

OPENING STATEMENT OF PORT HAWKESBURY PAPER LP

Matter M12661

Port Hawkesbury Paper LP (PHP) is a pulp and paper manufacturing facility located in Richmond County which operates a Thermomechanical pulping facility and supercalendered paper machine. PHP is Nova Scotia's largest industrial electricity consumer, with energy demand significant enough that in some instances the Mill's load can represent greater than 20% of the provincial power grid.

PHP requires energy around the clock on a 24x7 basis. Even when the Mill has no pulp production lines or paper machine running there is approximately 12MW of demand on site, that includes approximately 4 MW that are needed to maintain the shared services required for the Nova Scotia Power (NS Power) Port Hawkesbury Biomass Plant.

A sister company to PHP, Port Hawkesbury Paper Wind Ltd. (PHP Wind), is constructing the largest wind farm in Nova Scotia, the Goose Harbour Lake wind project, which will add 168MW of wind generation to the grid later this year.

PHP currently takes electricity service from NS Power under the Extra Large Industrial Active Demand Control Tariff (the ELIADC). Under the ELIADC Tariff, PHP pays its incremental costs of service and makes a contribution to NS Power's fixed costs. The ELIADC Tariff also provides NS Power with the ability to direct PHP to decrease or increase its load such that NS Power's overall system costs can be reduced and system reliability can be improved for the benefit of all NS Power customers.

Being a fully dispatchable load, much the same as a dispatchable power generation facility, comes with its own unique challenges. As such, PHP has needed to become highly adaptable in its operations to accommodate the ELIADC Tariff structure.

NS Power has indicated to stakeholders that the active demand control aspect of the tariff "has provided a valued tool in managing supply and demand balance, particularly when real-time operations do not go as planned. The ability of PHP to respond to Operator dispatch requests in a timely manner has helped avoid exceedances of system operating limits, and also to maintain operating reserves".

PHP's interest in moving to an appropriate above-the-line cost-based tariff is to provide PHP greater certainty and predictability of its energy costs, compared to a below-the-line incremental-cost based structure that includes a contribution to the utility's fixed costs. In combination with the electricity to be provided by PHP Wind at a fixed price, PHP is seeking greater certainty in its annual price for non-wind resource electricity and to reduce the risk of being a below-the-line marginal customer where electricity prices can vary widely from what is forecast by NS Power.

More certainty and predictability in electricity pricing is important for PHP's as it competes in a dynamic and challenging paper market. The approval of an appropriate above-the-line tariff would give an option to PHP to move to a more certain price structure while continuing to invest in the Mill for the long term.

As such, PHP has been in discussions with NS Power regarding the terms of a potential above-the-line tariff which would be applicable to PHP since the summer of 2023 up until a few days prior to NS Power's filing of its Extra Large Industrial Dispatchable (ELID) Tariff application.

While PHP is generally in agreement with the form of the ELID Tariff applied for by NS Power, it has serious remaining concerns with various aspects of the proposed costing of the ELID Tariff as follows:

- a) the use of a 57,000 kW winter month system coincident demand for PHP's interruptible load,
- b) the value of the proposed interruptible credit for PHP, if the Board finds that PHP interruptible load should be greater than 0 kW,
- c) the use of a Revenue-to-Cost (R/C) ratio of greater than 1.0 for a new above-the-line tariff, and
- d) the use of forecast energy requirements that do not reflect the most up to date assumptions.

Regulatory aspects of these issues are each dealt with in detail in the evidence filed by Brubaker & Associates. PHP is intent on seeking an above-the-line embedded cost-based tariff, however, the issues noted above require adjustment in order to actually provide for such a rate. The ELID Tariff as filed does not reflect cause causality and would overcharge PHP with respect to the service provided. PHP is putting forward its position on these matters consistent with the Settlement Agreement in the 2026/27 GRA that specifically provided that Parties could "take any position they so choose" in this process.

With respect to the applicable interruptible demand, reliance on 57MW of interruptible demand for 2027 is not appropriate given that this historic demand was from 2022/2023 at a time when PHP's load was subject to dispatch by NS Power, and PHP's load is expected to be at 8MW during times of system peak. If the Board determines that PHP's interruptible load is greater than 0 kW at times of system peak, the interruptible credit needs to be calculated appropriately.

As indicated by NS Power, had the interruptible credit been developed in accordance with NS Power's established practice for pricing of the interruptible credit based on 57MW of interruptible demand the appropriate credit would be \$13.107 per kVA demand coincident with system peak as opposed to the \$7.667 per kVA applied for by NS Power for 2027.

With respect to the issue of active demand control (ADC), PHP knows first-hand the importance of load flexibility in an ever increasingly variable generation served system and as such its intention is to continue to make its load available to NS Power and the NS Power System Operator (NSPSO) for dispatch and function much the same as the ELIADC Tariff. PHP also intends to remain priority interruptible as well as being dispatchable. Provision of these elements of the ELID Tariff is of course dependent on receipt of remuneration commensurate with the risks and costs that provision of these resources entail.

PHP anticipates being charged its appropriate embedded cost of service, including a significantly greater contribution to fixed costs than under the ELIADC Tariff, that reflects NS Power's cost to serve PHP in the same manner as with all other above-the-line customer classes. If the ELID Tariff is approved with the costing adjustments suggested by PHP, PHP will be paying its full cost of service and as such any energy cost savings which PHP can achieve through ADC should naturally accrue solely to PHP. As well, PHP alone bears the operational and commercial costs of shifting its load in a manner that is far from ideal for the running of PHP's facilities, while the provision of ADC will continue to provide valuable reliability benefits to the system as a whole.

In regard to priority interruptibility, to the extent that an appropriate credit is not provided then PHP will no longer be called in advance of other large industrial customers being held in operating reserve. Rather, PHP would be called in rotation with such other customers, putting those industrial customers at greater risk of interruption.

Thank you for the opportunity to provide this opening statement and we look forward to addressing any questions from the parties and the Board.