

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**

RESPONSE TO INFORMATION REQUESTS

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1 **PHP Request IR-1:**

2
3 **Reference: Testimony, page 6. “InterGroup agrees that the revenue-to-cost ratios**
4 **for 2026 and 2027 were an integral consideration understood by parties to the SA.**
5 **In InterGroup’s experience settlement agreements typically reflect trade-offs**
6 **among parties on a number of issues and altering one item of a settlement package**
7 **risks undermining the basis for the entirety of the agreement. It could also impact**
8 **the ability and willingness for parties to participate in future settlements.”**

- 9 a) Does InterGroup agree that (i) the clause in the SA stating “it remains open for all
10 Parties to take any position they so choose, including whether each of the PHP
11 ADC and tariff filing(s) is inconsistent with the load characteristics and basic tariff
12 structure as set out above”, and (ii) the clause establishing a deferral account to
13 account for any NSP revenue variances that may arise in 2026 or 2027 where a
14 Board decision on the PHP tariff, including the Active Demand Control Rider,
15 differs from the above the line PHP tariff assumptions included in the 2026-2027
16 GRA were an integral consideration understood by all parties to the SA?

17 **CA Response IR-1:**

- 18
19 a) InterGroup agrees that the clauses referred to in this question were an integral
20 consideration understood by all parties to the SA. However, in InterGroup’s view,
21 this integral consideration includes other related parts of the SA, in particular
22 paragraphs e) and f) of the SA, which expressly confirm that “NS Power and PHP
23 shall reflect the foregoing in a written tariff;” and it is open to Parties to take a
24 position that the tariff filing is “inconsistent with the load characteristics and basic
25 tariff structure as set out above”. (underlining added)
26

27 **PHP Request IR-2:**

28
29 **Reference: Testimony, page 5: “InterGroup agrees with the concerns raised by NSP**
30 **that including only the firm 8 MW of load would under-represent the degree to**
31 **which PHP makes use of and benefits from the transmission system. In**
32 **InterGroup’s experience this is a common problem with “interruptible” loads that**
33 **reflect a considerable portion of a customer’s ordinary electricity needs. While**
34 **there are alternative cost allocation methods that could help address this, in the**
35 **context of the SA, the load parameters modelled by NSP in the application are**
36 **reasonable and should be approved.”**

- 37 a) Please provide specific examples including citations to relevant regulatory
38 decisions of InterGroup’s “experience [that] this is a common problem with
39 ‘interruptible’ loads that reflect a considerable portion of a customer’s ordinary
40 electricity needs.”

41 **CA Response IR-2:**

- 42
43 a) Please refer to the response to CA (IG) IR-1 (a).

1
2 **PHP Request IR-3:**
3

4 **Reference: Testimony, page 6. “The proposed cost-based demand charge is**
5 **\$12.872/kVA for 2026 and \$14.310/kVA for 2027. At the rate of \$13.107/kVA plus 10%**
6 **PI premium, the interruptible credit would be \$14.42/kVA, thus exceeding the cost-**
7 **based demand charge in both 2026 and 2027. It is clearly unreasonable to**
8 **determine that value of an interruptible credit is higher than a full cost-based**
9 **demand cost for the firm service.”**

- 10 a) Please provide the regulatory or economic rationale for why an interruptible credit
11 based on a utility's avoided marginal cost of capacity cannot or should not exceed
12 an embedded cost-of-service demand charge.
13
14 b) Does Intergroup agree that under NSP's COS a portion of capacity costs are
15 functionalized as energy cost? Please explain.

