

**BEFORE THE
NOVA SCOTIA ENERGY BOARD**

**IN THE MATTER OF THE PUBLIC
UTILITIES ACT**

and

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

Matter No.

M12661

Reply Evidence of

Colin T. Fitzhenry and Michael P. Gorman

On behalf of

Port Hawkesbury Paper LP

July 8, 2026



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Reply Evidence of Colin T. Fitzhenry and Michael P. Gorman

1 **Q PLEASE STATE YOUR NAMES AND BUSINESS ADDRESS.**

2 A Colin T. Fitzhenry and Michael P. Gorman. Our business address is 16690 Swingley
3 Ridge Road, Suite 140, Chesterfield, MO 63017.

4 **Q ARE YOU THE SAME COLIN T. FITZHENRY AND MICHAEL P. GORMAN WHO**
5 **PREVIOUSLY FILED EVIDENCE IN THIS PROCEEDING?**

6 A Yes. We filed Evidence on behalf of Port Hawkesbury Paper LP ("PHP") on
7 February 20, 2026. PHP is a customer of Nova Scotia Power Incorporated ("NS
8 Power," or "Company").

9 **Q WHAT IS THE PURPOSE OF YOUR REPLY EVIDENCE?**

10 A Our Reply Evidence will address the following parties' testimony: 1) Intervenor
11 Evidence of Patrick Bowman on behalf of NS Industrial Group ("IG"), 2) Hayitboy
12 Mahmudov and Andrew McLaren of InterGroup on behalf of the Consumer Advocate
13 ("CA"), 3) Melissa Whited of Synapse on behalf of the NS Energy Board ("Board") Staff,
14 and 4) Bates White on behalf of the Board Staff.

15 **I. SUMMARY OF PHP PROPOSAL**

16 **Q CAN YOU BRIEFLY SUMMARIZE PHP'S PROPOSAL TO THE BOARD?**

17 A Yes. PHP is requesting that the Board approve an Above-the-Line ("ATL") Extra Large
18 Industrial Dispatchable ("ELID") Tariff designed strictly around cost-causation
19 principles. The tariff must produce cost-based rates that accurately reflect both the
20 specific costs PHP imposes and the material benefits it provides to the NS Power

system. To achieve this balance, PHP proposes the following billing determinants and rate design adjustments for Board approval:

■ PHP proposes to separate its contribution to the NS Power 3 Coincident Peak ("3-CP") demand allocator used to apportion its production and transmission capacity across rate classes into an 8 MW firm demand and the remaining MW of interruptible demand.

■ PHP is proposing a firm demand of 8 MW which reflects the demand required by PHP at times of system transmission and generation supply constraints.

■ PHP is proposing an interruptible demand which reflects the minimum amount of interruptible demand available to NS Power system at times of transmission and generation supply constraints.

■ If the Board were to adopt NS Power's framework of utilizing a fixed 65 MW 3-CP demand determinant, then 57 MW of interruptible service must be credited at NS Power's avoided marginal cost of capacity (\$13.107/kVA), which is calculated using the billing determinants of the ELID class and the avoided generation cost of adding peaking capacity.

■ PHP is proposing a Revenue-to-Cost ("R/C") Ratio of 1.0 which ensures PHP pays its cost to serve rather than providing an additional 4.373% premium that will subsidize cost to serve other customer classes.

■ PHP recommends updating the tariff to incorporate revised 2027 energy sales and Goose Harbour production forecasts. These adjustments account for the upfront displacement of system energy by the Goose Harbour Lake Wind Farm under a Power Purchase Agreement, establishing a more accurate per-unit rate energy rate based on true expected usage.

■ PHP is proposing an Active Demand Credit ("ADC") under the Dispatchable Rider ("DR") that reconciles the actual cost of fuel and variable Operating and Maintenance ("O&M") expense to serve the ELID customer class.

Implementing these recommendations ensures that the revenues collected under the ELID Tariff align equitably with the actual cost to serve the ELID customer class.

1 **Q WOULD IT BE ACCEPTABLE FOR PHP TO CONTINUE TO TAKE SERVICE**
2 **UNDER THE EXTRA LARGE INDUSTRIAL ACTIVE DEMAND CONTROL**
3 **(“ELIADC”) TARIFF PAST ITS CURRENT EXPIRATION DATE?**

4 **A No.** PHP’s current Tariff, the ELIADC Tariff, which will expire at the end of 2026, utilizes
5 marginal energy cost rates. Marginal cost rates are generally applied to customers that
6 are new to a system, charging them a premium energy rate to reflect the incremental
7 cost of power required to serve that customer load, or as part of tariffs specifically
8 designed for unique customer situations, such as load retention.

