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January 30, 2026

Ms. Crystal Henwood
Regulatory Affairs Officer/Clerk of the Board
Nova Scotia Energy Board
3rd Floor, 1601 Lower Water Street
Halifax, NS B3J 3P6

Dear Ms. Henwood:

Re: Matter M12451 – Nova Scotia Power Inc. ("NS Power") 2026 General Rate Application ("GRA") – Submissions on behalf of Port Hawkesbury Paper LP ("PHP")

On September 18, 2025, NS Power filed its 2026 GRA with the Nova Scotia Energy Board (the "Board"). Pursuant to the schedule established by the Board, please accept this letter as PHP's closing submissions in this matter, which support approval of the Consensus Agreement reached with customer representatives.

The Board summarized its approach to settlement agreements in Section 6.2 of its February 2, 2023 decision in relation to NS Power's most recent GRA (Matter M10431), noting that in the Board's consideration of such agreements, "…its ultimate duty is to ensure that the terms of agreement are just, reasonable and in the public interest." The Board went on to note as follows at paras. 72-73:

> "An appropriate starting point for the Board's review is to consider the overall context underlying the GRA Settlement Agreement presented by the Utility. The signatories to the agreement included the representatives of all major customer classes representing most of NS Power's customers, as well as other parties who participate in various NS Power matters before the Board. A number of these representatives have significant experience in proceedings involving NS Power at the Board, including general rate applications, fuel matters and the FAM Audit, annual capital expenditure (ACE) applications, annually adjusted rates, proceedings involving DSM and EfficiencyOne, the Maritime Link, rates like the BUTU, Shore Power, and the ELIADC, and renewable matters like COMFIT, renewable energy procurements, Renewable to Retail, and the NS Power Smart Grid pilot project, among other proceedings. The Board is mindful that this experience has provided these parties and their representatives with a broad understanding of NS Power, its infrastructure, and its operational realities.
>
> Moreover, the GRA Settlement Agreement represents a comprehensive resolution of many complex issues raised in this GRA, with only a few exceptions involving the MEUs remaining outstanding. Despite these outstanding issues, the MEUs

> executed the GRA Settlement Agreement on all other points covered by the settlement. The broad range of issues settled among the parties, considered in conjunction with the signatories representing most of the customers joining the settlement, provides greater confidence to the Board that approving it would be in the public interest."

In this case, the Consensus Agreement is the result of an even more extensive collaborative process involving NS Power and its customer representatives. The collaborative process leading to the Consensus Agreement began back in December 2023, when NS Power initiated the Cost of Service Study ("COSS") review process as directed by the Board. As NS Power notes at page 8 of its GRA:

> "This COSS was carried out with customer representatives, Board counsel and staff, and participants' expert consultants throughout 2024 and early 2025. This GRA was then subsequently developed over several months and its development included multiple technical conferences and meetings between the NS Power and Customer Representatives to discuss and understand all Parties' positions on the various elements of the GRA. Hundreds of detailed questions and requests for additional information from Customer Representatives were responded to by NS Power and, the Parties participated in multiple meetings where the GRA was negotiated, with the result being a consensus on the outcomes. Throughout the entirety of this process, Customer Representatives were aided by their expert consultants."

Accordingly, PHP respectfully submits that the Board should have confidence that approving the Consensus Agreement is just, reasonable, and in the public interest. Should the Board determine that any modifications should be made to the Consensus Agreement, it should ensure that any such modifications do not have negative implications on NS Power customers. With respect to the treatment of PHP specifically, as Mr. Williams confirmed in response to Board counsel, NS Power is not seeking approval of the assumptions that have gone into the tariff with respect to PHP, as those are to be dealt with in the Tariff Application filed on December 29, 2025.[1] The Consensus Agreement provides for a deferral account for any NS Power revenue variances that may arise in 2026 or 2027 as compared to those assumptions, and it remains open for all Parties to take any position they so choose in the PHP and ADC tariff processes.[2]

The remainder of this submission provides additional comments on two specific points:

1. The COSS put forward in the draft GRA should be approved as agreed. Synapse's recommendation that issues such as NS Power's proposed classification of generation and transmission costs should be revisited should not be accepted at this time; and

2. NS Power's request to begin deferring the depreciation expense and financing costs of the assets intended to be securitized over the test year on January 1, 2026 should be rejected, as the timing of that deferral must start on the date new rates take effect.

[1] Transcript, page 136, line 1 to page 141, line 8.

[2] Ex. N-27, NSPI (NSEB) IR-1, Attachment 1, Page 12 of 21, Consensus Agreement, PHP Treatment, sections (f) and (g).