16 **CA Response IR-3:**
17

- 18 a) The rationale for why an interruptible credit based on a utility's avoided marginal
19 cost of capacity cannot or should not exceed an embedded cost-of-service
20 demand charge in the case of NSP's PHP ATL Tariff application is that NSP's ATL
21 rate design is based on an embedded cost or service, not marginal cost of service.¹
22

23 In NSP's Cost of Service Study (COSS) cost-based demand charge for PHP is
24 based on 65 MW of peak demand, comprising 8 MW of firm and 57 MW of
25 interruptible demand. NSP's COSS assigns the same weight and value to firm and
26 interruptible PHP demands in allocating demand-related costs to FAM rate
27 classes.²
28

29 Given that interruptible demand of 57 MW is included in the determination of the
30 embedded cost-of-service demand charge, applying interruptible credit to PHP
31 that exceeds the embedded cost-of-service demand charge would result in the
32 credit that exceeds the fixed cost contribution that PHP is paying into NSP's
33 embedded infrastructure.
34

35 In other words, this would result in a negative contribution from PHP to the
36 embedded system costs (NSP would be paying PHP over and above the allocated
37 demand costs to PHP). This shortfall would then need to be recovered from other
38 ATL customers, which contradicts regulatory principles of fairness of rates and
39 avoidance of undue discrimination.

¹ See M12451 2026-2027 GRA SR-01 Att 05 PCON, tab “BCF Allocation”, column C “Relative Shares of Embedded Cost Classes”;

See also M12451 Exhibit N-9 Appendix 12A(3), page 14 of 310, which notes: “Fairness Principles generally interpreted as cost recovery by class based on fully allocated embedded costs.”

² See M12451 2026-2027 GRA SR-01 Att 05 PCON, tab “BCF Allocation”, column C “Relative Shares of Embedded Cost Classes”, which uses 3CP demand at 65 MW for PHP.

- 1
2 b) InterGroup cannot confirm whether under NSP's COS a portion of capacity costs
3 are functionalized as energy cost.
4

5 NSP's 2026-2027 GRA COSS Process document explains that NSP's COSS
6 follows the following three steps: (i) functionalization of the revenue requirement
7 (i.e., generation, transmission, distribution, and retail); (ii) classification of the
8 functionalized costs as demand, energy, and customer related costs; and (iii)
9 allocation of the functionalized and classified costs to customers classes based on
10 their respective demands, energy use, customer number, or other established
11 allocator base.³
12

13 Based on NSP's 2026-2027 GRA COSS Process document, costs are first
14 functionalized and then classified as capacity-related (i.e. demand), energy-
15 related, and customer related.
16

17 **PHP Request IR-4:**
18

19 **Reference: Testimony, pages 6-7. "As confirmed by NSP in various responses to**
20 **Information Requests from interveners, the billing demand, used in arriving at**
21 **\$13.107/kVA, equals the fixed 65 MW determinant, minus the 8 MW firm, which is**
22 **the same as PHP's assumed interruptible load at the time of system peak.**
23 **However, the 65 MW determinant is not a metered and confirmed non-coincident**
24 **peak for PHP, which would be the practice applied to LIIR customers. As provided**
25 **by NSP, PHP's average load alone is approximately 124 MW and PHP's peak load**
26 **is expected to be approximately 155 MW. It is not clear why derivation of an**
27 **interruptible credit rate to PHP would use the same kW demand figure for both**
28 **coincident and non-coincident PHP peaks, which is not supported by PHP's**
29 **historical peak load."**

- 30 a) Explain how the interruptible demand level is "metered" for LIIR customers.
31
32 b) Does Intergroup agree that PHP's demand at the time of interruption would be
33 "metered" to ensure compliance with the Interruptible Rider? Please explain.
34
35 c) Are the Intergroup consultants suggesting that the "non-coincident PHP peaks"
36 and the firm demand levels are the more appropriate values to be used when
37 calculating PHP's interruptible demand? Please explain.

38 **CA Response IR-4:**
39

- 40 a) and b) Please see the response to NSPI (SBA) IR-1(h) (Exhibit N-9), where NSP
41 states as follows:
42

³ M12451, Exhibit N-9, page 10 and 11 of 29.

