Request IR-10:

The following questions are follow-up questions regarding the response provided by NSPI's to parts of SBA IR-8:

(a) In response to SBA IR-8(b), please explain why the Company is proposing to base the top-up energy rate on a 10-year analysis rather than a single year?

(b) Also relative to the NSPI Response to IR-8(b), the Company refers to its response to CA IR-15(a) which shows that a single year avoided cost analysis results in significantly lower avoided costs (4.53 cents per kWh for 2016 as compared to the 6.65 cents per kWh proposed for the Top-up Energy Rate).

(i) Please explain in detail how the accounting will work for the revenue and margin created for by the Top-up Energy Rate?

(ii) Will the margin accrue to current or future ratepayer who are not taking RtR service?

(iii) Will the margin accrue to customers taking RtR service or future RtR service customers?

(c) Referring to the Company's response to IR-8(e-f), are the other "Annually Adjusted Rates" required by legislation to have no impact on the customers not on those rates?

Response IR-10:

(a) The Company is proposing that going forward, commencing in 2017, a single year analysis be used for the RtR tariffs consistent with the treatment of other Annually

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Adjusted Rates. For the purposes of rate calculations in support of this submission the Company used the 10 year analysis to take advantage of the IRP information already on the regulatory record and to illustrate a longer-term pricing level under the top-up rate.

(b) The unit cost of 4.53 c/kWh represents a forecast of the avoided cost of a 25 MW flat decrement for 2016 while the unit cost of 6.65 c/kWh represents an avoided cost of top-up energy with a varying hourly load shape derived from a 10 year simulation study from years 2018 – 2027. A direct comparison of these two figures is not meaningful. For the purposes of answering this question, the Company defines the referred margin to be the difference of 1.38 c/kWh between the top-up rate of 6.65 c/kWh and spill rate of 5.27 c/kWh, all of which come from the same 10 year simulation study.

(i) The spread between the fuel cost portion of the top-up rate and the spill rate (1.38 c/kWh) compensates for the higher unit incremental cost incurred by the Company on average during top-up periods than the unit incremental costs that it avoids on average during spill periods. From a FAM accounting perspective, the fuel cost portion of top-up associated with 6.65 c/kWh (this includes the difference of 1.38 c/kWh) will be accounted for as a credit subtracted from the actual cost of fuel, and the spill (5.27 c/kWh) amount will be accounted as a debit added to the actual cost of fuel.

(ii) Yes. The amount associated with the spread between the variable cost of the top-up rate and the spill rate (1.38 c/kWh) will accrue to FAM customers in the current period and be reflected in future period FAM recoveries.

(iii) Per Part (i), the difference between the top-up and spill rates reflect the forecast cost of providing these services and will be included in the charges to LRS for the current period. Please refer also to **SBA IR-11**.

(c) No. Please refer to **SBA IR-12.**

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Request IR-11:

In NSPI's response to NSUARB IR-1(a) ''NS Power does not anticipate true-ups of RtR revenues to forecasted or adjustments for over-earnings to apply to this market". How is this consistent with the legislations requirement that RtR service cannot impact customers not taking RtR service?

Response IR-11:

Please refer to the Cary Report (**Appendix 16**), section 4.2 at page 18.

NS Power's proposed RtR tariff framework reflects the framework in place for Annually Adjusted Rates (AAR), which include the Back-up/Top-up and Spill tariffs applicable to the competitive wholesale market. The reasons for this include:

(i) The AAR tariffs are designed to align with the specific consumption patterns of the AAR customers. This is consistent with the RtR framework where the LRS is expected to supply electricity in a manner which meets the specific requirements of its customers.

(ii) Like AAR customers, the RtR customers have a choice whether to subscribe to RtR service at the price it is offered. Conventional, bundled service tariffs remain available to AAR customers as is the case with RTR customers. Conventional bundled service tariffs include the FAM framework. The AAR tariffs do not. As proposed by NS Power, the RtR tariffs will also not be subject to these provisions.

(iii) Like the AAR tariffs, the RtR tariffs as proposed include an annual estimate of the actual variable cost of serving this load (i.e. the cost of fuel) versus the average cost approach employed in bundled service tariffs. This is most effectively addressed through the established AAR rate-setting mechanism.

NS Power's proposal reasonably meets the legislative requirements that other customers not be negatively affected by the RtR market opening and minimizes the cost of administering this market, while providing LRSs with some certainty during the market opening.

The Company submits that this approach is particularly appropriate in the early stages of market development when the pace and scope of this market opening is unknown, and the risk to other customers is minimized through the annual AAR rate-setting process. As the RtR market develops in Nova Scotia, it is expected that the RtR tariffs will continue to be reviewed in future proceedings.

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Request IR-12:

In NSPI's response to NSUARB IR-l(d) refers to several rate tariffs. Are any of these rate tariffs governed by legislations requirement that RtR service cannot impact customers not taking RtR service?

Response IR-12:

Section 3G (2) (a) of the Electricity Act provides as follows:

(a) Customers of Nova Scotia Power Incorporated and persons who, at the coming into force of this Section, are independent power producers or hold feed-in tariff approvals within the meaning of the regulations are not to be negatively affected if some retail customers choose to purchase renewable low-impact electricity from a retail supplier.

The section does not differentiate among customers served under the Annually Adjusted Rates or rates changed in General Rate Applications.

If the question was intended to query whether, in the approval of Annually Adjusted Rates, the Board is subject to a legislative requirement that the AARs not negatively affect other customers, the answer is no. However, the established process for Annually Adjusted Rate development is that the rates approved by the Board reflect the forecast cost to serve AAR customers. Like the RtR framework proposed by NS Power, the AARs are based on a one year forecast and there is no true-up as the year unfolds.

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Request IR-13:

Referring to NSPI's response to NSUARB IR-15;

(a) **Do any of the costs listed in response to IR-15(a) include any costs associated with NS Power staff such as salary, benefits, G&A etc.?**

(b) **Does the $440,000 in costs in response to IR-15(c) include any costs associated with NS Power staff such as salary, benefits, G&A etc.?**

Response IR-13:

(a-b) In NS Power's response to **NSUARB IR-5**, it stated that the Company has accumulated approximately $400,000 in RtR Market development costs.

The costs cited do not include labour or benefits costs associated with NS Power's regular labour workforce. Included in the costs are the labour and benefits of one Term Employee engaged solely to support the RtR project.