9 Consequently, marginal cost rates generally force the customer to pay energy
10 costs above the system’s average energy costs. Given that PHP has supported and
11 contributed to the embedded cost of service in the NS Power system since 1962, the
12 Company should be permitted to transition to a properly structured ELID Tariff on an
13 ATL basis. This will allow PHP to pay a fair, cost-causative share of fixed system
14 overhead and energy costs while being equitably credited for the significant operational
15 flexibility it provides to the NS Power system.

16 **Q HAVE INTERVENING PARTIES PROPOSED ALTERNATE RATES AND BILLING**
17 **DETERMINANTS FOR THE ELID TARIFF THAT WOULD PRODUCE**
18 **DISCRIMINATORY RATES FOR THE CLASS?**

19 **A Yes,** the IG’s proposal to utilize PHP’s average demand of 120 MW rather than the
20 3-CP demand framework exemplifies discriminatory rate-making principles, primarily
21 through the asymmetric application of cost allocators.¹ A fundamental tenet of
22 equitable rate design is that similarly situated customer classes must be treated under
23 uniform rules; however, Mr. Bowman explicitly confirms that this average demand

¹ Testimony of Patrick Bowman at 4.

1 methodology replaces the standard demand allocator solely for PHP.² When
2 questioned whether other customer classes should also use an average demand value
3 in place of the 3-CP allocator, the witness says “No,” stating that the 3-CP method
4 remains the standard approach for establishing ATL rates for all other customer
5 classes.³ This creates a non-uniform, one-off structural rule designed exclusively to
6 increase the cost burden of a single targeted customer. Furthermore, this unequal
7 treatment imposes a severe and disproportionate financial penalty on PHP. Utility
8 capacity costs are traditionally allocated based on peak demand contribution because
9 peak demand drives generation and transmission investment. Forcing PHP into an
10 inflated 120 MW demand allocation, calculated by assuming a flat, high-load-factor
11 profile, nearly doubles its capacity assignment from the 65 MW proposed in the
12 application. The IG witness acknowledges that this change dramatically shifts costs,
13 adding an estimated \$9.4 million to PHP’s annual allocation.⁴ From strictly a regulatory
14 perspective, constructing an intentionally punitive cost-allocation mechanism that is
15 explicitly denied to all other customer groups violates the principle of rate uniformity
16 and results in an undue prejudice against a single customer class.

17 Similarly, InterGroup, on behalf of CA, rejects PHP’s proposal for an
18 Interruptible Credit of \$13.107/kVA and instead proposes that PHP’s interruptible credit
19 be tied to the standard LI Interruptible Rider (“LIIR”) rates of \$7.638 per kVA for 2026
20 and \$7.667 per kVA for 2027, subject to a future review.⁵ However, as stated in
21 InterGroup’s evidence: “In response to a Consumer Advocate Information Request
22 explaining the reason for this difference, NSP stated the LIIR credit is determined based
23 on forecast LIIR customer kW peak coincident with the system peak divided by

² Response to PHP Request IR-3 to the IG.

³ *Id.*

⁴ Response to PHP Request IR-1 to the IG.

⁵ Testimony of InterGroup Consultants at 2.

1 subscribing customers' forecast non-coincident interruptible billing demand."⁶
2 Consequently, InterGroup's proposal to force the LIIR interruptible rate credit onto the
3 ELID class is inherently discriminatory because it improperly applies the specific billing
4 determinants of the LIIR class to calculate the ELID class rates. In no instance under
5 cost-based rate-making would it be appropriate to develop rates for one distinct
6 customer class by using the unique billing determinants of an entirely different class.

7 **Q WHAT CAN YOU CONCLUDE ABOUT THE INTERVENOR EVIDENCE?**

8 A The alternative billing determinants and rate structures proposed by certain intervening
9 parties violate fundamental principles of rate uniformity and cost causality, resulting in
10 an unjustly discriminatory framework targeted solely at PHP.

11 **II. RESPONSE TO IG WITNESS PATRICK BOWMAN**

12 **Q CAN YOU BRIEFLY SUMMARIZE THE RECOMMENDATIONS OF MR. BOWMAN?**

13 A Yes. Mr. Bowman makes five recommendations:

- 14 1) The capacity value used in the Cost of Service ("COS") for PHP should be
15 representative of PHP's average demand, rather than the firm demand PHP
16 places on the system during the 3-CP periods. He recommends assigning
17 PHP a demand of 120 MW, its average annual demand.⁷
- 18 2) The rates in the ELID DR should include practical control of PHP load at
19 times when the system margin is small. He states that the existing control
20 only arises from economic price signals.⁸
- 21 3) He finds that the DR credit allocated entirely to PHP results in an over-credit
22 for interruptibility and could harm other customers.⁹
- 23 4) The lack of interruptibility of PHP at times of system constraint suggests that
24 no interruptible credit is justified.¹⁰

⁶ *Id.* at 5.

⁷ Testimony of Patrick Bowman at 9.

⁸ *Id.* at 11.

⁹ *Id.* at 12.

¹⁰ *Id.* at 14.

