

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper  
(M12661) Bates White Evidence – Redacted Version

# **Nova Scotia Energy Board**

**IN THE MATTER OF** an application by **Nova Scotia Power, Inc.**  
for approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper

M12661

**Evidence Filed By:**  
**Bates White Economic Consulting**  
**On behalf of:**  
**The Nova Scotia Energy Board**

**May 8, 2026**

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

**Table of Contents**

|      |                                                   |    |
|------|---------------------------------------------------|----|
| I.   | Introduction and Summary .....                    | 3  |
| II.  | Assessment of the Customer Charge .....           | 9  |
| III. | Assessment of the Energy Charge .....             | 14 |
| IV.  | Assessment of the Dispatchable Rider Credit ..... | 18 |
| V.   | Treatment of Goose Harbour Output .....           | 29 |
| VI.  | Recommendations .....                             | 35 |

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

**I. Introduction and Summary**

**Q. What is the purpose of your evidence in this proceeding?**

A. On December 29, 2025, Nova Scotia Power, Inc. (“NSPI”) filed a letter with the Nova Scotia Energy Board (“Board”) seeking approval for the Extra Large Industrial Dispatchable (“ELID”) Tariff, an above-the-line (“ATL”) tariff for Port Hawkesbury Paper (“PHP”).<sup>1</sup> As the independent consultant retained by the Board, Bates White Economic Consulting (“Bates White”) was asked to review and address aspects of NSPI’s application. Specifically, our scope of work is focused on three key aspects of the ELID Tariff: (1) the Energy Charge, (2) the Customer Charge, and (3) the treatment of the Goose Harbour Lake Wind Farm (“Goose Harbour”). Additionally, we provide a review of the Dispatchable Rider Credit (“DR Credit”).

**Q. Please summarize NSPI’s Application.**

A. NSPI explains that the ELID Tariff is intended to replace the current tariff applicable to PHP, the Extra Large Industrial Active Demand Control (“ELIADC”) Tariff, on or before January 1, 2027, as the ELIADC Tariff is set to expire at the end of 2026.<sup>2</sup> The proposed ELID Tariff treats PHP as an above-the-line customer.

The ELID Tariff is based on the Large Industrial (“LI”) Tariff that serves NSPI’s other large industrial customers and is a “fully cost-based tariff.”<sup>3</sup> Unlike the ELIADC Tariff, which is primarily an incremental cost-based tariff, the ELID Tariff includes both embedded and incremental cost components.<sup>4</sup> The ELID Tariff contains both charges to be paid by PHP to NSPI and credits PHP can receive from NSPI to offset its charges. Under the ELID Tariff, PHP will pay the following charges:

---

<sup>1</sup> Nova Scotia Power, Inc., “Application for Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper,” M12661, December 29, 2025 (“NSPI Application”).

<sup>2</sup> NSPI Application, page 3 lines 5 to 10.

<sup>3</sup> NSPI Application, page 3 lines 12 to 13; page 15 line 25.

<sup>4</sup> NSPI Application, page 15 lines 25 to 27.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

- 1       • **Customer Charge (\$/month):** Designed to recover the “costs associated with the provision of
- 2       dispatch service to PHP and to administer the Tariff,”<sup>5</sup> NSPI proposes a monthly charge of
- 3       \$10,000 month to apply for each month through the end of 2027.<sup>6</sup>
- 4       • **Demand Charge (\$/kVA):** NSPI proposes the Demand Charge to recover “demand-related
- 5       costs” using a methodology “based on PHP assigned demand at the time of the three coincident
- 6       peaks (3CP).”<sup>7</sup> The proposed Demand Charge is \$12.872/kVA per month in 2026 and
- 7       \$14.310/kVA per month in 2027.<sup>8</sup>
- 8       • **Energy Charge (\$/MWh):** NSPI proposes an Energy Charge of 9.977 ¢/kWh in 2026 and 11.240
- 9       ¢/kWh in 2027.<sup>9</sup> The Energy Charge was developed during NSPI’s 2026-2027 General Rate
- 10      Application (“GRA”)<sup>10</sup> and is based on assumed PHP load and output from Goose Harbour,
- 11      which serves to reduce the volume of energy (in MWh) subject to the Energy Charge.<sup>11</sup> This
- 12      “Subject Energy Amount” is calculated as PHP load minus Goose Harbour output and is
- 13      discussed further below.
- 14      • **Above-the-Line Rider charges (\$/MWh):** NSPI explains that as an above-the-line customer, the
- 15      ELID Tariff will subject PHP to “all Riders applicable to [above-the-line] customers,” including
- 16      the Demand Side Management (“DSM”) Cost Recovery Rider and Storm Cost Recovery Rider.<sup>12</sup>
- 17      PHP will also have the ability to earn credits to offset ELID Tariff charges. These credits include:
- 18      • **Dispatchable Rider Credit (\$/year):** The Dispatchable Rider (“DR”) credit is a rate credit that is
- 19      calculated after the close of an ELID Tariff year. To calculate the value of the Dispatchable Rider
- 20      Credit, NSPI will conduct an after-the-fact production cost simulation model run to determine the
- 21      total system FAM costs using “actual system conditions that occurred throughout the year,” but
- 22      assuming PHP would consume power “at a high load factor.”<sup>13</sup> NSPI would then subtract from

---

<sup>5</sup> NSPI Application, page 4 lines 21 to 22.

<sup>6</sup> NSPI Application, page 5 lines 7 to 8.

<sup>7</sup> NSPI Application, page 5 lines 15 to 17.

<sup>8</sup> NSPI Application, page 6 lines 27 to 28.

<sup>9</sup> NSPI Application, page 7 lines 20 to 21.

<sup>10</sup> NSPI’s GRA is an ongoing matter (M12451).

<sup>11</sup> NSPI Application, Attachment 4, page 11, “PHP Treatment”, item b.

<sup>12</sup> NSPI Application, page 11 lines 24 to 26.

<sup>13</sup> NSPI Application, page 10 lines 24 to 27.

---

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 this total system FAM costs the actual total system FAM costs incurred during the year.<sup>14</sup> The  
2 difference will equal the DR credit for the year, 100% of which will be credited to PHP.<sup>15</sup> The  
3 cost of the DR credit will be recovered from all above-the-line customers.<sup>16</sup>

- 4 • **Interruptible Demand Credit (\$/kVA):** The ELID Tariff contains a credit for providing  
5 interruptible service – the Interruptible Demand Credit – which equals that of other large  
6 industrial customers. Specifically, the credit is proposed to equal \$7.638/kVA in 2026 and  
7 \$7.667/kVA in 2027.<sup>17</sup>
- 8 • **Priority Interruptible Credit (\$/kVA):** NSPI also proposes to include a second interruptible  
9 credit for providing “priority interruptible service,” which means that PHP will be interrupted  
10 before other interruptible customers.<sup>18</sup> The ELID Tariff therefore includes a Priority Interruptible  
11 Credit of \$0.764/kVA in 2026 and \$0.767/kVA in 2027.<sup>19</sup>

12 Finally, under the ELID Tariff, PHP can claim the output of the Goose Harbour Wind Farm as a credit  
13 against its ELID Tariff charges. Specifically:

- 14 • **Goose Harbour Wind Farm output (MWh):** Goose Harbour is a 168 MW wind farm currently  
15 under development by Port Hawkesbury Paper Wind Ltd. (“PHPW”),<sup>20</sup> an affiliate of PHP. PHP  
16 estimates that the project, which will be the largest wind farm in the province once constructed,<sup>21</sup>  
17 will be partially commissioned in “late Q3/early Q4” 2026 (42 MW) and fully commissioned “by  
18 December 2026.”<sup>22</sup> NSPI has already executed a Power Purchase Agreement (with Port  
19 Hawkesbury Paper Wind Ltd., the “Goose Harbour PPA”) and a Power Sales Agreement (with  
20 PHP, the “Goose Harbour PSA”),<sup>23</sup> and both the PPA and PSA will operate regardless of the

---

<sup>14</sup> NSPI Application, page 10 lines 27 to 28.

<sup>15</sup> NSPI Application, page 10 lines 6 to 7.

<sup>16</sup> NSPI Application, page 10 lines 9 to 10.

<sup>17</sup> NSPI Application, page 8 lines 11 to 13.

<sup>18</sup> NSPI Application, page 8 lines 19 to 21.

<sup>19</sup> NSPI Application, page 9 lines 2 to 5.

<sup>20</sup> Port Hawkesbury Paper LP, “Application for Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper: Direct Evidence of Port Hawkesbury Paper,” M12661, February 20, 2026 (“PHP Evidence”).

<sup>21</sup> PHP Evidence, page 2 lines 11 to 13.

<sup>22</sup> PHP Evidence, page 11 lines 18 to 20.

<sup>23</sup> The PPA and PSA were filed by NSPI in response to Industrial Group IR-1 in M12184.

---

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 status of the ELID Tariff. However, the Goose Harbour project has a significant impact on the  
2 operation of the ELID Tariff as proposed.

3  
4 Under the 25-year PPA, NSPI is to buy the entirety of the net output of Goose Harbour<sup>24</sup> from  
5 Port Hawkesbury Paper Wind Ltd. at a price of \$■/MWh.<sup>25</sup> Under the 25-year PSA, PHP will  
6 buy all of the output of Goose Harbour at that same price of \$■/MWh, plus a “Sales Agreement  
7 Fee” of \$2.00/MWh or \$4.00/MWh, with the higher fee value applicable if PHP’s actual annual  
8 energy use is less than 625,000 MWh.<sup>26</sup> All output from Goose Harbour offsets PHP’s actual  
9 consumption for the purposes of rate recovery under the ELID Tariff, such that the volume of  
10 MWh on which PHP must pay the Energy Charge (the “Subject Energy Amount”) equals PHP’s  
11 load minus output from Goose Harbour.<sup>27</sup> As discussed below, PHP’s net load is not determined  
12 on an hour-by-hour basis, but in aggregate by month, meaning that the Goose Harbour output that  
13 provides the offset to PHP load does not have to be contemporaneous with that load.

