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Delivered by Email

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Dear Ms. Henwood:

Re: M12661 – NSPI – Approval of ELID ATL Tariff to PHP

These Closing Submissions are filed on behalf of the Industrial Group (“IG”).

NSPI has applied for approval of a new Above-the-Line tariff for Port Hawkesbury Paper (“PHP”), the Extra Large Industrial Dispatchable Tariff (“ELID”), as the successor to the Extra Large Industrial Active Demand Control (“ELIADC”) Tariff under which PHP continues to receive service as a below-the-line customer. Unlike in the prior tariff application, NSPI and PHP have not jointly applied to the Board, and instead, have presented two different positions on the underlying assumptions grounding the ELID. While both NSPI and PHP agree with respect to the overall approach to the ELID, there are conflicting views with respect to the appropriate billing determinants, the interruptible demand figure and credit rate, the revenue to cost ratio, and the energy forecast for 2027.

The ELID is composed of several interconnected components. It includes an energy charge, a demand charge, the Dispatchable Rider (“DR”) which will credit PHP for load-shaping relative to an after-the-fact calculated Customer Baseline Load (“CBL”), along with an Interruptible Rider (“IR”) credit, which includes a premium credit for priority interruptibility. In addition to these components, the ELID takes into account the Goose Harbour Lake Wind Farm energy and PHP will be charged its net energy consumption, which will be trued up monthly.

The IG’s position is that the methodology the Board ultimately adopts for the ELID must be principled and guided by the foundational tenets of ratemaking. PHP should be treated consistently with other Above-the-Line customers. PHP should be charged for the costs it causes the system, with appropriate credit for genuine load-shifting benefits it provides.

The IG submits that the evidence filed by its consultant, Patrick Bowman, provides a principled, properly sequenced approach to the components of the ELID, and best reflects the cost causation principles governing the Board’s rate setting role. The filed evidence of Board consultant Bates White, and the testimony elicited on cross-examination, corroborate this sequencing and reinforce the need for guardrails against over-crediting PHP at the expense of other Above-the-Line customers.

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The IG offers comments and recommendations with respect to:

1. The proper interpretation of the Settlement Agreement reached in NSPI's 2026-2027 General Rate Application (“**GRA**”), Matter M12451, to the extent it bears on this proceeding;
2. The basic tenets of ratemaking that should govern the design of the ELID, and the process for setting a rate based on cost causation;
3. The demand assumptions to be used for Cost-of-Service (“**COS**”) purposes, including why they should not be influenced by PHP’s historical dispatch-down operation under the ELIADC during the three coincident peak (“**3CP**”) hours;
4. The process for calculating and approving the DR credit, including the need for upfront Board approval of the Operating Procedures and/or, alternatively, a defined process for after-the-fact review of the credit amount;
5. The IR Credit, which should reflect the load that is genuinely and incrementally available for interruption after application of the DR; and
6. The complications arising from the treatment of Goose Harbour Lake Wind Farm output, and the resulting risk that PHP will be over-credited under the DR, which warrant sharing the DR credit.

The absence of submissions on any particular aspect of the Application should not be interpreted by NSPI, PHP, or the Board as support.

1. INTERPRETATION OF THE SETTLEMENT AGREEMENT AS IT RELATES TO THIS PROCEEDING

NSPI’s Application reflects the billing determinants used in the cost-of-service study which formed the foundation of customer class rates in the GRA. These are specifically laid out in the Settlement Agreement: a PHP firm load of 8 MW at the 3CP, a firm-plus-interruptible load of 65 MW (i.e., an interruptible component of 57 MW) and forecast energy of 810 GWh for 2027.¹

In this matter, the parties and their consultants have expressed differing views on whether the Settlement Agreement determines PHP’s billing determinants for the ELID. NSPI and the Consumer Advocate’s consultant, Intergroup Consultants, rely on the assumptions used in the Settlement Agreement to ground their position on PHP’s rate determinants for the ELID. In contrast, PHP and the IG each submit that different demand assumptions should apply, although they disagree as to what those assumptions should be.

The IG agrees that NSPI was obligated to advance those determinants in its Application. The Settlement Agreement expressly required NSPI and PHP to jointly advance a tariff based on those assumptions:

NS Power and PHP shall reflect the foregoing in a written tariff which shall also include a proposal for priority interruptibility to be brought forward for approval by

¹ N-1, Application, Attachment 4, page 11.

the Board later this year to be effective January 1, 2026 and PHP commits to taking service under such a tariff on January 1, 2026, or such later date as the Board approves the tariff as being effective, whether on a permanent or interim basis, subject to satisfactory conclusion of the resolution of the PHP ADC and tariff processes.²

[Emphasis added]

The filing obligation was clear. NSPI and PHP were required to bring forward a tariff reflecting the agreed-upon determinants. What the Settlement Agreement did not do was predetermine the outcome of this proceeding or constrain the Board's ability to determine, on the evidentiary record before it, what billing determinants are just and reasonable.