1 5) There is no basis for providing PHP a priority interruptible credit.¹¹

2 **Q PLEASE RESPOND TO MR. BOWMAN'S RECOMMENDATION THAT PHP'S 3-CP**
3 **DEMAND SHOULD BE BASED ON PHP'S ANNUAL AVERAGE DEMAND, RATHER**
4 **THAN ITS CONTRIBUTION TO THE SYSTEM PEAK DEMAND.**

5 A Mr. Bowman's proposal fails to align with setting rates at cost of service, and his
6 proposed selective treatment of PHP in artificially measuring a demand allocation factor
7 is discriminatory toward PHP.

8 **Q PLEASE EXPLAIN WHY THE USE OF PHP'S AVERAGE DEMAND IN THE**
9 **DEVELOPMENT OF A DEMAND ALLOCATOR IS NOT BASED ON COST**
10 **CAUSATION.**

11 A. NS Power invests in generation and transmission capacity to reliably satisfy firm
12 demand during periods of peak system stress. These capacity requirements are driven
13 by, and measured using, the system 3-CP demand allocator. PHP actively manages
14 its operations to minimize costs, including its electric power expenses. It achieves this
15 by reducing its consumption and minimizing its contribution to the NS Power system's
16 peak demands. By consuming electricity during non-system-constrained periods and
17 shedding load during the 3-CP peak hours, PHP directly reduces the incremental
18 capacity investments NS Power must make to maintain reliable, firm service. Hence,
19 Mr. Bowman's proposal to use average demand rather than PHP's contribution to the
20 system 3-CP ignores PHP's effort to minimize costs and does not align with NS Power's
21 need to invest in system capacity to reliably service its system peak demands.

¹¹ *Id.* at 15.

Q PLEASE EXPLAIN WHY MR BOWMAN'S PROPOSAL TO USE PHP'S AVERAGE DEMAND IN DEVELOPING A DEMAND ALLOCATOR IS DISCRIMINATORY.

A. As discussed previously, the proposal to inflate PHP's contribution to the system 3-CP demand by substituting its average demand for its actual peak demand is limited to only PHP. Mr. Bowman rejects the use of average demand in developing the 3-CP demand allocator for NS Power's other ATL rate classes. In his response to Information Request PHP-IR-3(d), Mr. Bowman admits that the 3-CP demand allocation is the standard approach used for all other ATL customer classes in developing a 3-CP demand allocator, but he rejects using the other classes' average demand in developing the 3-CP demand allocation, as he proposes for PHP. Mr. Bowman's proposal to use PHP's average demand is not cost-based and discriminates against PHP because it artificially inflates the PHP 3-CP demand allocation of NS Power capacity resources used to serve its peak demand. This results in an enormous overallocation of the NS Power system production and transmission capacity that is needed and used to serve PHP.

Q IS MR BOWMAN'S PROPOSAL CONSISTENT WITH THE BOARD DIRECTIVES THAT COST OF SERVICE AND RATE DESIGN BE BASED ON NON-DISCRIMINATORY RATEMAKING PRINCIPLES?

A No. While we are not attorneys, our understating is that the Board operates under a strict statutory mandate that requires utility cost of service and rate designs to be based on non-discriminatory and non-preferential rate-making principles. Under Section 67(1) and Sections 107 to 109 of the Nova Scotia Public Utilities Act, public utilities are prohibited from practicing unjust discrimination, and the Board is bound to establish rates that are not unjustly discriminatory or unduly preferential. The legislation dictates

1 that the public utility cannot subject any person or customer class to an unreasonable
2 disadvantage or extend any unreasonable preference. Because the explicit language
3 of the Public Utilities Act strictly prohibits utility rates that cause undue prejudice or
4 disadvantage, these non-uniform, one-off intervenor proposals must be rejected in
5 favor of a balanced, cost-causative ELID Tariff design.

6 **Q WHAT IS YOUR CONCLUSION REGARDING MR. BOWMAN'S PROPOSAL TO**
7 **ALLOCATE DEMAND COSTS TO PHP USING ITS 120 MW AVERAGE DEMAND?**

8 A Mr. Bowman's proposal would significantly over-allocate system resource production
9 and transmission capacity costs to PHP and result in large subsidies paid by PHP to
10 the benefit of other NS Power customers. Mr. Bowman's recommendation should be
11 rejected because it does not follow cost causation and does not fairly allocate
12 production and transmission capacity across all NS Power customers, including PHP.