14 **Q. Please summarize the direct evidence submitted on behalf of PHP.**

15 A. On February 20, 2026, PHP filed evidence in this matter that included evidence co-sponsored by  
16 two PHP employees (Bevan Lock and John Esaiw, respectively the Co-Mill Manager and the Energy  
17 Director at PHP)<sup>28</sup> as well as two external witnesses from Brubaker & Associates, Inc. (“BAI”).<sup>29</sup> The  
18 PHP Evidence makes it clear that PHP does not “agree with the proposed [ELID] Tariff as filed” and  
19 requests four changes: (1) use of a lower winter month system coincident demand for PHP interruptible  
20 load; (2) an increase to interruptible credits, (3) a change to the revenue-to-cost ratio for a new above-the-  
21 line tariff, (4) updated forecast energy requirements for PHP in 2026 and 2027 used in calculating the new  
22 above-the-line tariff.<sup>30</sup> The BAI Evidence supports the positions taken in the PHP Evidence.

---

<sup>24</sup> Goose Harbour PPA, section 4.1(a).

<sup>25</sup> Goose Harbour PPA, page (i).

<sup>26</sup> Goose Harbour PSA, page (ii).

<sup>27</sup> Goose Harbour PSA, section 2.1(a).

<sup>28</sup> PHP Evidence is Exhibit N-3 in this matter.

<sup>29</sup> Brubaker & Associates, Inc., “Application for Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper: Evidence of Colin T. Fitzhenry and Michael P. Gorman,” M12661, February 20, 2026 (“BAI Evidence”).

<sup>30</sup> PHP Evidence, page 8 lines 15 to 27.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

**Q. Do NSPI and/or PHP suggest that the ELID Tariff is proposed as a load retention tariff or as including a discounted rate for power relative to other customers?**

A. No. NSPI directly confirms this in response to a data request<sup>31</sup> and further confirms that NSPI did not undertake a review of PHP's financial condition.<sup>32</sup> In response to a data request, PHP chose not to provide its annual financial statements and indicated that "[n]othing in the [ELID] Tariff proposed in the Application or in the modifications proposed by PHP are dependent on the financial circumstances of PHP."<sup>33</sup>

**Q. Please summarize your evidence with respect to NSPI's application.**

A. Again, our evidence addresses only the Customer Charge, Energy Charge, Dispatchable Rider, and treatment of Goose Harbour output. Regarding the Customer Charge, we recommend that NSPI file additional evidentiary support for its proposed Customer Charge. Absent this, we recommend NSPI set the Customer Charge for 2026 and 2027 at the midpoint of its estimated range, or \$12,291.67/month.<sup>34</sup> We recommend that the Customer Charge be subject to reconciliation such that if actual costs of ELID Tariff administration are below the Customer Charge collections, PHP receives 100% of that amount in credits. We also recommend NSPI explain the methodology for tracking the costs of administering the ELID Tariff and how NSPI plans to ensure that 100% of the costs incurred above in administering the ELID Tariff are paid by PHP, including those above the Customer Charge collections.

In regards to the ELID Energy Charge, we recommend that it not be approved as proposed. We recommend that NSPI be required to revise the proposed Energy Charge by updating the COSS model to better reflect likely PHP net load, capturing both appropriate modifications to expected PHP gross load and, most importantly, the likely output from Goose Harbour at a facility capacity of 168 MW.

We also recommend that the Board not approve the DR credit as proposed. The Dispatchable Rider as proposed does not provide certainty that (1) any payments to PHP from FAM customers under the DR credit must be demonstrably tied to PHP deciding to shift load due to energy prices and (2) that FAM customers not be at risk of providing any compensation to PHP in hours where no load-shifting activity

---

<sup>31</sup> NSPI (BW) IR-7 (a).

<sup>32</sup> NSPI (BW) IR-7 (b).

<sup>33</sup> PHP (BW) IR-1 (a).

<sup>34</sup> \$12,291.67 is the midpoint between the low (\$10,000) and high (\$14,583.33) ends of the cost estimate range.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 due to energy prices occurred. It may be that, with additional elaboration, revisions, reporting  
2 requirements, and verifiability guardrails, the mechanism may achieve these objectives, but as proposed,  
3 it is our view that the DR credit is too vague, uncertain, unverifiable, and at risk of failing to match rider  
4 payments to load-shifting service to be recommendable for approval.

5 Regarding the treatment of output from the Goose Harbour wind farm, it is our view that the PSA  
6 treatment of Goose Harbour output has significant potential to undermine the premised treatment of PHP  
7 as an ATL customer under the ELID. Under the terms of the PSA, there is no requirement for Goose  
8 Harbour generation to actually serve PHP load hour by hour, but PHP is effectively granted a  
9 bookkeeping mechanism to replace higher-cost tariff energy with lower-cost energy from Goose Harbour.

10 Perhaps most disruptive to recovery of fully embedded costs under the ELID, the PSA allows PHP to  
11 “bank” excess Goose Harbour output, magnifying PHP’s ability to avoid tariff energy charges by  
12 applying Goose Harbour generation in one period to offset tariff purchases in a later period. The PSA  
13 also allows PHP to claim unproduced, curtailed energy to reduce tariff purchases. Finally, the PSA fails  
14 to adjust Goose Harbour energy deliveries for transmission losses. Instead, the project is treated as a  
15 behind-the-meter resource, when in fact that project is not located behind the meter, but rather is part of  
16 the grid – and generating transmission losses – the cost of which will be borne by FAM customers.

17 To be clear, we are not taking issue with the terms of the PSA. Those terms are undoubtedly  
18 advantageous and preferential to PHP, but our concern in this Evidence is the disruptive effect of the PSA  
19 on the likelihood of PHP paying its properly allocated embedded costs as an ATL customer under the  
20 ELID. Specifically, we conclude that the ELID Energy Charge as proposed does not properly reflect the  
21 likely impact of the PSA and Goose Harbour generation on PHP net load.

22 In addition to correcting the Energy Charge rates, we recommend that a true-up mechanism be created to  
23 address substantial deviations of PHP net load from expectations – including the extreme but plausible  
24 scenario in which PHP’s annual net load subject to the tariff rate is zero.

25 Given the potential for variable Goose Harbour generation to have significant effects on cost recovery –  
26 to the potential disadvantage of PHP as well as FAM customers – we recommend that NSPI evaluate cost  
27 recovery under the ELID tariff at the conclusion of each annual period.

28 **Q. Who from Bates White is sponsoring this Evidence?**

29 **A.** The authors of this evidence are Vincent Musco and Collin Cain.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

**II. Assessment of the Customer Charge**

**Q. Please describe the Customer Charge proposed by NSPI in the ELID Tariff.**

A. NSPI explains that the Customer Charge “is designed to recover the costs associated with the provision of dispatch service to PHP and to administer the Tariff.”<sup>35</sup> NSPI states that this includes (but is not limited to) the following: (1) development, management, and refinement of ELID Tariff operating procedures; (2) engagement with PHP on development of PHP’s dispatch schedule; (3) System Operator engagement with PHP on dispatch; (4) regulatory engagement and reporting and “ad-hoc” customer requests; (5) engagement with PHP on development of forecast and actual DR credit amounts; (6) periodic PLEXOS and PortOps modeling and report preparation; (7) real-time optimization of PHP load to achieve the most economic system dispatch; and (8) providing dispatch instructions to PHP based on economic dispatch optimization results and real-time system conditions.<sup>36</sup>

**Q. What is the specific value of the Customer Charge proposed for the ELID Tariff?**

A. NSPI proposes a charge of \$10,000 to apply for each month through the end of 2027.<sup>37</sup> After 2027, NSPI proposes that “the ELID Tariff Customer Charge will be set through future [General Rate Application] proceedings.”<sup>38</sup>

**Q. How did NSPI determine the value of the Customer Charge as proposed?**

A. NSPI provided a table showing its cost estimate for each of the eight identified tasks associated with the Customer Charge, provided as a table in Attachment 3 of the NSPI Application. The table contains both a “low” and “high” estimate for each task, which is then summed to provide an “approximate” cost per month and year. The total low estimate is \$10,000/month, or \$120,000/year, while the total high estimate is \$14,583.33/month, or \$175,000/year. The table is shown in its entirety below.

---

<sup>35</sup> NSPI Application, page 4 lines 21 to 22.

<sup>36</sup> NSPI Application, page 4 line 22 to page 5 line 5.

<sup>37</sup> NSPI Application, page 5 lines 7 to 8.