The evidence further establishes that the rate determinants now being challenged by PHP originated with PHP itself. Exhibit 46, PHP Data Request 4.01, requested that NSPI prepare a COS Study using specific billing determinants, including the 8 MW firm load and 65 MW total load figures.³ Mr. Locke confirmed on cross-examination that PHP requested modelling on that basis using average 3CP demand from 2022–2023.⁴ Although NSPI referred to the 2012 Stern Study as a possible source of the 65 MW figure, Mr. Locke's evidence undermined that explanation. He confirmed that the figure in that study was never intended to represent interruptible load and was unrelated to the modelling undertaken for the GRA settlement, agreeing the Stern Study was a red herring.⁵

The significance of that evidence is that PHP is not challenging assumptions imposed upon it by others. Rather, PHP is attempting to distance itself from determinants that it proposed, negotiated, and ultimately accepted as part of the settlement bargain. PHP had access to its own operational data, demand history, dispatch information, and interruption experience. It was therefore uniquely positioned to understand the implications of the determinants being advanced during the settlement negotiations. Nevertheless, PHP agreed to the settlement framework and committed to file a tariff based upon those assumptions. It has not done so.

The evidence of PHP's witnesses was that PHP was aware, prior to signing the Settlement Agreement, that aspects of the underlying modelling reflected approaches with which it disagreed. As stated by Mr. Locke on cross-examination:

[A]head of signing the Settlement Agreement, we were aware that there were aspects that were being modelled that we did not agree with the approach, and that to be able to move things forward, as in all settlements between parties, we accepted those, along with the caveat that PHP would have the ability, like any other party, to take any position we so choose, including whether or not the ADC

² N-1, Application, Attachment 4, page 12, (e).

³ N-46, PHP DR 4.01. See also: Transcript Day 3, pages 61-66

⁴ Transcript Day 3, page 66

⁵ Transcript Day 3, page 67-68.

Tariff filings are consistent or inconsistent with the structure... as outlined in (f) of the Settlement Agreement.

PHP's expert witness Mr. Fitzhenry gave corroborating evidence to the same effect, confirming that he had concerns about the costing determinants at the time of settlement which were communicated to PHP.⁶

The difficulty with PHP's present position is that those concerns were known to PHP at the time of settlement, yet the settlement nevertheless proceeded on the basis of the agreed determinants. Having obtained the benefits of the Settlement Agreement, PHP now seeks to disavow key assumptions underlying that bargain because it has concluded that different determinants may produce a more favourable outcome. The Board should approach that position with caution.

At the same time, the Settlement Agreement expressly preserved the right of other parties to challenge and test the settlement assumptions once a complete tariff application was filed. Subsection (f) provides that "it remains open for all Parties to take any position they so choose, including whether each of the PHP ADC and tariff filing(s) is inconsistent with the load characteristics and basic tariff structure as set out above."⁷

That reservation is significant. The Settlement Agreement did not freeze the billing determinants for all future purposes, and nor did it limit positions to flagging inconsistencies with the filed application. Rather, it contemplated exactly what has occurred in this proceeding: parties would have the opportunity to test the settlement assumptions against a full evidentiary record. That is precisely what Mr. Bowman has done. Using information which was unavailable during the GRA settlement process, including PHP's hourly dispatch data, the interruption history, and the extensive expert evidence filed in this proceeding, Mr. Bowman assessed whether the settlement determinants accurately reflected ELID's actual load characteristics and cost causation. He has determined they do not.

Accordingly, the issue before the Board is not whether the settlement figures must be accepted because they appear in the Settlement Agreement, nor whether PHP can selectively abandon determinants that it previously proposed and accepted. The issue is whether, on the evidentiary record now before the Board, those determinants produce rates that are just and reasonable.

Regardless of whether the participants consider themselves constrained by the terms of the Settlement Agreement, the Board is not so constrained. In the GRA, the Board outlined its general approach to settlement agreements at paras. 36 to 44, referencing prior jurisprudence. After noting the Board's ultimate duty is to ensure the terms of the agreement are "just, reasonable and in the public interest" (para.39), the Board concluded that where the Settlement Agreement was concluded even before the application was filed, without the usual extensive evidentiary record, information requests and intervenor evidence:

[43]...the Board concludes that it is a factor that affects the weight it assigns to the settlement agreement. The agreement is still entitled to some deference but, given the circumstances, it does change the Board's perspective on the settlement. It

⁶ Transcript Day 2, pages 247-258. See also N-56, PHP Refiled Response to U-16.

⁷ N-1, Application, Attachment 4, page 12, (f), emphasis added.

*does not have the full benefit of the parties' views of the application, and the value assigned to various compromises reached in achieving a negotiated settlement.*⁸

The Board is not bound by the billing determinants used in the Settlement Agreement or embedded in the COS modelling prepared for settlement purposes. While those figures may provide relevant background and context, the Board's statutory obligation is to determine the appropriate billing determinants and resulting rates on the basis of the record in this proceeding. The Board should therefore assess the evidence before it, including the evidence of Mr. Bowman and the other expert witnesses, and determine the ELID billing determinants that are just and reasonable. The Settlement Agreement figures should neither establish a ceiling nor a floor on that determination.