1. ***The COSS Should Be Approved Consistent with the Consensus Agreement***

Prior to the current proceeding, NS Power's COSS has been subject to a full review only once since 1995. At paras. 56-57 of its November 29, 2011 decision approving NS Power's 2012 GRA, the Board agreed with the recommendations of most Intervenors that there was merit in reviewing the then-current COSS, which had been in place since 1995. The Board ordered that NS Power plan for a COSS hearing in 2013. That hearing took place in December 2013, and an amended COSS was approved in the Board's March 11, 2014 decision.

As part of the Settlement Agreement in NS Power's 2022-2024 GRA, the parties agreed that NS Power must file a COSS prior to filing its next GRA or December 31, 2025. The Board agreed, finding as follows at para. 367 of its decision in that case:

> "The Board concurs that the COSS and Line Loss Study should be updated to reflect a number of developments impacting NS Power's system since the 2013 COSS, including the greater integration of wind and other renewables, the addition of gas fired generation, the phasing-out of coal fired generation, the use of grid-scale battery storage, the increased reliance on purchased power agreements, and the integration of bundled and unbundled services, among other issues. All other cost allocation methodologies should be reviewed for their continued relevance and application. The Board concludes that this provision of the GRA Settlement Agreement is appropriate and directs the process and timeline as agreed to by the parties. The Board directs that semi-annual progress reports must be filed with the Board starting January 31, 2024."

NS Power provided a summary of the COSS process, including the rationale for all proposed modifications to the existing COSS, in Exhibit N-9, Appendix 12A. With respect to stakeholder engagement, NS Power states at page 7:

> "An extensive exchange of information took place through presentations, modelling, and data request (DR) cycles across the year. 67 models and iterations of models were prepared and are attached to this COSS as Appendix 12A(1). In addition to that, stakeholders asked 152 DRs, these DRs and NS Power's responses to those DRs are appended to this COSS as Appendix 12A(2). Other information provided included presentations and slide decks provided by NS Power and its consultants, appended as Appendix 12A(3), jurisdictional scans, appended as Appendix 12A(4), and memorandums, appended as Appendix 12A(5)."

In response to questions from Board Counsel, Mr. Willett further summarized the detailed nature of the COSS stakeholder engagement process:

> "…we opened the process with the Board back in December of 2023, and throughout 2024 we would have had numerous stakeholder sessions with customer representatives, their experts, and on behalf of Nova Scotia Power we had Elenchus, who was facilitating those discussions.
>
> Reflecting on those discussions, this was an opportunity for Intervenors to gain a better understanding of the cost-of-service employed at — the current cost-of-service employed at Nova Scotia Power, the history of the cost-of-service at Nova Scotia Power, and also for Nova Scotia Power to hear from customer

> representatives and their experts about challenges that they have with Nova Scotia Power's cost-of-service that was employed at the time.
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> Also, it was an opportunity to look at the changing system, the Path to 2030. What is changing on the system as we phase out coal over time, add more renewables to the system, and how has that impacted the way we are doing the cost-of-service?
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> So we went through that process. We initiated an extensive data request process as part of that proceeding. We filed that as evidence in our appendix for the cost of service. I believe there was over 150 data requests. We had somewhere in the range of 50 to 75 extensive modelling exercises that were reviewed with stakeholders as well. And that resulted also in a two-day session that was facilitated by Bruce Outhouse, who is very familiar to this Board, to try and come to a consensus on a number of the items of the cost of service.
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> Following that process, the analysis was all done on historic 2023 cost-of-service data. So one of the items that was identified as a concern for Intervenors was understanding the impact of the cost of service on an actual future revenue requirement or the General Rate Application that's in front of the Board today. So they wanted to see those impacts, and that's when we started to have the General Rate Application discussions about the revenue requirement and the cost-of-service impacts on that revenue requirement, and it resulted in the overall Settlement Agreement with stakeholders."[3]

Mr. Willett confirmed that following the two-day session in November 2024 that Board counsel attended along with Board staff and Synapse, the discussions among the utility and the intervenors continued with no involvement from Board staff or Synapse in relation to cost of service.[4] As noted, these discussions included specific consideration of the impact of the COSS changes on the revenue requirements for the 2026 and 2027 test years, as well as review and further discussion of the draft report by Elenchus dated April 25, 2025, which was filed as Exhibit N-9, Appendix 12B (pdf pages 1659-1713). At page 6 of its report (page 1664 of the pdf), Elenchus states, in part:

> It is Elenchus' opinion that all proposed changes to NS Power's COSS are consistent with generally accepted ratemaking principles and practice. The changes are best viewed as refinements that are needed to ensure that NS Power's costs are recovered in the future from its customer classes in a manner that equitably assigns costs to customer classes to reflect the costs that are caused by each class.
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> In Elenchus' opinion, the aforementioned developments in the industry and NS Power's operations justify treating its embedded generation assets and other supply options as an integrated and flexible supply portfolio. Hence, the proposal to aggregate generation costs as a common supply resource and classify those costs using the system load factor is appropriate. Furthermore, this proposal will

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[3] Transcript, page 99, line 17 to page 102, line 1.
[4] Transcript, page 102, line 19 to page 103, line 2.

result in better alignment of NS Power COSS with the methodologies generally approved in other Canadian jurisdictions.

