the underlying demand determinant fails to properly reflect the lack of cost causation associated with interruptible load.

Request IR-3:

In their evidence, Brubaker & Associates state:

Q IF THE ELID INTERRUPTIBLE CREDIT WAS SET AT NS POWER'S AVOIDED CAPACITY COST OF \$13.107/KVA, WOULD PHP PAY ANY CAPACITY COST FOR ITS INTERRUPTIBLE SERVICE?

A Yes. The proposed ELID 2027 energy charge of \$0.1124/KWh exceeds NS Power's average fuel cost in the LI tariff of \$0.08299/kWh. Hence, NS Power will collect non-fuel margins in the ELID energy rate for all PHP energy purchases from NS Power. The energy rate recovers a large percentage of NS Power non-fuel costs, which are predominantly production, transmission, and related administration charges. Under this approach, PHP would also pay the difference between the proposed demand charge of \$14.310/kVA and the credit of \$13.107/KVA. (N-2 page 22)

And further:

NS Power estimates its marginal cost of adding production resource capacity during its 3-CP peak periods to be \$13.107/KVA. Hence, to the extent the Board approves the use of a demand charge applicable to PHP's interruptible load, the ELID interruptible credit should be based on this avoided cost. NS Power's firm service customers will be economically better off either by paying \$13.107/KVA to PHP or by adding new capacity resource additions to the NS Power resource portfolio. If PHP is allocated demand costs exceeding its 8 MW firm peak demand level, it should receive an interruptible credit that fully reflects the system benefits provided by its interruptible load. (N-2 page 24-25)

Is it PHP's position that if the interruptible credit is set at \$13.107/KVA, then PHP coincident peak parameter in the COSS is reasonable to reflect both firm and interruptible demand (8 MW plus 57 31 MW)?

Response IR-3:

PHP's primary position is that the 3-CP demand allocator should be set at 8 MW to reflect only its firm demand, as interruptible load does not drive system capacity investment costs. Including the 57 MW of interruptible demand in the cost-of-service demand allocator is only considered reasonable as a secondary alternative if the Board rejects the 8 MW allocator and applies an interruptible credit of \$13.107/KVA. This specific credit level ensures that firm customers remain economically indifferent to whether NS Power invests in new generation or pays to curtail PHP's load. Even with a credit at this level, PHP would still contribute to capacity costs through the non-

- 1 fuel margins recovered in its energy rate and the remaining difference between the demand
- 2 charge and the credit.

Request IR-4:

In its evidence, PHP states:

PHP has the following specific areas of concern with respect to the proposed Above-the-Line Tariff: (1) the use of a 57,000 kW winter month system coincident demand for PHP 40 interruptible load; (2) the value of the proposed Interruptible credit, if the Board 41 finds that PHP interruptible load should be greater than 0 kW; (3) the use of a 42 Revenue-to-Cost (“R/C”) ratio of greater than 1.0 for a new Above-the-Line Tariff; 43 and (4) the forecast 44 energy requirements for PHP in 2026 and 2027 used in 45 calculating the new Above-the-Line Tariff do not reflect the most updated assumptions. (N-3, page 8)

Please explain PHP’s concern with “the use of a 57,000 kW winter month system coincident demand for PHP interruptible load.” What value does PHP consider should be used for PHP’s interruptible load?

Response IR-4:

PHP’s concern with the use of a 57,000 kW winter month system coincident demand for PHP interruptible load is three-fold:

1. It is based on PHP’s historic contribution to winter month system coincident demand when PHP was operating on a different tariff that was subject to dispatch by NS Power and not intended nor anticipated to set billing determinants for a future ATL rate;
2. Its use would result in an over allocation of capacity costs to PHP, particularly when the interruptible credit is set at an arbitrarily low value and below the avoided capacity cost price, as is the case with the proposed ELID tariff. See also Exhibit N-2, evidence of Brubaker and Associates, Inc., page 17, line 1 to page 18, line 4; and
3. It is proposed to be subject to change through the use of judgment as to the level of demand which is representative of the PHP system usage, and not on the demand that PHP places on the NS Power system during the 3 coincident peaks, which under the proposed ATL tariff can be dispatched by NS Power.

PHP is proposing a value of 0 kW to be used for PHP’s winter month system coincident demand for interruptible load since PHP’s interruptible load is subject to dispatch by NS Power. Including interruptible demand in the PHP contribution to the system 3-CP allocator would inappropriately result in the allocation of firm resource capacity costs to PHP for its interruptible service demand.