<sup>38</sup> NSPI Application, page 5 lines 10 to 11.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 **Table 1. NSPI's Customer Charge Estimates for the ELID Tariff<sup>39</sup>**

| Task Required to Support the Tariff                                                                                    | Cost Estimate          |                    |                       |                     |
|------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------|-----------------------|---------------------|
|                                                                                                                        | Approx. Cost per Month |                    | Approx. Cost per Year |                     |
|                                                                                                                        | low range              | high range         | low range             | high range          |
| Development, management, and refinement of Operating Procedures                                                        | 417                    | 417                | 5,000                 | 5,000               |
| Engagement with PHP on development of PHP dispatch schedule                                                            | 417                    | 833                | 5,000                 | 10,000              |
| System Operator engagement with PHP on dispatch                                                                        | 417                    | 833                | 5,000                 | 10,000              |
| Regulatory engagement and reporting and ad-hoc customer requests                                                       | 417                    | 417                | 5,000                 | 5,000               |
| Engagement with PHP on development of forecast and actual Dispatchable Rider (DR) benefit                              | 2,083                  | 2,917              | 25,000                | 35,000              |
| Periodic PLEXOS and PortOps modeling and report preparation.                                                           | 2,500                  | 4,167              | 30,000                | 50,000              |
| Real-time optimization of PHP load to achieve the most economic system dispatch                                        | 2,917                  | 3,750              | 35,000                | 45,000              |
| Providing dispatch instructions to PHP based on economic dispatch optimization results and real-time system conditions | 833                    | 1,250              | 10,000                | 15,000              |
| <b>Total</b>                                                                                                           | <b>\$10,000.00</b>     | <b>\$14,583.33</b> | <b>\$120,000.00</b>   | <b>\$175,000.00</b> |

---

<sup>39</sup> NSPI Application, Attachment 3, page 1.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 NSPI then simply selected the “low” end of this estimated range, or \$10,000/month.

2 **Q. Did NSPI elaborate on why it used the low end of the Customer Charge range?**

3 A. NSPI explained that “the internal processes required to support the ELID Tariff are under  
4 development.”<sup>40</sup> As such, “[t]he forecast cost of providing this function remains high level and,  
5 as a result, the more conservative figure is proposed.”<sup>41</sup> NSPI did not, for example, develop its  
6 estimates using estimates of labour hours or rates.<sup>42</sup>

7 **Q. As NSPI develops “the internal processes required to support the ELID Tariff,” will  
8 the Customer Charge proposed for 2026 or 2027 be revised?**

9 A. No. The Customer Charge will only be revised for 2028 and beyond in a future General  
10 Rate Application.<sup>43</sup>

11 **Q. In 2026 and 2027, how will differences between the collected Customer Charge  
12 (\$10,000/month) and actual costs incurred by NSPI to administer the ELID Tariff (which is  
13 uncertain) be reconciled?**

14 A. NSPI explains that if actual costs exceed Customer Charge collections from PHP, that  
15 difference would flow to the “PHP Deferral” account.<sup>44</sup> The PHP Deferral account is a deferral  
16 account included in the General Rate Application Settlement Agreement,<sup>45</sup> which reflected the  
17 fact that as of the General Rate Application proceeding, PHP’s 2026-2027 tariff status was  
18 uncertain. The specific language in the General Rate Application Settlement Agreement  
19 addressing the PHP Deferral account states:

20 NS Power may seek Board approval for a deferral account to account for any NS Power  
21 revenue variances that may arise in 2026 or 2027 from the following scenarios, which  
22 costs would be collected/refunded from/to above the line customers: (a) where a Board

---

<sup>40</sup> NSPI (BW) IR-1 (a).

<sup>41</sup> NSPI (BW) IR-1 (a).

<sup>42</sup> NSPI (BW) IR-1 (c).

<sup>43</sup> NSPI (BW) IR-1 (b).

<sup>44</sup> NSPI (BW) IR-1 (b).

<sup>45</sup> NSPI Application, Attachment 4.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 decision on the PHP tariff, including the Active Demand Control Rider, differs from the  
2 above the line PHP tariff assumptions included in the 2026-2027 GRA; (b) where, for  
3 any reason, the PHP tariff is not available for PHP to take service under it as of January  
4 1, 2026; and/or (c) PHP determines the PHP ADC and tariff processes outcome is not  
5 satisfactory.<sup>46</sup>

6  
7 **Q. What is your assessment of NSPI's proposed Customer Charge?**

8 A. The concept of a Customer Charge is appropriate. NSPI identifies the myriad tasks  
9 involved in administering the ELID Tariff as proposed. This includes considerable interaction  
10 between NSPI personnel and PHP in matters of system planning and forecasting, iterative  
11 scheduling and dispatch, and reporting. NSPI also must contribute to the development of  
12 operating procedures to govern the day-to-day interactions with PHP and administration of the  
13 ELID Tariff, an important step to encourage efficient and effective operational outcomes. These  
14 are all incremental costs<sup>47</sup> driven solely by PHP and the administration of the ELID Tariff and  
15 should be recovered from PHP, as NSPI proposes to do.

16 The specific value proposed by NSPI – a fixed \$10,000 per month through 2027 – has only  
17 limited support in NSPI's Application. To its credit, NSPI developed a range of estimated costs  
18 that the Customer Charge is intended to recover. However, NSPI's methodology for developing  
19 the estimate is not well explained in its Application, and what is explained is not compelling.  
20 NSPI did not use a bottom-up methodology (using assumed labour hours and labor rates) to  
21 develop the estimate, nor did it use historical data to develop its estimates<sup>48</sup> despite operational  
22 process similarities between the ELID and ELIADC Tariffs.<sup>49</sup>

23 Even if the "low" and "high" values for the Customer Charge are sufficiently supported, NSPI's  
24 decision to select the low value is also unsupported. We do not agree that NSPI has made the

---

<sup>46</sup> NSPI Application, page 14 lines 7 to 16.

<sup>47</sup> NSPI (SBA) IR-7 (b-c).

<sup>48</sup> NSPI (IG) IR-2 (b).

<sup>49</sup> NSPI (BW) IR-9 (c).

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 “conservative” choice. Rather, NSPI has selected the value from its range that is most likely to  
2 under-collect the costs that the Customer Charge is intended to recover.

3 While it is a worthwhile endeavor to assign 100% of the ELID Tariff administration costs to  
4 PHP, tracking those costs will be difficult. Time spent by NSPI employees on the real-time tasks  
5 that involve PHP and the ELID Tariff may not be readily distinct from time spent on non-PHP  
6 tasks. Moreover, NSPI does not plan to report on the actual costs to administer the ELID Tariff,  
7 making review of past results difficult or impossible. NSPI only explains that “[l]ike other  
8 above-the-line Tariff Customer Charges, it is anticipated that this will be reviewed and reset  
9 through [General Rate Applications].”<sup>50</sup>

10 Tracking challenges and the lack of reporting will limit NSPI’s ability to effectively use the PHP  
11 Deferral account to reconcile any Customer Charge under-recoveries from PHP. In theory, the  
12 concept is sound: PHP should pay for any and all costs beyond what is covered in the \$10,000  
13 monthly Customer Charge. But for the reconciliation to be effective, cost tracking must be sound  
14 and transparently reported.

15 **Q. What is your recommendation regarding the proposed Customer Charge?**

16 A. We recommend that NSPI file additional evidentiary support for its proposed Customer  
17 Charge. Absent this, we recommend NSPI set the Customer Charge for 2026 and 2027 at the  
18 midpoint of its estimated range, or \$12,291.67/month,<sup>51</sup> and subject that amount to reconciliation  
19 such that if actual costs of ELID Tariff administration are below the Customer Charge  
20 collections, PHP receives 100% of that amount in credits. We also recommend NSPI explain the  
21 methodology for tracking the costs of administering the ELID Tariff and how NSPI plans to  
22 ensure that 100% of the costs incurred above in administering the ELID Tariff are paid by PHP,  
23 including those above the Customer Charge collections.

---

<sup>50</sup> NSPI (SBA) IR-7 (e).

<sup>51</sup> \$12,291.67 is the midpoint between the low (\$10,000) and high (\$14,583.33) ends of the cost estimate range.

---

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

**III. Assessment of the Energy Charge**

**Q. Please summarize the ELID Energy Charge proposed in NSPI's application.**

A. NSPI proposes an Energy Charge of 9.977 ¢/kWh in 2026 and 11.240 ¢/kWh in 2027.<sup>52</sup>

**Q. How were the Energy Charge rates determined?**

A. The ELID Energy Charge rates were determined from NSPI's cost of service study ("COSS") model during 2026-2027 GRA, in which PHP was treated as an ATL customer.<sup>53</sup> Under the existing ELIADC tariff, PHP was treated as a below-the-line ("BTL") customer, and as such paid energy rates based on incremental costs of service.<sup>54</sup> With ATL treatment under the proposed ELID, PHP rates ostensibly include a full allocation of the embedded costs of service.

**Q. Is there anything unusual in the determination of the ELID Energy Charge compared to other ATL customers?**

A. Yes. Critically, the energy rates for PHP were calculated by treating PHP load as if it were directly reduced by output from Goose Harbour, a treatment that was specified in the GRA Settlement Agreement.<sup>55</sup> For example, while PHP's annual load for 2027 was estimated at 811 GWh, the load incorporated in the COSS for the purposes of calculating the Energy Charge was only about 304 GWh<sup>56</sup>, determined by netting out annual Goose Harbour output estimated at approximately 507 GWh.

**Q. What is the effect of treating PHP load as being net of Goose Harbour output?**

A. Generally speaking, the lower PHP's load in the COSS model, the higher PHP's Energy Charge in ¢/kWh terms, but the lower the total energy payment by PHP to NSPI. The Energy Charge increases in ¢/kWh terms when PHP load in the model is lower because the Energy Charge includes the allocation of some fixed costs in addition to fuel costs.<sup>57</sup>

---

<sup>52</sup> NSPI Application, page 7 lines 20 to 21.

<sup>53</sup> NSPI's GRA is an ongoing matter (M12451).

<sup>54</sup> Nova Scotia Power, Inc., "Extra Large Industrial ADC Tariff Application," M09420, September 27, 2019 ("NSPI ELIADC Application"), page 3 lines 22 to 23, page 4 lines 24 to 26.