13 **Q PLEASE RESPOND TO MR. BOWMAN'S SECOND RECOMMENDATION**
14 **DISCUSSED AT PAGES 11-12 OF HIS DIRECT EVIDENCE THAT THE DR SHOULD**
15 **PROVIDE NS POWER PRACTICAL CONTROL OF PHP LOAD DURING**
16 **CONSTRAINED SYSTEM CONDITIONS?**

17 Mr. Bowman's recommendation is not reasonable, and it is not necessary to incentivize
18 PHP to reduce and/or manage its electric demands to lower NS Power costs to provide
19 service. Mr. Bowman's recommendation does not consider that PHP must also
20 manage its operations to respond to real-time market and/or business factors and
21 manufacturing constraints that require PHP to meet production target amounts and
22 delivery timelines. For example, PHP may choose to pay higher marginal dispatch cost

1 rather than face curtailment due to these factors. NS Power cannot make this business
2 decision for PHP.

3 As noted in the evidence,¹² a mandate to force consumption profiles violates
4 the fundamental operational parameters of the mill. The voluntary structure of the DR
5 ensures that PHP is properly incentivized to deliver load flexibility while navigating its
6 own operational limits and business commitments. It balances system optimization
7 with the physical realities of the industrial facility and requires PHP to retain strict
8 physical control of its operations.

9 **Q HOW DO YOU RESPOND TO MR. BOWMAN'S THIRD RECOMMENDATION THAT**
10 **THE 100% ALLOCATION OF DR SAVINGS RISKS OVER-CREDITING PHP FOR**
11 **THE VALUE OF THE DR?**

12 **A** Mr. Bowman's recommendation to strip PHP of 100% of the calculated DR savings
13 ignores the structural trade-offs involved in transitioning to an ATL tariff. While the
14 previous ELIADC tariff featured a benefit-sharing split, non-fuel cost recovery under
15 that mechanism was not embedded cost based. Under the proposed ELID Tariff, PHP
16 is moving to a full ATL framework, where it will bear a substantial and fixed allocation
17 of embedded system overhead, which directly benefits all other rate classes. Because
18 PHP is absorbing a full allocation of fixed capacity costs, it is entirely cost-causative
19 that 100% of the real-time operational fuel and variable O&M savings enabled by its
20 unique load flexibility accrue to its own account. Forcing a benefit-sharing model on
21 top of full fixed cost recovery would penalize PHP twice and undermine the entire basis
22 of the ATL transition.

¹² Direct Evidence of Port Hawkesbury Paper at 10 and 11.

Furthermore, sound rate design principles dictate that customer classes possessing operational flexibility should be properly incentivized to utilize that flexibility to lower total system costs. This concept is perfectly demonstrated by the standard Interruptible Credit; the LIIR class receives 100% of its capacity benefit because all customer classes ultimately benefit from the operational flexibility and avoided generation costs that the LIIR class provides. Forcing the LIIR class to share this specific credit would dilute their operational incentive to interrupt, thereby increasing peak demand risks and driving up total system capacity costs for all ratepayers. The proposed DR operates in precisely the same manner. While PHP receives the direct credits for its performance, all other customer classes on the system will simultaneously benefit from the unique Active Demand Control flexibility provided by PHP's operations, which works to lower average Fuel Adjustment Mechanism ("FAM") costs across the entire grid.

Q PLEASE RESPOND TO MR. BOWMAN'S FOURTH RECOMMENDATION TO REMOVE THE INTERRUPTIBLE CREDIT PROVIDED TO PHP UNDER THE DR?

A Mr. Bowman argues that due to the lack of interruptibility of PHP at times of system constraints, there should be little to no credit for the Interruptible Rider ("IR").¹³ The IR serves as a long-term system planning resource that limits the utility's costs to serve its firm customer peak demands and allows NS Power to avoid adding additional expensive generation and transmission capacity costs. Hence, the interruptible credit reflects these cost savings relative to the ELID firm's demand rate. The ability to call a mandatory curtailment with 10 minutes' notice is an important resource benefit to the NS Power system, because interruptible load can be used to avoid additional

¹³ Bowman Direct at 14.

1 generation to balance supply and demand. The interruptible credit reflects the cost
2 avoidance to the system and provides a cost-based rate.

3 Mr. Bowman's principal argument is that PHP should receive little to no credit
4 because "PHP will have already been dispatched down to minimal loads under the DR
5 in almost any circumstance that would require interruptibility."¹⁴

6 **Q DO YOU AGREE WITH MR. BOWMAN THAT BECAUSE PHP MAY HAVE**
7 **ALREADY BEEN DISPATCHED DOWN TO REDUCE LOAD UNDER THE DR THAT**
8 **THEY SHOULD NOT RECEIVE AN IR CREDIT?**

9 No. Mr. Bowman's argument ignores the completely distinct benefits of the DR and the
10 IR. The DR provides operational relief by economically scheduling load modifications
11 hour-by-hour to avoid high-cost energy hours. Even Mr. Bowman recognizes that the
12 DR provides FAM-related benefits and that the DR is not a mechanism intended to
13 credit capacity cost savings.¹⁵ Conversely, the IR improves system reliability by calling
14 on customers to reduce load during periods of system constraint. Mr. Bowman's
15 proposal that PHP should not receive a credit for avoided capacity through the IR
16 because it has already reduced its load under the DR to avoid fuel and variable O&M
17 expense conflates these two entirely distinct benefit streams. It demonstrates a clear
18 misunderstanding that the IR and DR provide completely different benefits to the
19 system, even if those benefits happen to occasionally manifest during the exact same
20 hour.