1 Under the Large Industrial Tariff, billing demand is based on metered
2 demand. Under the ELID Tariff, as discussed in Section 2.2 of the
3 Application, recognizing the potential variance between demand for the
4 purposes of cost of service and actual demands across the year, the
5 Company is proposing that the cost of service assumption also be used for
6 billing purposes.
7 (underlining added)

8
9 InterGroup understands that NSP calculated interruptible credit rate of \$13.70/kVA
10 based on cost of service assumption of 65 MW for billing purposes. Accordingly,
11 whether PHP's demand at the time of interruption would be "metered", or not, does
12 not ensure compliance with the Interruptible Rider as it would not affect
13 determination of the interruptible credit rate to PHP.

- 14
15 c) InterGroup's position is that PHP's interruptible demand for 2026 and 2027 test
16 years should be calculated consistent with the load characteristics set out in the
17 SA.

18
19 Beyond 2027, PHP's interruptible credit rate, if determined applicable based on a
20 further review by the Board, should be set using confirmed coincident and non-
21 coincident peaks, based on PHP's historical peak load.

22
23 **PHP Request IR-5:**

24
25 **Reference: Testimony, page 10. "In InterGroup's view, the proposed ELID Tariff**
26 **includes many moving parts, including changes as compared to the ELIADC Tariff,**
27 **with complex interactions between different components. Given this, the proposed**
28 **change in the DR credit ratio to PHP is very big and its reasonableness should be**
29 **further tested."**

- 30 a) Is InterGroup suggesting that the performance of another customer class under
31 their applicable rider should determine the benefits received by other customer
32 classes? Please explain.
33
34 b) Should other customer classes receive a share of penalties for non-performance
35 under a rider for a customer class that incurred a penalty? Please explain.

36 **CA Response IR-5:**

- 37
38 a) No. InterGroup's evidence page 9 and 10 discusses NSP's response to NSEB-3
39 (Exhibit N-7), where NSP states:

40
41 While on the ELIADC Tariff, 75 percent of the Active Demand Control
42 (ADC) value was assigned to FAM. However, under the ELIADC Tariff,
43 non-fuel cost recovery was not embedded cost-based. On the ELID
44 Tariff, which is an above-the-line embedded cost of service based tariff,

1 PHP will contribute a full allocation of fixed costs, which is a benefit to
2 all customers.

3
4 Like the operational and capital costs incurred by PHP to accommodate
5 NS Power's dispatch of its load, the benefit created by this service
6 compared to running flat will accrue solely to PHP. This is considered
7 appropriate as a Rider applied to an ATL tariff because the energy and
8 demand charges applicable to PHP are embedded cost based and as
9 such provide for the recovery of the fixed transmission and generation
10 costs allocated to PHP in accordance with the Cost of Service (as is the
11 case with other ATL customers).

12
13 In this respect, InterGroup notes that the proposed ELID tariff includes significant
14 changes as compared to the ELIADC Tariff, with complex interactions between
15 different components that do impact other customer classes. For example, the
16 proposed ELID Tariff includes interruptible credit to PHP, while discontinuing a
17 Variable Capital Charge currently in place under the ELIADC Tariff, both of which
18 reduce PHP's fixed cost contribution.

19
20 InterGroup further notes that, as proposed, the DR calculated benefits will translate
21 to equal cost increase to other customer classes – therefore any “savings” to PHP
22 resulting from the DR mechanism will be paid by other ATL customers.

23
24 As explained by NSP:⁴

25
26 under the DR PHP can “ignore DR price signals and operate how
27 they want without restriction, but at a net cost to their DR credit.” NS
28 Power cannot “force PHP consumption profiles under the DR.”

29 ...

30 In circumstances where PHP “didn't optimize (or only partially
31 optimize,” the cost of serving the NS Power customer base will
32 increase but the credit earned by PHP would decrease by an equal
33 and offsetting amount.

34
35 For the 2026 and 2027 test years, because the credit to PHP is not
36 included in the Fuel Cost, the sub-optimization would result in
37 increased FAM costs.

38
39 Accordingly, the proposed DR credit to PHP is based on a modeled (i.e.
40 theoretical) PHP Customer Baseline Load with any payment to PHP being
41 recovered from other ATL customers via FAM. The DR ratio level would only
42 determine the scale of costs recovered from other customers via FAM.