<sup>55</sup> NSPI Application, Attachment 4, page 11.

<sup>56</sup> NSPI Application, page 7 lines 14 to 15.

<sup>57</sup> COSS model version - N-21(C)(ii) - CA IR-001 Att 02 PCON (M12451)

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

**Q. Do you have concerns regarding the way the Energy Charge was determined?**

A. Yes. Most significantly, we conclude that the net PHP load used in deriving the ELID Energy Charge is too high, and the resulting Energy Charge rates are consequently too low. Focusing on 2027 for simplicity, NSPI incorporated gross PHP load of 811 GWh, while PHP has advanced an updated estimate for its load in 2027 of 774 GWh,<sup>58</sup> a reduction of 37 GWh. More significantly, NSPI applied a projected output for Goose Harbour that assumes a facility installed capacity of 130.5 MW, while the reported planned facility capacity is 168 MW,<sup>59</sup> the maximum amount accommodated under the PPA and PSA. Goose Harbour's planned capacity is thus approximately 29% greater than represented in the COSS and, under the reasonable assumption that expected output scales with capacity, the energy from Goose Harbour would be 653 GWh rather than the modeled 507 GWh.<sup>60</sup> Combining both the lower projected PHP gross load, and the higher expected output from Goose Harbour, the net PHP load incorporated in the COSS would more appropriately be 121 GWh rather than the 304 GWh applied in determining the proposed ELID Energy Charge rates.

**Q. What is the effect of PHP net load being too low in the COSS?**

A. In most direct terms, if PHP's net load in 2027 subject to the Energy Charge is 121 GWh rather than 304 GWh, a 60% reduction, the revenue from PHP to NSPI would be lower by the same 60%, or approximately \$21 million, calculated at the proposed 2027 tariff rate of 11.24 ¢/kWh. The cost to serve PHP load would also be lower, but not in direct proportion to the net load reduction. As noted above, if a lower net load for PHP were used in the COSS, the resulting ELID Energy Charge rate would be higher, because some costs captured in the Energy Charge do not change in exact proportion to energy usage. By applying a net load for PHP that is too high, the resulting Energy Charge rates proposed in NSPI's Application are too low, increasing the likelihood that PHP does not contribute appropriately to system costs. In the absence of any mechanism to correct for such a shortfall in cost contribution, other FAM customers would be exposed to making up the difference.

---

<sup>58</sup> PHP Evidence, page 9 line 26 to page 10 line 4.

<sup>59</sup> NSPI (BW) IR-13 (a); PHP Evidence, page 2 lines 11 to 13.

<sup>60</sup> We arrive at this figure using the same assumed capacity factor used in the COSS (44.4%). That is, at a capacity factor of 44.4%, the 168 MW project would produce 653,205 MWh/year.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

**Q. Have you calculated what the ELID Energy Charge would be if the lower PHP net load were applied in the COSS model?**

A. No. This is not possible to do with precision from the information in the record. There are many versions of the COSS Excel model in the record for this matter and the 2026-27 GRA docket, but none that corresponds to the particular case discussed above. While some modifications of inputs to the COSS Excel model flow through dynamically, some inputs are hard-entered in the model, such as those for fuel, purchase and import costs, which are determined separately.<sup>61</sup> This means, for example, that it is not possible to modify the COSS Excel model to account for changes in overall system costs from the higher output from Goose Harbour.

Nonetheless, it is possible to observe in the model that there is a significant allocation of embedded fixed costs reflected in the derived energy rates by class. By definition, such fixed costs do not move in close correspondence with energy usage. Based on our review of the model, we conclude that the volume of PHP net load in the model has a significant impact on fully embedded energy rates, including the ELID Energy Charge, and that the significant over-estimate of net load in the model – by approximately 2.5 times – serves to lower the Energy Charge. If PHP net load in fact is significantly lower than that used to set the Energy Charge, NSPI would not recover properly allocated embedded costs from PHP, and FAM customers would be exposed to making up the shortfall.

**Q. Do you have additional concerns with respect to the Goose Harbour generation estimate?**

A. Another issue that is notable, but likely of less significance than proper representation of the Goose Harbour facility capacity, is the fact that the generation of the facility assumed in the COSS is at the P90 level, meaning the annual output from the facility that is expected to be exceeded 90% of the time. The P90 level is thus quite conservative, i.e., low. Considering the potential distortions described above from actual Goose Harbour output exceeding the modeled level used to set the Energy Charge, it would be more appropriate to use a P50 output level in the COSS, such that there is equal probability that actual generation is higher or lower than that used to set rates. While we think the P50 level is more appropriate in principle with respect to setting the ELID Energy Charge, we do not believe moving to a P50 level (at the 168 MW capacity level) would be justified in advance of actual operational performance

---

<sup>61</sup> NSPI (CA) IR-2 Attachment 3, Exhibit N-5-(i).

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 at the Goose Harbour facility. The reason for this position is that the P90 level reflected in the COSS (at  
2 the 130.5 MW capacity level) corresponds to a capacity factor of 44%, which is relatively high, even in  
3 the context of Nova Scotia's high wind potential. In the absence of operational data, we cannot conclude  
4 that it is likely for Goose Harbour to exceed an annual 44% capacity factor with a 90% likelihood.

5 **Q. Would the PHP Deferral account correct for the potential cost recovery distortions under**  
6 **the proposed Energy Charge?**

7 A. No, not based on our reading of the proposed PHP Deferral account provisions. As specified in  
8 the GRA Settlement, the PHP Deferral account is only intended to address effects from one or more of the  
9 following three circumstances: "(a) where a Board decision on the PHP tariff, including the Active  
10 Demand Control Rider, differs from the above the line PHP tariff assumptions included in the 2026-2027  
11 GRA; (b) where, for any reason, the PHP tariff is not available for PHP to take service under it as of  
12 January 1, 2026; and/or (c) PHP determines the PHP ADC and tariff processes outcome is not  
13 satisfactory."<sup>62</sup> This wording suggests that no deferral would apply to correct for the distortions arising  
14 from PHP net load being substantially lower than what NSPI modeled in determining the ELID Energy  
15 Charge rates.

16 **Q. What do you recommend with respect to the ELID Energy Charge?**

17 A. We recommend that the Board does not approve the ELID Energy Charge as proposed. We  
18 recommend that NSPI be required to update the COSS model to better reflect likely PHP net load,  
19 capturing both updates to expected PHP gross load and, most importantly, the likely output from Goose  
20 Harbour at a facility capacity of 168 MW. In particular, it would not be appropriate to modify other  
21 components of the ELID tariff determination that would lower costs to PHP – such as reducing PHP's  
22 coincident demand for interruptible load applied in the COSS – without also fully updating the model  
23 with a more realistic estimate of PHP net load. Otherwise, the potential for under-recovery of embedded  
24 costs from PHP would be exacerbated.

25 Setting the Energy Charge based on a more realistic estimate of PHP net load would appropriately reduce  
26 the extent to which FAM customers bear the risk of under-recovering costs from PHP. PHP would still

---

<sup>62</sup> NSPI Application, page 14 lines 7 to 16.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 enjoy significant preferential benefits from the treatment of Goose Harbour output as a direct reduction of  
2 PHP's purchases of tariff energy, as discussed further in Section V.

3 **IV. Assessment of the Dispatchable Rider Credit**

4 **Q. Please describe the DR credit proposed by NSPI in the ELID Tariff.**

5 A. NSPI asserts that the DR credit "will allow PHP to operate in a manner which reduces PHP's  
6 individual cost of service, enables NS Power to manage PHP's load in response to system conditions,  
7 reducing overall system costs, and compensates PHP for the value its load flexibility provides to the NS  
8 Power system."<sup>63</sup> NSPI explains that under the ELID Tariff, NSPI has "the capability to dispatch PHP up  
9 and down dynamically at all times, including during system peak," subject to operating conditions and  
10 protocols,<sup>64</sup> though PHP has "the right to refuse such dispatch direction, subject to the System Operator  
11 approval."<sup>65</sup> NSPI further explains that the "structure" of the DR credit "shields [above-the-line]  
12 customers from the significant incremental cost impacts that the system's largest customer can have on  
13 the system if not incented to operate in a manner which reduces overall system costs."<sup>66</sup>

14 **Q. Please explain NSPI's logic for including the DR credit as part of the ELID Tariff.**

15 A. NSPI's logic is based on a "premise" that, as an above-the-line customer "with demand and  
16 energy charges," PHP "would generally be incented to operate at a high load factor (i.e. levelized load)  
17 across the year" because doing so "will reduce the per unit cost of electricity for PHP."<sup>67</sup> NSPI continues:

18 However, for a customer with the load flexibility of PHP, a levelized load profile will, in general,  
19 not produce the optimal customer or system load profile as the Customer would be expected to  
20 consume equally across the year, indifferent to changes in the marginal cost of system supply. In  
21 light of the size of PHP load, running as a conventional [above-the-line] customer risks increasing  
22 costs for all [above-the-line] customers, including PHP. The Rider will serve to align the interests  
23 of all [above-the-line] customers.<sup>68</sup>

---

<sup>63</sup> NSPI Application, page 9 lines 13 to 16.

<sup>64</sup> NSPI (IG) IR-12 (c).

<sup>65</sup> NSPI (IG) IR-12 (c).

<sup>66</sup> NSPI Application, page 9 lines 16 to 18.

<sup>67</sup> NSPI Application, page 9 lines 20 to 23.