¹⁴ *Id.* at 13.

¹⁵ Response to PHP Request IR-4 to the IG.

Q PLEASE REPLY TO MR. BOWMAN'S FIFTH RECOMMENDATION TO ELIMINATE THE 10% PRIORITY INTERRUPTIBILITY CREDIT.

A Mr. Bowman's recommendation is without merit. PHP is the first customer to be interrupted on the system and thus acts as a resource to the other interruptible customers with telemetry equipment to avoid being interrupted, and provides NS Power load that can be used as an operating reserve. This interruption priority has value to NS Power and the Industrial interruptible customers that may choose to have limited interruption frequency. Mr. Bowman's assertion that the priority interruptible designation offers no additional benefit to the system should be dismissed. Under the proposed Order of Interruptibility, the ELID load will explicitly be subject to forced curtailment before standard LIIR customers held as operating reserve are disrupted. This tiering provides clear operational grid relief by reducing system reliability risk and protecting other commercial entities from the costly operational disruptions associated with unexpected blackouts. Compensating PHP with a 10% premium for accepting the highest-risk tier of forced system curtailment is fair, balanced, and accurately reflects the hierarchy of service reliability being imposed on the mill.

Q DO YOU AGREE WITH MR. BOWMAN'S RECOMMENDATION THAT THE BOARD COMPLETELY REJECT ALL MODIFICATIONS PROPOSED BY PHP, INCLUDING THE R/C RATIO OF 1.0?

A No. Mr. Bowman's flat rejection of PHP's core proposals is entirely inequitable. For example, the application of an R/C ratio exceeding 1.0 is a tool traditionally used by regulators to mitigate the sudden shifting of model dynamics on existing, historically insulated classes. PHP is entering an entirely new customer class and has never previously been costed through the COSS model on an ATL basis. Imposing an

1 artificial 4.373% premium above the true cost to serve a new class forces PHP to
2 provide an ongoing structural subsidy to other customer classes without any regulatory
3 justification. An equitable R/C ratio of 1.0 ensures rate fairness and adheres to the
4 strict non-discriminatory principles mandated under the Public Utilities Act, ensuring
5 that PHP pays precisely its cost to serve.

6 **III. RESPONSE TO CA WITNESSES**
7 **HAYITBOY MAHMUDOV AND ANDREW MCLAREN OF INTERGROUP**

8 **Q CAN YOU BRIEFLY SUMMARIZE THE RECOMMENDATIONS OF THE CA**
9 **WITNESSES?**

10 A Yes. InterGroup recommends that the Board rejects all four of PHP's proposed tariff
11 modifications, noting that parameters like the 65 MW 3-CP Demand Allocation and the
12 R/C ratio were integral trade-offs understood by all parties to the General Rate
13 Application Settlement Agreement. To handle the complexity of the new ATL
14 framework, InterGroup explicitly recommends that the Board approve the Interruptible
15 Service component strictly for the 2026 and 2027 test years, as proposed by NS Power,
16 and mandate a comprehensive review of the entire ELID Tariff after its first year of
17 implementation. Furthermore, they advise the Board to critically evaluate the
18 reasonableness of allowing PHP to retain 100% of the calculated DR savings. Finally,
19 because PHP's day-to-day operating procedures directly alter the resulting DR financial
20 outcomes, InterGroup recommends that this documentation be subject to formal Board
21 approval to ensure transparency and protect other customers from cost shifting. We
22 will discuss these recommendations in greater detail below.¹⁶

¹⁶ Testimony of InterGroup Consultants at 2.

1 **Q DO YOU AGREE WITH INTERGROUP THAT THE R/C RATIO OF 1.04373 WAS AN**
2 **"INTEGRAL CONSIDERATION"¹⁷ OF THE SETTLEMENT AGREEMENT AND**
3 **CANNOT BE ALTERED WITHOUT UNDERMINING THE AGREEMENT?**

4 **A** No. InterGroup's position attempts to lock PHP into an inequitable, above-cost
5 premium while ignoring the clear structural mechanisms built into that very same
6 agreement. In its response to Information Request PHP-IR-1(a), InterGroup explicitly
7 admits that the specific clauses preserving the rights of parties to challenge the tariff
8 design, alongside the creation of a specialized regulatory deferral account to absorb
9 Board-directed revenue variances, were also integral considerations understood by all
10 signatories. Because PHP is a new ATL customer class that has never previously been
11 costed as an ATL, the proposal to force a 4.373% premium onto PHP's cost of service
12 would compel it to provide an ongoing structural subsidy to other ATL classes. An
13 equitable R/C ratio of 1.0 aligns strictly with the statutory fairness principles mandated
14 under the Public Utilities Act, ensuring PHP pays exactly its cost to serve.