Other refinements to the treatment of generation cost relate to specific issues that have arisen as a result of the evolution of NS Power's supply portfolio. In particular, the unique characteristics of radial transmission justifies the functionalization of the costs of those wire assets as generation-related rather than transmission-related.

Turning to the transmission function, it was noted that NS Power's current classification is not consistent with standard practice across Canada which is to classify these costs as 100% demand. Changing the classification of these costs to 100% demand reflects not only standard practice, but also the operational reality that the cost driver for transmission costs is the peak demand on transmission facilities and better aligns bundled and unbundled rates…

A further proposed refinement stems from NS Power's analysis of the current system and customer benefits of DSM. This analysis demonstrates that it is appropriate to base the weighting of the riders fully on the customer class receiving the benefit…"

The year-and-a-half long consultative process was clearly extensive, and not the type of undertaking that could reasonably be expected to re-occur on a frequent basis. It is also important to note, as Mr. Willett and Mr. Williams both stated, the overall review was driven by a focus on cost causation:

"And maybe I'll just step back for one second as well. When you're looking at a Cost-of-Service Study, you're looking at attempting to assign costs based on cost causation. And so that was the core for development of this cost-of-service, looking at how things have changed and ensuring that we're assigning costs based on cost causation. So there has been more costs allocated to the domestic customer class based on the cost-of-service and based on those principles of cost causation."[5]

"…we approached this, just as everyone that participated in the process approached the cost of service from a principled basis, not looking for necessarily an outcome, and so it was about determining what is the most reasonable approach to address or identify the cost causation. And so that's where we were driving towards and that's what we arrived at, and that's what we've moved forward with."[6]

In such circumstances, where the COSS issues under review are complex, contentious, inter-related, and all customer representatives participated fully with the assistance of experts, PHP submits that the Board should have considerable confidence that the overall result is just and reasonable and should be approved and implemented as specifically agreed by all the parties.

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[5] Transcript, page 96, lines 3-12.
[6] Transcript, page 175, line 15 to page 176, line 3.

In this regard, PHP shares the expectation noted by Mr. Williams that, in reaching the Consensus Agreement on the COSS issues, the intent would not be for these issues to be immediately re-opened for review in the next GRA as recommended by Synapse. As Mr. Williams stated:

> "Thanks, Mr. Mahody. I think what the Settlement Agreement does is it expressly identifies Minimum System as being subject to what we would see as a standalone application or matter that we would bring to the Board in 2026, and that's what's described in the Settlement Agreement. And as it says in the Settlement Agreement, any party may take any position they so choose.
>
> Subsequent to the test period, the '26-'27 test period, we would not — our expectation is not that the Settlement Agreement or the positions that parties have taken in relation to the Settlement Agreement in any way binds them, and all cost-of-service issues would be before the Board for consideration at the next General Rate Application or the next standalone cost-of-service proceeding.
>
> That said, I think there is an expectation -- I know there is an expectation from Nova Scotia Power, and I would think there's a similar expectation from all parties, that we're not redoing the same extensive cost-of-service process that we just undertook in relation to all cost-of-service matters in subsequent proceedings. I would expect that we do get some value out of what we just went through, but certainly the Minimum System is one that was identified as being for further consideration."[7]

Based on the considerable record before the Board, PHP submits that the recommendations made by Synapse at pages 18-19 of its evidence (Ex. N-37) that "several other COSS methods" in addition to the minimum system methodology should be subject to a future proceeding and determination by the Board should not be accepted at this time. The COSS provides the underpinning costs to be collected from the various rate classes, and a level of stability is appropriate in this regard as has historically been the case in Nova Scotia.

The issue of the continued use of the minimum system methodology was specifically carved out for determination by the Board in a separate proceeding. It would not be appropriate to expand the scope of that consideration to include issues that the parties did not specifically identify as meriting additional study after extensive and costly review. This is especially the case where the rationale in favour of the agreed changes has been clearly put forward on the record by NS Power and Elenchus, with the support of affected customer representatives.[8]

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[7] Transcript, page 127, line 10 to page 128, line 16.