<sup>68</sup> NSPI Application, page 9 line 23 to page 10 line 7.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1     **Q.     How is the DR credit calculated?**

2     A.     The DR credit is a rate credit that is calculated after the close of an ELID Tariff year. To calculate  
3     the value of the DR credit, NSPI will conduct an *ex post* production cost simulation model run to  
4     determine the total system FAM costs using “actual system conditions that occurred throughout the year,”  
5     but assuming PHP would consume power “at a high load factor.”<sup>69</sup> NSPI would then subtract from this  
6     total system FAM costs the actual total system FAM costs incurred during the year.<sup>70</sup> The difference will  
7     equal the DR credit for the year.

8     The proposed ELID Tariff specifically states:

9             The savings created by NS Power dispatch of the Customer load (DR credit) will be calculated at  
10            yearend by comparing the actual system costs with the Customer’s actual dispatched load to a  
11            scenario where the actual Customer load is replaced by the high load factor customer profile (i.e.  
12            the Customer Baseline (CBL)) which incorporates actual Customer load, the dates and durations  
13            of the Customer’s major scheduled maintenance periods and other factors as may be appropriate  
14            to calculate a representative CBL.<sup>71</sup>

15    **Q.     Does PHP receive 100% of all DR credits calculated by NSPI at the end of an ELID Tariff**  
16    **year?**

17    A.     Yes.<sup>72</sup>

18    **Q.     Who will pay for the costs of the DR credit?**

19    A.     The cost of the Dispatchable Rate Credit will be recovered from all above-the-line customers.<sup>73</sup>

20    **Q.     Do you agree that, as proposed, the DR credit should be approved?**

21    A.     No. We have several concerns with the DR credit as proposed.

22    **Q.     What is your first concern?**

23    A.     Our first concern is that the DR credit is an imperfect proxy for marginal price signals and price  
24    responsive demand. Typically, price-responsive demand will consider energy prices in determining how

---

<sup>69</sup> NSPI Application, page 10 lines 24 to 27.

<sup>70</sup> NSPI Application, page 10 lines 27 to 28.

<sup>71</sup> NSPI Application, Attachment 1, page 8.

<sup>72</sup> NSPI Application, page 10 lines 6 to 7.

<sup>73</sup> NSPI Application, page 10 lines 9 to 10.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 much energy to consume. During high-priced periods, price-responsive demand can reduce consumption  
2 and therefore reduce its energy bill. Under the ELID Tariff, this is not the case. As explained above, PHP  
3 will pay an embedded cost for energy (the ELID Energy Rate) that is fixed for a given year. That is, no  
4 matter the conditions on the system or the cost of energy at any given hour, PHP will pay a flat, fixed  
5 price for energy consumed. This greatly reduces PHP's incentive to respond to price signals.

6 Enter the DR credit, which is intended to compensate PHP for doing what the ELID Energy Rate cannot  
7 do: incent PHP to alter its consumption in response to hourly energy prices. NSPI explains, for example,  
8 that "[i]f PHP chooses not to follow its optimized schedule, their realized [DR credit] will be reduced."<sup>74</sup>  
9 However, as proposed, the DR credit does not allow PHP to immediately and directly track the savings it  
10 could achieve by responding to price signals. Rather, PHP must wait until after the end of a tariff year, at  
11 which point NSPI will conduct a production cost simulation run assuming PHP operated at a "high load  
12 factor," and hope that its decisions during the year to deviate from its desired loading translates into an  
13 equivalent DR credit. Reliance on an after-the-fact calculation carries with it risk, meaning PHP will be  
14 less likely to respond to price signals or requests from NSPI to change its load due to system conditions  
15 and hourly energy prices than it would if PHP was subject to payment of incremental costs for its energy  
16 consumption.

17 While not related to the DR credit, the treatment of output from Goose Harbour further reduces PHP's  
18 incentive to shift its load. As explained and addressed in section III, PHP's Energy Charge will apply only  
19 to PHP's *net* load, i.e., its consumption less all production at Goose Harbour.

20 PHP also expressed concern about altering its load in response to pricing conditions. In response to a data  
21 request regarding PHP's operational experience under the ELIADC Tariff, PHP stated that the "wear and  
22 tear on equipment and operations that were never designed for continual ramping up and down, within the  
23 day, as well as continuous starting and stopping has costs to PHP."<sup>75</sup> The challenges of "wear and tear on  
24 equipment" and "starting and stopping" of PHP's equipment (and their associated costs) will remain in  
25 place during the ELID Tariff regime, further dampening the likelihood of PHP being responsive to energy  
26 price signals.

---

<sup>74</sup> NSPI (BW) IR-9 (d).

<sup>75</sup> PHP (BW) IR-3.

---

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

**Q. What is your second concern?**

A. Our second concern is that the DR credit is built upon a shaky premise, namely, that PHP's load is sufficiently predictable as to allow for an after-the-fact determination of how PHP *would have* operated over an entire year. PHP's load can be volatile and unpredictable, as is demonstrated by recent historical data. Actual rate outcomes – for PHP and for other FAM customers – will thus be based on hypothetical system fuel costs.<sup>76</sup>

**Q. Please provide evidence of the volatility of PHP's load.**

A. As is shown in Table 2 below, PHP's actual load over the past six years (2020-2025) has ranged between a low of about [REDACTED] GWh and a high of approximately [REDACTED] GWh.

**Table 2. PHP Actual Load (GWh) (2020-2025)<sup>77</sup>**

| Year | PHP Actual Load (GWh) |
|------|-----------------------|
| 2020 | [REDACTED]            |
| 2021 | [REDACTED]            |
| 2022 | [REDACTED]            |
| 2023 | [REDACTED]            |
| 2024 | [REDACTED]            |
| 2025 | [REDACTED]            |

The volatility of PHP's load is shown first in the difference between the low and high actual load years since 2020, which equals approximately [REDACTED] GWh. Assuming a hypothetical average annual energy price of \$100/MWh, this difference translates to about [REDACTED] million. In other words, the difference between PHP's "high" load year and "low" load year since 2020 represents a difference of about [REDACTED] million in FAM costs owing by PHP, assuming an average annual energy price of \$100/MWh.

PHP's actual load volatility is further demonstrated by the standard deviation of PHP's recent load. Standard deviation is a statistical measure that determines how far values in a data set typically differ from the mean. Using the data in Table 2 above, the standard deviation of PHP's actual annual load since

---

<sup>76</sup> NSPI (IG) IR-16 (a).

<sup>77</sup> NSPI (BW) IR-6 (a-b).

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

2020 is about █████ GWh. Again, assuming an average annual energy price of \$100/MWh, this translates to about █████ million. In other words, since 2020, PHP's actual annual load data suggests that on average, PHP's load deviates from the historical mean by █████ GWh with an incremental FAM cost impact of +/- █████ million (assuming \$100/MWh energy).

**Q. Please provide evidence of the unpredictability of PHP's load.**

A. As is shown in Table 3 below, PHP's actual load over the past six years (2020-2025) has also been difficult to accurately forecast. Importantly, the data in Table 3 is forecast data *from PHP*,<sup>78</sup> the entity best suited to forecast PHP's load. PHP's forecast error has averaged █████ per year and has reached as high as █████ (in 2023). This forecast error has averaged █████ GWh/year and peaked at █████ GWh (also in 2023).

**Table 3. Forecast Error in PHP Annual Load (2020-2025)<sup>79</sup>**

| Year                   | PHP Forecast Load (GWh) | PHP Actual Load (GWh) | Forecast Error (GWh) | Forecast Error (%) |
|------------------------|-------------------------|-----------------------|----------------------|--------------------|
| 2020                   | █████                   | █████                 | █████                | █████              |
| 2021                   | █████                   | █████                 | █████                | █████              |
| 2022                   | █████                   | █████                 | █████                | █████              |
| 2023                   | █████                   | █████                 | █████                | █████              |
| 2024                   | █████                   | █████                 | █████                | █████              |
| 2025                   | █████                   | █████                 | █████                | █████              |
| Average Forecast Error |                         |                       | █████                | █████              |

**Q. Does PHP agree that it has difficulty predicting its own load?**

A. Yes. PHP noted that “[f]orecasting the required amount of annual energy for more than one year in advance is challenging due to the nature of the paper market.”<sup>80</sup> Consider, too, that PHP indicates that its forecasted load for 2026 is now 774 GWh<sup>81</sup>, a reduction of almost 5% from the 811 GWh forecast it provided to NSPI for inclusion in NSPI's General Rate Application proceeding.

**Q. Why is this volatility and unpredictability of PHP's load a concern?**

---

<sup>78</sup> NSPI (BW) IR-6 (a-b).

<sup>79</sup> NSPI (BW) IR-6 (a-b).

<sup>80</sup> PHP Evidence, page 10 lines 1 to 3.

<sup>81</sup> PHP Evidence, page 10 line 3.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 A. As proposed, the DR credit is a highly material portion of the overall rate regime that will apply  
2 to PHP. For every MWh of calculated DR credits, PHP will receive all of the calculated value, which will  
3 be entirely recovered from all FAM customers. In order to make such a calculation, NSPI must create an  
4 alternative PHP load forecast for an entire year. If PHP itself cannot develop annual forecasts of its own  
5 load without substantial forecast error, how will NSPI credibly do so on PHP's behalf? And again, this  
6 alternative load forecast developed by NSPI is not an academic or planning exercise. Rather, it is a  
7 material term of the ELID Tariff that can result in the exchange of tens of millions of dollars between  
8 other FAM customers and PHP.