15 **Q DO YOU AGREE WITH INTERGROUP THAT ALLOWING PHP TO EARN AN IR**
16 **CREDIT THAT EXCEEDS EMBEDDED DEMAND CHARGES WOULD CREATE A**
17 **"NEGATIVE CONTRIBUTION" AND A DESIGN ERROR?**

18 **A** No. InterGroup's argument in PHP-IR-3(a) rests on the claim that because NS Power's
19 tariff is based on embedded cost rather than marginal cost, an interruptible credit based
20 on marginal avoided capacity cannot exceed an embedded demand charge without
21 harming other customers. This reveals a fundamental misunderstanding of how the IR
22 and the Company's Cost of Service Study ("COSS") model interact. The COSS model
23 does not functionalize and classify 100% of generation capacity costs into the demand

¹⁷ *Id.* at 6.

1 charge. Under NS Power's functionalization and classification framework, the utility
2 utilizes a System Load Factor ("SLF") methodology to split generating resource costs
3 between demand and energy. This means that a large portion of fixed generation
4 capacity costs are actually recovered through the ELID non-fuel energy charge rather
5 than the demand charge. Consequently, looking strictly at the embedded demand
6 charge understates the true capacity cost contribution PHP pays into the system.
7 Restricting the IR capacity credit because it exceeds a standalone demand charge fails
8 to account for the substantial capacity asset support PHP provides through its energy
9 charge. It remains entirely cost-justified for the interruptible credit to reflect the full
10 avoided marginal cost of capacity (\$13.107/kVA), ensuring PHP is equitably
11 compensated for the avoided capacity costs and immense operational flexibility it
12 provides to the grid.

13 **Q DO YOU AGREE WITH INTERGROUP THAT THE IR CREDIT FOR PHP SHOULD**
14 **BE SET TO THE SAME CREDIT AS THE LIIR CLASS?**

15 **A** No, as discussed previously, InterGroup's proposal to force the LIIR interruptible rate
16 credit onto the ELID class is inherently discriminatory because it improperly applies the
17 specific billing determinants of the LIIR class to calculate separate ELID class rates. In
18 no instance under cost-based rate-making would it be appropriate to develop rates for
19 one distinct customer class by using the unique billing determinants of an entirely
20 different class.

1 **IV. RESPONSE TO BOARD STAFF**
2 **WITNESS MELISSA WHITED OF SYNAPSE**

3 **Q CAN YOU BRIEFLY SUMMARIZE THE RECOMMENDATIONS OF MS. WHITED?**

4 A Synapse witness Melissa Whited recommends that the Board approve the proposed
5 ELID tariff, but subject it to specific, targeted modifications to achieve a more equitable
6 allocation of capacity costs and system benefits. She recommends that the Board
7 reject PHP's preferred proposal to assess its demand charge solely on its 8 MW of firm
8 load, noting that, because transmission system costs are driven by entire system
9 usage, this demand allocation would allow a substantial portion of PHP's demand to
10 avoid transmission cost allocation.¹⁸ At the same time, Ms. Whited recommends
11 rejecting PHP's secondary proposal to price its interruptible credit at the full marginal
12 cost of capacity (\$13.107/kVA), as this would overcompensate the mill by allocating
13 100% of the avoided capacity benefits to PHP without accounting for its expected
14 revenue contribution under firm service.¹⁹ Instead of these competing proposals, she
15 recommends that the Board direct PHP and NS Power to negotiate a revised alternative
16 credit value that is high enough to induce the mill's participation under the ELID tariff
17 while ensuring that a portion of the avoided capacity benefits is retained for the benefit
18 of other ATL customers.²⁰

¹⁸ Testimony of Melissa Whited at 12.

¹⁹ *Id.* at 13 and 14.

²⁰ *Id.* at 14.

1 **Q DO YOU AGREE WITH MS. WHITED'S RECOMMENDATION TO ADJUST THE PHP**
2 **IR CREDIT TO ACCOUNT FOR PHP'S REVENUE CONTRIBUTION FOR NEW**
3 **CAPACITY?**

4 **A No.** While I agree with this recommendation in principle, I do not recommend adjusting
5 the methodology to calculate the IR Credit at this time. In addition, Ms. Whited's
6 proposed adjustment would have a negligible impact on the final IR credit. Under the
7 current COSS model, PHP's 3-CP demand represents only approximately 3% of the
8 total system coincident peak. As a result, PHP's allocated revenue contribution to any
9 new incremental generation addition is limited. Adjusting the marginal cost capacity
10 credit for this 3% embedded cost contribution would only reduce the proposed IR credit
11 from \$13.107/kVA to \$12.71/kVA. Furthermore, it must be noted that the standard
12 interruptible credit currently applied to the LIIR class does not include any similar
13 revenue contribution reduction. Applying this capacity credit penalty exclusively to the
14 ELID class while exempting other industrial customers is non-uniform and runs contrary
15 to non-discriminatory rate-making principles.