1 See also Exhibit N-2, evidence of Brubaker and Associates, Inc., page 17, line 1 to page 18, line
2 4.
3

1 **Request IR-5:**

2
3 **In their evidence, PHP states:**

4
5 **Unless PHP's areas of concern are addressed by the Board in a satisfactory**
6 **manner it is unlikely PHP will proceed to accept service under the ELID tariff.**
7 **PHP would need to undertake the development of a below-the-line tariff with**
8 **NS Power that meets the mill's needs if it chooses to not accept service**
9 **under the ELID. (N-3 page 12)**

10
11 **What does PHP consider satisfactory in addressing the concerns it raised to accept**
12 **service under the ELID tariff? Does PHP require that all its recommendations are fully**
13 **accepted or does PHP have any flexibility in this respect?**

14
15 **Response IR-5:**

16
17 **PHP will need to review the ultimate Board decision to determine whether it generates a tariff that**
18 **PHP will proceed to accept service under. The proposed ELID tariff is not reflective of cost**
19 **causation and as such is not an appropriate tariff to serve PHP's requirements.**
20

1 **Request IR-6:**

2
3 **In its evidence, PHP proposes the following modifications to the proposed ELID tariff:**

- 4
- 5 **1. designing the capacity charge to reflect PHP's actual 8 MW firm demand rather than**
6 **the proposed 65 MW;**
 - 7 **2. adjusting the interruptible credit to match Nova Scotia Power's marginal cost of**
8 **capacity at \$13.107/kVA;**
 - 9 **3. applying a revenue-to-cost ratio of 1.0 to prevent PHP from subsidizing other**
10 **customer classes;**
 - 11 **4. reflect the most updated assumptions of the forecast energy requirements for PHP**
12 **in 2026 and 2027 used in calculating the new Above-the-Line Tariff.**
- 13

14 **Given the above, please explain whether or not PHP considers any aspect of PHP's**
15 **proposed position as set out in PHP's evidence (whether as indicated above or otherwise)**
16 **to be inconsistent with any terms of the 2026-2027 GRA settlement agreement and why.**

17

18 **In answering this question, and without limiting the generality of the foregoing, please also**
19 **address the following:**

20

- 21 **(a) Please confirm PHP's understanding that the 2026 and 2027 test year cost**
22 **allocations to ATL customer classes and rate design were based on a set of forecast**
23 **energy consumption parameters for each customer class, including the parameters**
24 **for PHP's load (both kWh and kW) under the ELID tariff, and if so, whether PHP**
25 **understands that it's requested update to the load forecast for the ELID tariff will**
26 **result in both cost allocation and rate design differences for these two test years**
27 **from what was contemplated in the 2026-2027 GRA settlement agreement. To the**
28 **extent there are differences, please explain (i) whether or not PHP considers it's**
29 **proposal to be consistent with the 2026-2027 GRA settlement agreement and why;**
30 **and (ii) whether or not updating COSS load parameters and rate design for 2026 and**
31 **2027 test years in the PHP ATL application will require re-opening of the 2026-2027**
32 **GRA COSS and rate design matters in PHP's view.**
- 33

(b) Please explain whether or not PHP considers its proposed position of including its 8 MW peak demand in NS Power's 3-CP capacity cost allocation used within its COSS is consistent with the 2026-2027 GRA settlement agreement and why

Response IR-6:

PHP acknowledges that there are differences between its proposed modifications to the as-filed ELID tariff and the modeling included as part of the GRA Settlement Agreement. However, the possibility of such differences arising was specifically contemplated in the Settlement Agreement. PHP's position is not inconsistent with any terms of the 2026-2027 GRA Settlement Agreement as that Agreement specifically provided at section PHP Treatment item (f) of the Schedule "A" Terms of Settlement that:

"In the PHP ADC and tariff processes that will be brought forward for approval by the Board later this year, it remains open for all Parties to take any position they so choose, including whether each of the PHP ADC and tariff filing(s) is inconsistent with the load characteristics and basic tariff structure as set out above."

In its decision in Matter M12451, the Board specifically noted at paragraph 341 that "the settlement agreement contained a clause that the parties were free to take any position they wished during the Board's review of the PHP successor tariff."