9 **Q. Does the fact that NSPI is conducting the “alternative load forecast” for PHP after the tariff**  
10 **year is over mitigate your concern?**

11 A. No, for reasons discussed later in this section.

12 **Q. What is your third concern?**

13 A. Our third concern is that the DR credit may be difficult or impossible to calculate with credible  
14 accuracy. Again, as proposed, NSPI will use the CBL to calculate the DR credit. According to the  
15 proposed ELID Tariff language, the CBL differs from PHP's actual hourly load in a given year by use of  
16 a “high load factor customer profile,” as adjusted for “the dates and durations of [PHP's] major scheduled  
17 maintenance periods” and “other factors as may be appropriate to calculate a representative CBL.”<sup>82</sup> NSPI  
18 clarifies that “high load factor” means “levelized load.”<sup>83</sup>

19 We are unconvinced that PHP would ever have incentive to levelize its load. PHP itself explains that its  
20 load is dependent on its business activity, is subject to seasonal fluctuations, and can spike up to consume  
21 as high as 25% of the power in Nova Scotia at any given time.<sup>84</sup> It is unrealistic to expect levelized load at  
22 PHP when its energy consumption is “closely tied to the order book for paper”<sup>85</sup> and which is generally  
23 higher demand in winter and summer months (and lower demand in spring and fall months).<sup>86</sup>

---

<sup>82</sup> NSPI Application, Attachment 1, page 8.

<sup>83</sup> NSPI Application, page 9 lines 21 to 22.

<sup>84</sup> PHP Evidence, page 3 lines 16 to 20.

<sup>85</sup> PHP Evidence, page 3 lines 18 to 19.

<sup>86</sup> PHP (BW) IR-2.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

Moreover, even if assuming a levelized load profile for PHP was a valid assumption, NSPI's proposal to account for all the factors that would impact PHP's load in a given year strains credibility. Major maintenance periods may be identifiable, though some questions remain about the verifiability of this data (addressed below). However, NSPI proposes to then "randomize" the outages throughout the year,<sup>87</sup> a subjective exercise that can materially impact results depending on the energy price conditions on the days of those "randomized" outages.

Further, other factors, such as PHP's book of business, equipment performance (e.g., partial outages) and efficiency (e.g., degradation), macroeconomic factors (e.g., tariffs), taxes, labour availability, and any other potential variable that impacts PHP's operational profile will be difficult or impossible to fully capture. Importantly, many of these variables are unrelated to the price of energy in Nova Scotia, meaning PHP's load may be moving around for reasons other than PHP seeking to lower system-wide FAM costs in the province. In such instances, it would be inappropriate for FAM customers to pay PHP for changes to its load profile that would have been made regardless of the ELID Tariff and its components.

PHP's load can also be impacted by operational constraints at its plant that may not be distinguishable from legitimate load-shifting services. In response to a data request asking for "all operational constraints (ramp rates, minimum run levels, production obligations, fibre and wood-supply commitments, and maintenance windows) that would limit PHP's ability to respond to [real-time] or electronic dispatch instructions," PHP stated: "It is not practical to identify all possible constraints PHP could encounter at any point during the day that would limit PHP's ability to respond to a dispatch."<sup>88</sup> We agree that there could be many operational reasons PHP could be unable to provide load-shifting services, and it is not clear if those limitations would be included in NSPI's determination of the DR credit.

**Q. What is your fourth concern?**

A. Our fourth concern is that the DR credit provides NSPI with substantial discretion that will be difficult or impossible for the Board and stakeholders to verify.

**Q. Why is verification of the DR credit important?**

---

<sup>87</sup> NSPI (BW) IR-9 (g).

<sup>88</sup> PHP (IG) IR-7 (c).

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 A. To have confidence that the DR credit is holding FAM customers harmless and not resulting in  
2 cross-subsidies (from other FAM customers to PHP) or payments to PHP for zero or limited performance,  
3 the DR credit determination and calculation must be verifiable.

4 **Q. Why will the DR credit be difficult (or impossible) for the Board and stakeholders to verify?**

5 A. NSPI is afforded substantial discretion in determining the CBL. While NSPI is not purporting to  
6 change the actual *volume* of PHP's load in a given year,<sup>89</sup> NSPI will levelize it. It is not clear exactly how  
7 NSPI will do so. NSPI's only provided example in the record shows just a single day's levelization,  
8 whereby NSPI took a single day's hypothetical PHP load and divided it equally in all 24 hours of the  
9 day.<sup>90</sup> However, the proposed ELID Tariff language allows NSPI substantial discretion in levelizing  
10 PHP's annual actual load, including consideration of maintenance outages and "other factors."<sup>91</sup> As noted  
11 above, those factors are numerous and essential to understand, as they may lead to load changes that have  
12 nothing to do with energy prices.

13 As we explain above, NSPI is unlikely to have sufficient information to develop credible levelized  
14 forecasts. Some of this data would necessarily have to come from PHP, such as PHP's maintenance logs,  
15 economic activity, financial conditions, equipment performance data and status throughout a given year,  
16 among other data. For the Board and stakeholders to have confidence in so subjective a calculation, this  
17 data would likely need to be provided in detail to allow for verification of the results (and resulting DR  
18 credit). There is an inherent asymmetry of information in assessing PHP's provision of any load-shifting  
19 service during the prior year. NSPI will not have the hour-to-hour detail of PHP's operations or decisions,  
20 and FAM customers and the Board – who do not communicate with PHP on a daily basis, like NSPI –  
21 will have even less. It is not clear if NSPI is planning to provide sufficient information for such  
22 verification, or if PHP would be willing to provide this level of data to NSPI, let alone the Board and  
23 stakeholders. For example, in this proceeding, PHP declined to provide its recent financial statements in  
24 response to a data request,<sup>92</sup> and NSPI admitted to not having performed any review of PHP's financial  
25 condition.<sup>93</sup>

---

<sup>89</sup> NSPI (BW) IR-9 (g).

<sup>90</sup> NSPI (IG) IR-20 Attachment 1 (Revised).

<sup>91</sup> NSPI Application, Attachment 1, page 8.

<sup>92</sup> PHP (BW) IR-1 (a).

<sup>93</sup> NSPI (BW) IR-7 (b).

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

**Q. How substantial is NSPI's discretion in calculating the DR credit?**

A. Quite substantial. While NSPI did not conduct an estimate of the Credit in 2026 or 2027,<sup>94</sup> NSPI conducted an "initial analysis" of the DR credit using 2025 data. According to NSPI, assuming that "for that [2025] period, if PHP load had been dispatched at 100 percent optimal," the DR credit would have been "approximately \$7 to \$11 million."<sup>95</sup> However, NSPI explains that "[i]n reality" the calculated DR credit would have been "half that amount,"<sup>96</sup> or \$3.5 to \$5.5 million. This means NSPI's discretionary adjustments would reduce the DR credit by \$3.5 to \$5.5 million. The adjustments NSPI made in its analysis included "system conditions, customer production constraints/requirements, etc.,"<sup>97</sup> which are subjective, vague, difficult to verify, or some combination of the three. NSPI could not provide the specifics of the adjustments made "due to the cyber incident," which rendered the analysis "no longer available."<sup>98</sup> We respect NSPI's position that its analysis was "initial"<sup>99</sup> and meant to provide some scope of the DR credit, but as an example it only serves to illustrate our concerns, not reduce them.

**Q. What is your fifth concern?**

A. Our fifth concern relates to NSPI's plan to use "forward replacement fuel costs"<sup>100</sup> to determine the DR credit. While NSPI did not elaborate on the specific approach it would take, forward replacement costs are intended to represent the marginal cost of consuming a given fuel in a given hour and generally represent the best estimate of the marginal cost of generation on the system. However, NSPI has specifically veered away from using forward replacement costs to conduct hypothetical system cost calculations in recent years, including in determining load-shifting benefits provided by PHP under the ELIADC Tariff due to concerns that use of forward replacement fuel pricing "overstates the cost of the

---

<sup>94</sup> NSPI (IG) IR-18 (a).

<sup>95</sup> NSPI Application, page 11 lines 1 to 3.

<sup>96</sup> NSPI Application, page 11 lines 3 to 7.

<sup>97</sup> NSPI Application, page 11 lines 4 to 5.

<sup>98</sup> NSPI (Synapse) IR-16 (b).

<sup>99</sup> NSPI Application, page 11 line 1.

<sup>100</sup> NSPI (IG) IR-16 (d); see also NSPI (Synapse) IR-24 (d).

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 actual fuel consumed.”<sup>101</sup> It is unclear why NSPI has proposed to use forward replacement pricing when  
2 calculating the DR credit for PHP despite its prior concerns.

3 **Q. What is your sixth concern?**

4 A. Our sixth concern is that the DR credit represents a zero-sum mechanism that, if incorrectly  
5 calculated, could harm other FAM customers. Any load “smoothing” exercise inherently assumes that  
6 actual deviations from a smoother load profile represent changes actively provided by PHP rather than  
7 operational variations that might be entirely independent from system conditions. Consequently, the risk  
8 of incorrectly estimating the DR credit would likely be biased toward overestimation, to the detriment of  
9 FAM customers.

10 **Q. Does the DR credit have the potential to be material?**

11 A. Yes. As noted above, and notwithstanding our commentary on the estimate, NSPI estimates that  
12 the DR credit would have been \$3.5 to \$5.5 million in 2025. All FAM customers would contribute to this  
13 payment, which would accrue to PHP.