16 As discussed in PHP's direct evidence, PHP is entirely willing to collaborate
17 with NS Power to revisit and refine the calculation of this credit in a future proceeding.
18 Such a review is particularly necessary because a stale, benchmarked estimate of a
19 fossil-fuel peaking unit does not accurately reflect NS Power's true long-term cost of
20 capacity, especially given the rapid transformation of the utility's supply portfolio to meet
21 provincial environmental and clean energy standards.

1 **Q DO YOU AGREE WITH MS. WHITED THAT AN 8 MW DEMAND ALLOCATION**
2 **IMPROPERLY ALLOCATES TOO SMALL A SHARE OF TRANSMISSION COSTS**
3 **TO PHP?**

4 **A No.** As discussed in PHP's direct evidence, a minimal transmission cost allocation is
5 entirely appropriate based on cost-causation principles and system planning realities.
6 System reliability studies, such as Steady-State Power Flow Analysis, are designed to
7 ensure grid stability during peak conditions and should assume that PHP's demand is
8 minimal during period of system transmission constraint. Because PHP's tariff would
9 permit mandatory interruption down to 8 MW during grid emergencies, its interruptible
10 load does not drive the need for incremental transmission investments or transmission
11 capacity expansion. Additionally, because PHP takes service directly from the
12 high-voltage transmission system, it does not utilize the vast majority of the utility's
13 radial or lower voltage transmission network infrastructure. Charging PHP for assets it
14 does not use, or for capacity it is legally obligated to drop during peak constraints, would
15 over-allocate costs to the ELID class and force it to cross-subsidize other customer
16 classes. Therefore, a demand allocation reflecting its 8 MW firm demand is fully
17 cost-justified.

18 **V. RESPONSE TO BOARD STAFF WITNESS BATES WHITE**

19 **Q CAN YOU BRIEFLY SUMMARIZE THE RECOMMENDATIONS OF BATES WHITE?**

20 **A Bates White** recommends that several key components of Nova Scotia Power's
21 proposed ELID Tariff be rejected or substantially modified to protect FAM customers
22 from cost-shifting and under-recovery risks. Bates White strongly recommends that
23 the Board reject the ELID Energy Charge as proposed, advising that it be recalculated
24 using an updated COSS model that incorporates a lower, more realistic gross load for

1 PHP and reflects the full 168 MW capacity of the Goose Harbour Lake Wind Farm.²¹
2 Furthermore, they recommend rejecting the DR credit framework because it is too
3 vague, unverifiable, and fails to guarantee that payments to PHP are demonstrably tied
4 to actual price-driven load shifting.²² Finally, to counter the disruptive book-banking
5 and loss-exempt mechanisms embedded in the associated Power Sales Agreement,
6 Bates White recommends implementing an annual true-up mechanism to evaluate cost
7 recovery under the ELID tariff at the conclusion of each period, protecting the grid from
8 scenarios where PHP's annual net tariff load drops to zero.²³

9 **Q DOES NS POWER AGREE WITH BATES WHITE THAT THE ELID ENERGY**
10 **CHARGES IS NOT BASED ON PHP'S COST OF SERVICE?**

11 A. No. In Bates White IR-7(a), NS Power was asked if it considers the ELID Tariff as
12 offering PHP a discounted rate for power relative to other customers. The utility replied:

13 No, the ELID Tariff demand and energy elements are costed on an
14 embedded cost basis like other above-the-line customers. The costing
15 and pricing of the energy and demand components has been
16 determined through the Company's Cost of Service Study, wherein cost
17 responsibility is allocated to each customer class including PHP. With
18 respect to the development of the interruptible demand and priority
19 interruption credits these have been applied in accordance with the
20 2026-27 General Rate Application Settlement Agreement. The
21 Dispatchable Rider value is proposed to be calculated at year-end
22 based on the system benefit dispatch of PHP's load provides as enabled
23 by PHP's unique operational capabilities.

24 In other words, NS Power admits that the energy and demand charges in the ELID
25 Tariff were based on the COSS, but the interruptible demand and priority interruption
26 credits applicable to PHP were not developed on a cost basis, which has significant
27 consequences to PHP. In response to PHP IR-4(b), NS Power confirmed that PHP's

²¹ Testimony of Bates White at 15.

²² *Id.* at 28.

²³ *Id.* at 35.

1 interruptible credit would be \$13.107/kVA if NS Power had independently developed
2 the interruptible credit for PHP using NS Power's established practice for pricing the
3 interruptible credit for Large Industrial Interruptible customers. In response to
4 PHP IR-4(c), NS Power confirms the impact of using the Settlement Agreement as
5 opposed to a cost-based figure is \$4.2 million annually. Notably, when asked directly
6 why it would be appropriate from a cost causation perspective to use the same
7 interruptible credit for PHP as for the LIIR, NS Power simply cited to its responses to
8 CA IR-1 and CA IR-9 and stated that it is based on the Settlement Agreement.