[8] At page 1326, lines 16-18 of the Transcript, Ms. Palmer of Synapse appeared to indicate that there has not been a rationale put forward as to why the changes are deemed the appropriate methodology for NS Power. At page 1344, lines 4-6, she clarified that her point was that NS Power has not elucidated how the concerns of various parties raised during the stakeholder process were assuaged. Of course, it is in the nature of settlement agreements that parties do not provide detailed reasons how it reached agreement on each of the items. This is not a basis for re-opening an extensive review of issues that have been agreed by affected customer class representatives.

2. *The Securitization Deferral Should Only Begin When New Rates Take Effect*

NS Power's GRA requests approval of revenue requirements for the utility and requests adjustments to electricity rates for 2026 and 2027, effective January 1, 2026 (page 9). This is consistent with the Consensus Agreement, which states: "Rates are proposed to be effective January 1, 2026 and the Parties will make all reasonable efforts to facilitate and support a process that will result in this outcome."[9]

The GRA also requests that if securitization is delayed such that it cannot be completed in whole or in part by January 1, 2026, NS Power is requesting that depreciation expense and financing costs of these assets be deferred at WACC on an interim basis (pages 52-53). NS Power confirmed in response to the Small Business Advocate that there is nothing in the Settlement or Consensus Agreement with respect to the requested deferral that is included in the Application.[10]

If NS Power's proposed rates were, in fact, approved effective January 1, 2026, the costs of the assets to be securitized would have been removed from the revenue requirements used to establish NS Power's new general rates as of that date. In such circumstances, there would be no issue with NS Power's proposal to defer the depreciation expense and financing costs of the assets to be securitized effective as of the same date. This is because there would be no mismatch or overlap between the costs used in establishing prior rates and the costs to be deferred for securitization going forward. However, it is now clear that NS Power's proposed general rates will come into effect some time after January 1, 2026. Yet NS Power has confirmed it is still requesting that the Board approve the deferral of depreciation expense and financing costs of the assets to be securitized from January 1, 2026, and not from the date that new rates are going to be in place.[11] For the reasons noted below, PHP submits this would not be appropriate.

Effectively, NS Power is asking to recover costs associated with to-be securitized assets differently than other similar generation assets simply because NS Power has proposed to securitize them, and did not have new rates in place before the assumed securitization period.[12] If permitted, this would provide NS Power with the opportunity to defer and recover costs for the to-be securitized assets in advance of the Board's approval of new general rates for similar assets.

The timing of securitization is not the issue. Consider what would happen in the event securitization never occurs. If NS Power's proposal is approved, it could apply for recovery of the depreciation and financing costs associated with those assets starting from January 1, 2026, even though the Board's approval for new rates associated with the 2026 test year revenue requirement did not occur until sometime later in 2026. This would result in customers paying more than if securitization was never put forward as a concept in the first place.

In support of its proposal, NS Power attempted to argue that the costs of the assets are not necessarily included in existing rates because of the way rates were capped.[13] But it is NS Power that is in control of the timing of its rate applications. There is no dispute that these same

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[9] Ex. N-27, NSPI (NSEB) IR-1, Attachment 1, Page 9 of 21, Consensus Agreement, Rates, section (a).
[10] Transcript, page 209, lines 11-14.
[11] Transcript, page 215, line 14 to page 216, line 2 and page 629, lines 13-16.
[12] Transcript, page 633, line 13 to page 635, line 4.
[13] Transcript, page 214, lines 7-13.

assets were included in the revenue requirements NS Power proposed as part of the 2022-2024 GRA that led to the establishment of existing rates.[14] To the extent that existing rates are not sufficient to meet NS Power's revenue requirements, it remains NS Power's obligation to bring forward GRAs in a timely manner.

The use of securitization to achieve cost savings was a critical component of the Consensus Agreement from the ratepayer perspective. In response to IR-7 from the Board's consultant, Morrison Park Advisors, NS Power estimated the approximate ratepayer benefit would be $85 million over the 2026-2027 time period. As Mr. Fleming noted in response to questions from counsel to PHP, securitization was "…a centrepiece of the General Rate Application, and it's a significant cost savings for customers as well as significant foregone earnings for Nova Scotia Power."[15] NS Power should continue its efforts to pursue securitization. However, if securitization does not ultimately proceed, the potential for cost savings in other areas will need to be explored in order to keep NS Power's rates in a just and reasonable range going forward. Providing NS Power with the opportunity to recover additional costs effective January 1, 2026, prior to the Board's approval of new rates, would be contrary to such efforts.

Thank you for the opportunity to submit these comments.

Yours truly,

David MacDougall

cc: M12451 Participants

[14] Transcript, page 214, lines 11-12.
[15] Transcript, page 625, lines 15-18.