15 **Q. Does NSPI suggest that other FAM customers will be held harmless from PHP’s decisions  
16 regarding load-shifting activity?**

17 A. Yes. NSPI states that “[b]ecause the cost of the [DR credit] service is based on the benefit the  
18 service provides to the system, [above-the-line] customers will be held harmless under the [Dispatchable  
19 Rider] construct.”<sup>102</sup>

20 **Q. What is PHP’s view of the DR credit?**

21 A. Nowhere in the PHP Evidence did PHP criticize or raise concerns with the DR credit, as  
22 proposed. (PHP raised concerns with other aspects of the ELID Tariff.) In response to data requests, PHP  
23 states that both PHP and its consultant believe that the proposed DR credit is “appropriate.”<sup>103</sup> However,

---

<sup>101</sup> See, for example, NSPI’s March 1, 2023 filing in matter M11021, “Re: Extra Large Industrial Active Demand Control (ELIADC) Tariff – 2022 Annual Report,” pages 2 to 3.

<sup>102</sup> NSPI Application, page 10 lines 12 to 13.

<sup>103</sup> PHP (IG) IR-2 (b).

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 PHP also indicated that it has limited understanding of exactly how NSPI will calculate the DR credit.  
2 PHP stated that the calculation results “are a result of many events that occur over the course of a year  
3 that forecast outputs of a model could not predict reliably, nor anticipate the outcome.”<sup>104</sup> PHP stated that  
4 it “does not have access to NS Power’s proprietary model and cannot comment on the key assumptions  
5 and constraints within the model” used to calculate the DR credit.<sup>105</sup> PHP also acknowledged that neither  
6 PHP nor its consultant “have conducted an independent production-cost modelling or analysis regarding  
7 the potential system savings achievable through dispatch of PHP’s load.”<sup>106</sup> Further, PHP indicates in  
8 response to an NSPI data request that “PHP maintains that the current ELID design is imbalanced and  
9 fails to allocate a fair share of the total benefits created by PHP’s load flexibility,” elaborating that “if the  
10 modeled [DR credit] does not fully capture the actual avoided costs, the remaining value is effectively  
11 socialized, providing a benefit to other customer classes at PHP’s expense.”<sup>107</sup>

12  
13 **Q. What is your recommendation regarding the DR credit?**

14 A. We do not recommend that the Board approve the DR credit as proposed. To be reasonable, at  
15 least two things must be true: (1) any payments to PHP from FAM customers under the DR credit must be  
16 demonstrably tied to PHP deciding to shift load due to energy prices and (2) that FAM customers not be  
17 at risk of providing any compensation to PHP in hours where no load-shifting activity due to energy  
18 prices occurred. It may be that, with additional elaboration, revisions, reporting requirements, and  
19 verifiability guardrails, the mechanism may achieve these objectives, but as proposed, it is our view that  
20 the DR credit is too vague, uncertain, unverifiable, and at risk of failing to match rider payments to load-  
21 shifting service to be recommendable for approval.

---

<sup>104</sup> PHP (IG) IR-2 (b).

<sup>105</sup> PHP (IG) IR-2 (b).

<sup>106</sup> PHP (IG) IR-2 (a).

<sup>107</sup> PHP (NSPI) IR-9 (a).

**V. Treatment of Goose Harbour Output**

**Q. Please summarize how Goose Harbour generation is treated with respect to PHP and NSPI.**

A. Goose Harbour is being developed by PHP's affiliate PHPW.<sup>108</sup> Two agreements govern the purchase and sale of output from Goose Harbour, and the treatment of output as an offset to energy provided to PHP by NSPI at tariff rates. In high-level summary terms:

- The 25-year PPA provides that NSPI will pay PHPW \$[REDACTED]/MWh for all output from Goose Harbour, assuming a facility capacity of at least 130.5 MW, and at most 168 MW.<sup>109</sup>
- The 25-year PSA provides that:
  - All output from Goose Harbour will be “deemed” to be delivered to PHP’s production facility;<sup>110</sup>
  - PHP will pay NSPI for such energy at \$[REDACTED]/MWh plus \$2.00/MWh, or plus \$4.00/MWh if PHP total energy use in a year is less than 625 GWh;<sup>111</sup>
  - All Goose Harbour energy will be deemed as serving PHP load, such that only PHP consumption in excess of aggregate Goose Harbour output will be provided at the NSPI tariff rate applicable to PHP.<sup>112</sup>

As made clear in NSPI’s application, any Goose Harbour output that exceeds PHP usage in a given month “will be carried forward to be applied to PHP consumption in a future billing period.”<sup>113</sup>

**Q. Please summarize your conclusions regarding the treatment of Goose Harbour output under the PSA.**

A. Our conclusion is that the PSA treatment of Goose Harbour output has significant potential to undermine the premised treatment of PHP as an ATL customer under the ELID. Under the PSA, there is no requirement for Goose Harbour generation to *actually* serve PHP load hour by hour, but PHP is effectively granted a bookkeeping mechanism to replace higher-cost tariff energy with lower-cost energy

---

<sup>108</sup> Goose Harbour PSA, page 4.

<sup>109</sup> Goose Harbour PPA, page (i).

<sup>110</sup> Goose Harbour PSA, page 7.

<sup>111</sup> Goose Harbour PSA, page (ii).

<sup>112</sup> Goose Harbour PSA, page 7.

<sup>113</sup> NSPI Application, page 13, lines 30-31.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 from Goose Harbour. In an illustrative, if unrealistic, scenario, all of Goose Harbour's output could be in  
2 hours when PHP's energy usage was zero (or at its 8 MW lower limit), while PHP consumed large  
3 amounts of energy when Goose Harbour produced no output, and the PSA would still allow PHP to claim  
4 all Goose Harbour generation as serving its load in place of NSPI tariff energy.

5 While it is unknown exactly how Goose Harbour output and PHP energy usage will actually align hour by  
6 hour, the value of deemed delivery is dramatically enhanced by allowing PHP to "bank" excess Goose  
7 Harbour output to offset PHP usage in a completely different later period.<sup>114</sup> Thus, high spring wind  
8 output could possibly reduce PHP tariff energy in the summer.

9 The PSA also allows for PHP to "buy" Goose Harbour energy that was *not produced at all*, and thereby  
10 reduce its energy priced under the NSPI tariff. This is because the Subject Energy quantity under the PSA  
11 includes amounts that were available from Goose Harbour but not dispatched, e.g. because the facility  
12 output is curtailed to maintain system reliability.<sup>115</sup> This mirrors a corresponding obligation for NSPI to  
13 pay for such available but non-dispatched output under the PPA with PHPW,<sup>116</sup> but it accrues as an  
14 economic benefit to PHP because such phantom output offsets its tariff-priced energy just as much as real  
15 output.

16 Finally, there is no adjustment of deemed delivery quantities for transmission losses.<sup>117</sup> The entire net  
17 output of Goose Harbour injected into the grid is deemed delivered in full without any accounting of  
18 actual losses.

19 **Q. Please provide an example of how Goose Harbour output would affect PHP net load at**  
20 **NSPI tariff rates over the course of 2027, using the scenario described in Section III.**

21 A. In Section III we described a more appropriate set of inputs for use in the COSS for determining  
22 the ELID Energy Charge. That scenario would incorporate the lower estimated PHP load level for 2027,  
23 and higher output of the Goose Harbour facility at its full 168 MW capacity. Figure 1 shows how Goose  
24 Harbour output, with deemed delivery and the ability by PHP to bank generation in excess of load for  
25 application in later periods, would affect PHP net load at tariff rates over the course of 2027. This

---

<sup>114</sup> NSPI Application, page 13 lines 29-31.

<sup>115</sup> NSPI (BW) IR-10 (e).

<sup>116</sup> NSPI (BW) IR-10 (e) (iii).

<sup>117</sup> NSPI (BW) IR-10 (a).

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

example (1) applies monthly data from the NSPI COSS Excel model,<sup>118</sup> (2) scales the monthly gross load of PHP proportionally to achieve an annual total load of 774 GWh, and (3) scales the Goose Harbour generation quantity to achieve annual output of 653 GWh, per the discussion in Section III. In this scenario, PHP's net load would be zero in [REDACTED] months of the year – [REDACTED]. The graphed example also ignores any potential banked excess Goose Harbour output from 2026. In this example there is also a remaining net amount of banked energy from December 2027 that would carry forward into 2028.

**Figure 1. Goose Harbour Output Effect on PHP Net Load: 2027 Lower Load, Higher Output Scenario** [this figure is confidential]