9 **Q WHAT IS YOUR UNDERSTANDING OF BATES WHITE'S RECOMMENDATION TO**
10 **ADJUST THE ELID ENERGY CHARGE USING A NET LOAD THAT WOULD BE**
11 **121 GWH?**

12 A Bates White's recommendation to alter the COSS model inputs to force a higher
13 per-unit Energy Charge rate must be rejected because it rests on contradictory and
14 unstable methodology. Bates White argues that, because the model applies an
15 over-estimated net load, the resulting tariff rates are too low to recover properly
16 allocated embedded costs. However, in its response to Information Request
17 PHP-IR-1(a), Bates White openly undercuts its own calculation by stating that its
18 121 GWh "net load" framework, defined by aggregating PHP consumption net of
19 non-contemporaneous wind production, is actually "not appropriate for determining the
20 actual cost to serve PHP load" and should not be used for either COS or rate design.
21 It is entirely unreasonable for the independent consultant to ask the Board to mandate
22 a specific technical modification to the Energy Charge while simultaneously testifying
23 that the underlying definition of that adjustment is fundamentally flawed and
24 inappropriate.

1 **Q DO YOU AGREE WITH BATES WHITE'S CLAIM THAT AN ANNUAL NET LOAD OF**
2 **ZERO DEMONSTRATES A FAILURE OF THE ELID TARIFF TO COVER**
3 **EMBEDDED SYSTEM COSTS?**

4 A No. Bates White outlines a highly speculative scenario where PHP's annual net load
5 drops to zero, concluding that the mill would completely evade its responsibility for
6 embedded system costs. This claim relies on an incorrect premise that ignores the
7 total billing structure of the ELID Tariff. Even in a hypothetical scenario where the mill's
8 net energy purchases drop to zero due to the wind farm offset, PHP remains fully
9 responsible for paying the fixed customer charge, and a fixed capacity demand charge
10 based on its peak coincident system contribution. Furthermore, Bates White's
11 characterization of the wind farm's physical interaction with the mill is flawed. In its
12 response to PHP-IR-3(a), Bates White acknowledges that it is physically impossible for
13 a grid-interconnected wind farm to supply 100% of a customer's hourly demand
14 elsewhere on the grid without the customer continually relying on system transmission
15 losses, operating reserves, and grid infrastructure. Because PHP must continuously
16 utilize and support the grid to balance the timing of wind output against its
17 manufacturing load, the fixed capacity and demand charges ensure it pays a fair,
18 embedded contribution to the network regardless of net energy volumes.

19 **Q DO YOU AGREE WITH BATES WHITE'S RECOMMENDATION TO CREATE A**
20 **SYMMETRICAL TRUE-UP MECHANISM TO CORRECT FOR "SUBSTANTIAL**
21 **DEVIATIONS" IN NET LOAD FACTOR EXPECTATIONS?**

22 A No. While Bates White confirms in its response to PHP-IR-4(b) that any proposed
23 true-up should theoretically operate symmetrically to credit PHP if actual net load is
24 higher than forecast; however, their parameters for what constitutes a "substantial

1 deviation" are completely arbitrary. In PHP-IR-4(a), Bates White identifies a
2 60% reduction as substantial but admits they cannot offer any lower bound or specific
3 quantitative metric for what triggers a true-up. More critically, Bates White conditions
4 the entire true-up mechanism on a requirement that it must account for
5 contemporaneous, hour-by-hour output from the wind facility. This directly violates the
6 established terms of the Power Sales Agreement, which permits PHP to track
7 non-contemporaneous energy blocks on a monthly basis to manage its business
8 operations. Imposing an hour-by-hour true-up mechanism would retroactively strip
9 PHP of its contractual billing rights and should be dismissed.

10 **Q WHAT IS YOUR POSITION ON BATES WHITE'S FINDING THAT THE DR CREDIT**
11 **IS TOO VAGUE, UNCERTAIN, AND UNVERIFIABLE FOR THE BOARD TO**
12 **APPROVE?**

13 A We disagree with Bates White's flat rejection of the DR credit. While the calculation
14 involves after-the-fact cost simulations, Bates White itself concedes in its response to
15 PHP-IR-2(a) and its direct evidence that the mechanism could successfully achieve its
16 objectives if paired with additional reporting requirements and verifiability guardrails.
17 Rather than entirely rejecting a vital operational tool that eliminates high-cost marginal
18 energy spikes for the benefit of the entire grid, the Board should approve the DR credit
19 framework subject to collaborative reporting enhancements agreed to by NS Power
20 and PHP.

21 **Q DOES THIS CONCLUDE YOUR REPLY EVIDENCE?**

22 A Yes, it does.