(a) The scenarios discussed were contemplated by the 2026-2027 Settlement Agreement in section PHP Treatment item (g) of the Schedule "A" Terms of Settlement that provides:

"NS Power may seek Board approval for a deferral account to account for any NS Power revenue variances that may arise in 2026 or 2027 from the following scenarios, which costs would be collected/refunded from/to above the line customers: (a) where a Board decision on the PHP tariff, including the Active Demand Control Rider, differs from the above the line PHP tariff assumptions included in the 2026-2027 GRA; (b) where, for any reason, the PHP tariff is not available for PHP to take service under it as of January 1, 2026; and/or (c) PHP determines the PHP ADC and tariff processes outcome is not satisfactory."

Further, in its Reply to Closing in M12451, NS Power explained the situation is follows:

"The CA notes the significant uncertainty regarding the status of PHP, including PHP's position on the application filed in M12661. The CA states that if PHP were to remain below-the-line (BTL), NS Power estimates approximately \$18 million dollars will accumulate in a deferral account and be charged to other customers. The IG also raised the issue that the PHP deferral would capture costs and revenues beyond what was agreed to or is reasonable. NS Power disagrees. It is important to recognize that the approximately \$18 million reduction in revenue requirement reflects the Parties agreement, pursuant to the terms of settlement, to model PHP as an ATL customer in the GRA forecast which means that PHP is assigned those costs. Had PHP remained BTL, that \$18 million in costs that would not be paid by PHP, would have been assigned to FAM customers and would be reflected in higher rates for all FAM customer classes. Against that backdrop,

1 modelling PHP ATL was reasonably agreed to, and the PHP Deferral represents
2 a balanced approach to addressing the material uncertainty regarding PHP's
3 successor tariff in the development of the GRA. The Deferral avoids embedding
4 potentially temporary costs in rates until the Board has determined PHP's
5 successor tariff, and PHP's consumption over the 2026 and 2027 period is known."
6

7 In the Board's decision on M12451 the Board found at paragraph 351 in approving the PHP
8 deferral account that "...there could be significant variances to NS Power's revenue requirement
9 depending on the final adjudication of NS Power's application for the PHP successor tariff" and
10 that "...the creation of the proposed deferral account, and the assumptions underlying it, do
11 provide some certainty for the utility and the customer classes."
12

13 (i) For the above noted reasons PHP's position is consistent with the 2026-2027 GRA
14 Settlement Agreement.
15

16 (ii) PHP's understanding is that any changes to the COSS load parameters and rate
17 design in the PHP ATL application would be accommodated by the deferral account
18 as necessary on a prospective basis and would not require any re-opening of the 2026-
19 27 GRA COSS and rate design matters that were determined by the Board in Matter
20 M12451.
21

22 (b) Please refer to response (a) above.
23

Request IR-7:

In its evidence, PHP states:

These events go unnoticed by the public, yet time and again PHP is called upon as a resource for system reliability that is in a grey area between ADC real time dispatches and the NSPSO interruption protocol. There is a need to consider this additional ancillary service value, that is in addition to the ADC value and the priority interruptible value associated with any ATL tariff, as part of the approval of a new ATL Tariff for PHP. (N-3 page 13)

(a) Does PHP have any proposal on how this additional ancillary service value should be considered as part of the approval of a new ATL Tariff for PHP?

(b) What will PHP decide beyond 2026 (when the current ELIADC tariff expires) in the case PHP does not accept service under the ELID tariff? Please set out PHP's proposed process and timelines for negotiated BTL tariff after expiry of ELIADC tariff.

Response IR-7:

(a) The additional ancillary service value noted by PHP should be considered as part of the overall determination of an appropriate cost-based rate applicable to PHP, and in support of the other cost-based approaches put forward in Exhibits N-2 and N-3, the Evidence of Brubaker and Associates, Inc. and Port Hawkesbury Paper respectively. PHP has raised the issue of quantification of the additional ancillary benefits/value created by ADC on several occasions with NS Power and believes that as part of its decision in this matter the Board should require NS Power to conduct - in coordination with PHP - a quantitative analysis of the ancillary value created in this regard, to be available for consideration as part of PHP rate setting post 2027.

(b) Please refer to the response to Board Staff IR-2. Any process to determine an alternative BTL tariff for service in 2027 would need to be undertaken on an expedited basis.