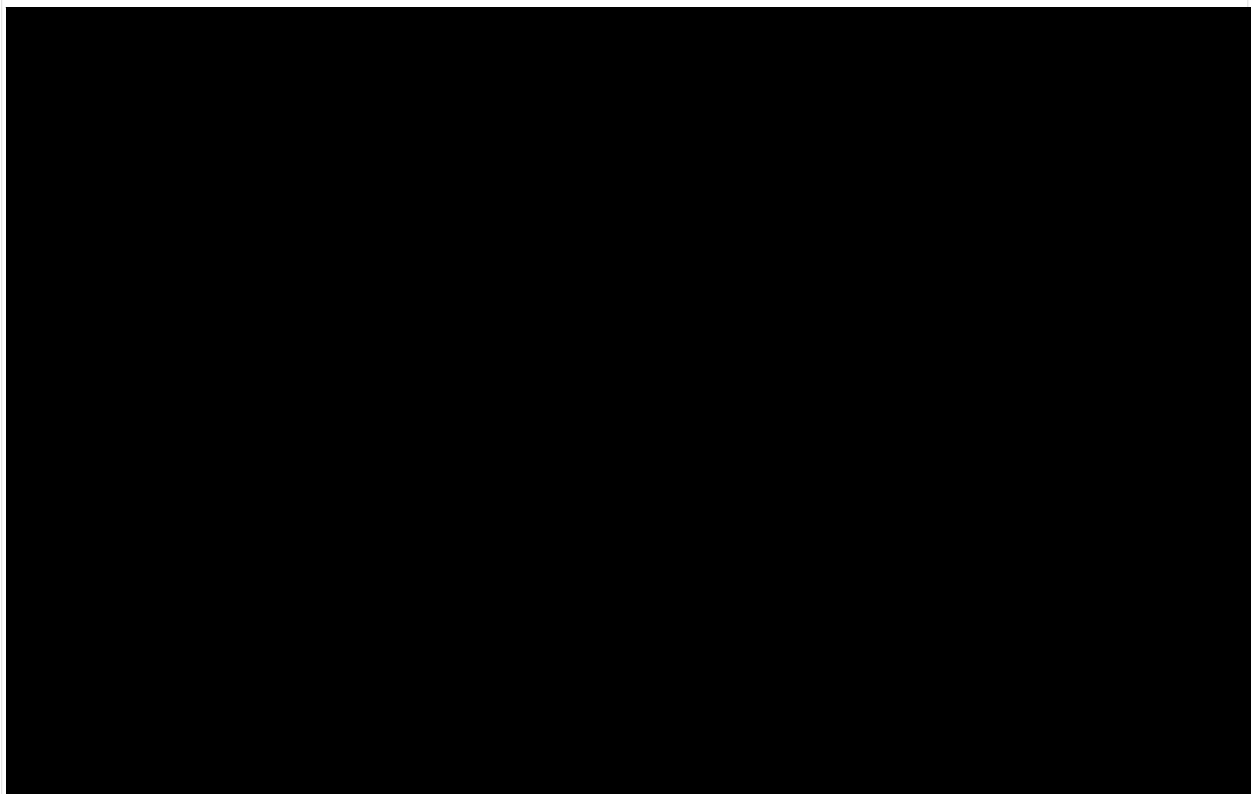


Figure 1 shows an entirely possible, indeed reasonably likely, scenario for the interaction of Goose Harbour generation and net PHP load subject to tariff rates provided under the PSA. It highlights

---

<sup>118</sup> Monthly PHP load and Goose Harbour generation shapes from COSS model version: N-21(C)(ii) - CA IR-001 Att 02 PCON (M12451).

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

graphically the significant impacts that should be properly captured in setting the ELID Energy Charge via the COSS.

**Q. Please provide a quantification of the value to PHP of the Goose Harbour output treatment under the PSA.**

A. Table 4 provides a numerical assessment of the value to PHP of the PSA treatment of Goose Harbour output. Two cases are shown: the first corresponding to the COSS basis for determining the ELID Energy Charge, and the second showing the alternative case discussed in Section III and presented graphically in Figure 1 above. The COSS assumption basis is shown in the first column of values, the alternative scenario is shown in the second column of values, and the difference is shown in the last column.

**Table 4. Effects of Goose Harbour Generation Treatment Under the PSA on PHP Energy Costs for 2027**

|                                          |                       | COSS  | Alternative, lower PHP load, higher GH output | Difference |
|------------------------------------------|-----------------------|-------|-----------------------------------------------|------------|
| PHP gross energy (GWh)                   | (a)                   | 811   | 774                                           | -37        |
| Goose Harbour output (GWh)               | (b)                   | 507   | 653                                           | 146        |
| PHP Net Load (GWh)                       | (c) = (a) - (b)       | 304   | 121                                           | -183       |
| ELID Energy Charge (¢/kWh)               | (d)                   | 11.24 | 11.24                                         |            |
| PHP Net Load Cost at Energy Charge (\$M) | (e) = (c) x (d) / 100 | 34.2  | 13.6                                          | -20.6      |
| PSA wind rate to PHP (¢/kWh)             | (f)                   |       |                                               |            |
| PSA charge to PHP for Wind (\$M)         | (g) = (b) x (f) / 100 |       |                                               |            |
| Total energy cost to PHP (\$M)           | (h) = (e) + (g)       |       |                                               |            |
| Aggregate energy rate to PHP (¢/kWh)     | (i) = (h) / (a)       |       |                                               |            |

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 Assuming the lower PHP load quantity of 774 GWh and higher output of Goose Harbour of 653 GWh,  
2 net PHP load subject to the ELID Energy Charge would be 121 GWh in 2027. This would reduce PHP's  
3 tariff payments to NSPI by \$20.6 million relative to the assumptions applied to determine the ELID  
4 Energy Charge. PHP's purchase cost under the PSA would be higher by [REDACTED] million, and its net energy  
5 cost for its full gross load would be [REDACTED] million lower.

6 This numerical assessment is only from PHP's perspective. It excludes any assessment of impacts on the  
7 actual NSPI cost of service or potential shortfalls in cost recovery that could be imposed on other FAM  
8 customers. As discussed in Section III, such costs shifting could be significant if the proposed ELID  
9 Energy Charge rates are approved unmodified.

10 **Q. Is there a potential scenario in which PHP has zero net load subject to the ELID Energy**  
11 **Charge?**

12 A. Yes. As discussed above, the 653 GWh of output from Goose Harbour is a reasonable estimate  
13 of potential generation from the full 168 MW facility, and in fact is conservative, since that is a P90 level  
14 that is expected to be exceeded 9 years out of 10. The PSA anticipates that PHP load fall below 625  
15 GWh, as that is the established threshold below which the Sales Agreement Fee increases from  
16 \$2.00/MWh to \$4.00/MWh. Thus, there is a very plausible scenario in which PHP would have annual net  
17 load of zero under the ELID tariff, and would pay no Energy Charge at all, and cover none of the  
18 embedded costs reflected in the Energy Charge.

19 This extreme, but plausible, scenario highlights that the premised treatment of PHP as an ATL customer  
20 paying fully embedded cost rates is fundamentally undermined by the terms of the PSA, particularly if  
21 PHP's resulting net load is not properly reflected in setting ELID rates.

22 **Q. Are there additional implications associated with Goose Harbour generation significantly**  
23 **exceeding the level assumed in setting the ELID Energy Charge?**

24 A. The overall dollar effects for PHP are as summarized in Table 4, which also reflects the lower  
25 expected gross load for PHP in 2027. Another perspective on the financial effect is that it is as if PHP  
26 were allowed to sell the higher-than-modeled wind generation back to FAM customers at PHP's  
27 embedded cost rate.

28 Since the proposed ELID Energy Charge rates were based on an overestimate of PHP net load (causing  
29 the rates to be too low), one can think of the likely actual outcome in 2027 as comprising two pieces: (1)

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1 PHP pays for the modeled (high) level of net load at the proposed Energy Charge consistent with that net  
2 load; and (2) excess Goose Harbour generation beyond that assumed in the COSS is sold back to NSPI at  
3 the Energy Charge, a substantial premium on the cost to PHP of Goose Harbour energy.

4 This is financially equivalent to the characterization above, that the PSA allows PHP to displace energy  
5 usage charged at the embedded tariff rate with much lower cost energy deemed delivered from Goose  
6 Harbour. Putting it in terms of “properly priced” net load, as modeled, plus excess wind generation sold  
7 back to NSPI at an embedded cost premium again illustrates how advantageous the PSA terms are to  
8 PHP, particularly when the ELID Energy Charge is based on much higher net load than appears likely to  
9 be realized.

**VI. Recommendations**

**Q. Please summarize your recommendations with respect to NSPI's Application.**

A. We recommend that NSPI file additional evidentiary support for its proposed Customer Charge. Absent this, we recommend NSPI set the Customer Charge for 2026 and 2027 at the midpoint of its estimated range, or \$12,291.67/month.<sup>119</sup> We recommend that the Customer Charge be subject to reconciliation such that if actual costs of ELID Tariff administration are below the Customer Charge collections, PHP receives 100% of that amount in credits. We also recommend NSPI explain the methodology for tracking the costs of administering the ELID Tariff and how NSPI plans to ensure that 100% of the costs incurred above in administering the ELID Tariff are paid by PHP, including those above the Customer Charge collections.

We recommend that the ELID Energy Charge not be approved as proposed. We recommend that NSPI be required to update the COSS model to better reflect likely PHP net load, capturing both updates to expected PHP gross load and, most importantly, the likely output from Goose Harbour at a facility capacity of 168 MW.

We recommend that the Board not approve the DR credit as proposed. The Dispatchable Rider as proposed does not provide certainty that (1) any payments to PHP from FAM customers under the DR credit must be demonstrably tied to PHP deciding to shift load due to energy prices and (2) that FAM customers not be at risk of providing any compensation to PHP in hours where no load-shifting activity due to energy prices occurred. It may be that, with additional elaboration, revisions, reporting requirements, and verifiability guardrails, the mechanism may achieve these objectives, but as proposed, it is our view that the DR credit is too vague, uncertain, unverifiable, and at risk of failing to match rider payments to load-shifting service to be recommendable for approval.

In addition to correcting the Energy Charge rates, we recommend that a true-up mechanism be created to address substantial deviations of PHP net load from expectations – including the extreme but plausible scenario in which PHP's annual net load subject to the tariff rate is zero.

---

<sup>119</sup> \$12,291.67 is the midpoint between the low (\$10,000) and high (\$14,583.33) ends of the cost estimate range.

Nova Scotia Energy Board  
In the Matter of  
Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper (M12661)  
Bates White Evidence – Confidential Version

1    Given the potential for variable Goose Harbour generation to have significant effects on cost recovery –  
2    to the potential disadvantage of PHP as well as FAM customers – we recommend that NSPI evaluate cost  
3    recovery under the ELID tariff at the conclusion of each annual period.

4

5    **Q.      Does this conclude your evidence?**

6    A.      Yes.