- 43
44 b) No, because such practice would be inconsistent with the cost causation and rates
45 fairness principles of regulatory rate setting. Since PHP makes its operational

⁴ Exhibit N-18, Responses to IG Consultant Questions 1 and 2.

1 decisions independently, other customers cannot be responsible for costs caused
2 by PHP's decisions.

3
4 As explained by NSP:⁵

5
6 under the DR PHP can "ignore DR price signals and operate how
7 they want without restriction, but at a net cost to their DR credit." NS
8 Power cannot "force PHP consumption profiles under the DR."
9

10 InterGroup's concern is with respect to the impact on customers of this optional
11 DR mechanism based on a modeled (i.e. theoretical) Customer Baseline Load.
12
13

14 **PHP Request IR-6:**

15
16 **Reference: Testimony, page 13. "In InterGroup's view there is a risk the pairing the**
17 **proposed Dispatchable Rider with the proposed Interruptible Credit credits PHP**
18 **twice for effectively the same provision."**

- 19 a) Does Intergroup agree that the Dispatchable Rider provides benefits to PHP based
20 on the fuel and O&M savings if operating at reduced load levels during periods of
21 higher marginal fuel costs? Please explain.
22
23 b) Does Intergroup agree that the Interruptible Rider provides benefits to PHP based
24 on avoided capacity savings if operating at reduced load levels during interruptible
25 events? Please explain.
26
27 c) Please explain whether Intergroup agrees that the savings identified in subparts
28 (a) and (b) are distinct from one another. If not confirmed, explain the "risk" in
29 pairing distinct benefit streams to PHP.
30

31 **CA Response IR-6:**

- 32
33 a) and b) The stated assertion that the two services are distinct and PHP is being
34 compensated for two separate value streams (IR for planning relief (i.e the
35 avoided cost of building new generation) and DR for operational cost relief (i.e.
36 the avoidance of high real-time marginal costs) is consistent with NSP's
37 positions.⁶
38
39 c) InterGroup would agree that the savings identified in subparts (a) and (b) are
40 distinct from another in theory. However, this requires that the relevant portions of
41 the load can be identified and stacked so it can be practically verified that
42 compensations paid to PHP are not for the same service.
43

⁵ Exhibit N-18, Responses to IG Consultant Questions – 1 of 4.

⁶ NSP Response to Information Request Synapse-14 (c-d).

1 However, in various responses to intervenor Information Requests, NSP was not able
2 to identify this difference in practical terms under the ELIADC or other tariffs applicable
3 to PHP. In particular:
4

- 5 • In response to an Industrial Group information request NSP confirmed that zero
6 interruption calls were initiated under the interruptible provisions of the ELIADC
7 Tariff since the ELIADC Tariff came into effect on January 1, 2020 and PHP has
8 not been called for load reductions under the Interruptible provisions of the
9 ELIADC.⁷
- 10 • There were instances where PHP's load was above its minimum house load,
11 but other interruptible customers were called on.⁸
- 12 • NSP also confirmed that during periods of capacity scarcity, generally PHP load
13 has already been dispatched down and thus no PHP load is available to
14 participate in the interruption process.⁹
- 15 • NSP confirmed that PHP can simultaneously receive (i) a DR credit for being
16 dispatched down through the Dispatchable Rider and (ii) an interruptible credit
17 for having its load interrupted under the Interruptible Rider relates to the same
18 reduction in load.¹⁰
19

20 Accordingly, there is a risk that PHP may receive duplicate credit for effectively the
21 same provision through both the proposed Dispatchable Rider and the proposed
22 Interruptible Credit.
23
24
25
26

⁷ NSP Response to Information Request IG-13 (c-d), (f); NSP Response to Information Request Synapse-15 (c).

⁸ NSP Response to Information Request IG-13 (e).

⁹ NSP Response to Information Request Synapse-23 (d); NSP Response to Information Request IG-13 (a).

¹⁰ NSP Response to Information Request IG-23 (c).