2. BASIC TENETS OF RATEMAKING AND THE PROCESS FOR SETTING A RATE BASED ON COST CAUSATION

The ELID is a unique tariff, serving a single customer, but the principles that govern its design are not. As an ATL tariff, the ELID allocates asset-based system costs to PHP, not merely variable or marginal costs. This is in contrast to the ELIADC, which was primarily an incremental cost-based tariff. The move to ATL status is a trade-off for PHP: it removes PHP's exposure to volatile marginal generation costs that are instead borne by all customers, in exchange for PHP paying its share of embedded system costs.

The IG submits that the Board should apply the following sequential, principled approach to the design of the ELID, consistent with the evidence of Mr. Bowman:

First, establish a cost-of-service-based CBL reflecting PHP's expected demand, before externally incented load-shifting. This CBL should represent PHP's undistorted baseline demand for cost allocation;

Second, calculate DR value relative to that baseline and apply the credit to PHP for genuine load-shaping relative to the CBL; and

Third, apply the IR credit only to the residual load available for interruption.

This sequencing is not a matter of preference. Mr. Bowman's evidence follows the guiding principles of rate design and illustrates how NSPI's proposed design inverts this logic by building the COS demand determinant directly from PHP's historical, already-dispatched-down load under the ELIADC. NSPI's approach would result in PHP receiving an implicit credit for past load-shaping twice: once already through the ELIADC, and again through a COS peak demand figure that is artificially lower. Historical 3CP demand under the ELIADC reflects load that had already been reduced in response to dispatch instructions. Using that reduced demand to allocate embedded costs under the ELID, and then separately compensating PHP for dispatch under the DR, would recognize the same load-shaping benefit twice.

A principled, cost-causation-based rate design requires that the starting point (the CBL) be unaffected by the DR/ADC mechanism that is later layered on top of it to credit load-shaping. Only

⁸ Nova Scotia Power Incorporated (Re), 2026 NSEB 8.

once that undistorted starting point is established can the Board meaningfully assess what credit, if any, PHP should receive for the DR and IR without double-counting the same underlying benefit.

The IG explicitly agrees that PHP should receive credit for the dispatchable nature of its load. During Mr. Bowman's testimony, he made that clear by confirming that "[i]t is common and appropriate regulatory practice for a tariff to credit a customer for the value created by adapting its load," and that "I do not object to PHP receiving credit for its *bona fide* effects on the system relative to its CBL."⁹ That dispatchability, without question, offers "a substantial and unique benefit".¹⁰ However, the baseline against which that dispatchability benefit must be measured is the ordinary, undistorted operation of PHP's business absent dispatch. The foundation of the rate should first be established in accordance with general ratemaking principles. Only then should NSPI calculate and apply credits for the incremental benefits produced through dispatch and interruption.

3. THE DEMAND ASSUMPTION SHOULD NOT BE INFLUENCED BY HISTORICAL DISPATCH DIRECTIONS

As Mr. Bowman explained, NSPI's COS study "relies on PHP's average historical experience under the ELIADC, where PHP was dispatched down during peak hours. Those historical peaks are not representative of PHP's underlying load and using those hours as the basis for future peak demand estimates effectively credits PHP a second time for past load shaping, for which it has already received credits through the ELIADC."¹¹ The significance of this evidence is straightforward. PHP was specifically compensated for historical load-shaping under the ELIADC. Cost causation principles therefore require that PHP's underlying cost responsibility be determined using an undistorted baseline reflecting its ordinary operations absent dispatch. Only after that baseline has been established can any appropriate credit be applied to reflect the benefits provided by PHP through dispatch at the System Operator's request.

The appropriate CBL, and in particular, the demand assumption to be used at the 3CP for COS purposes, is central to the Board's determination in this proceeding. Three figures are before the Board: NSPI's proposed 65 MW (derived from the Settlement Agreement), PHP's proposed 8 MW (its proposed firm load), and Mr. Bowman's recommended 120 MW (an average historical load).

The IG submits that a sustainable operating load is the appropriate proxy for the demand that PHP would impose at system peaks absent prior dispatch. Mr. Bowman's 120 MW recommendation is the only one of the three options that is analytically coherent with the premise of an ATL rate and reflects the demand on which NSPI has, in fact, built its system. NSPI's evidence indicates that PHP's average operating load is approximately 15 times its proposed 8 MW firm load—that is, approximately 120 MW.¹² Additionally, on cross-examination Mr. Ferguson, on behalf of NSPI, confirmed that outside of the historical 3CP, PHP would be "operating in a more normal levels [sic]", and confirmed that would be "in excess of 100 megawatts", and confirmed their average load was 120 MW.¹³

⁹ Transcript Day 4, page 75 and 78.

¹⁰ Transcript Day 4, page 77.

¹¹ Transcript Day 4, page 74.

¹² N-5, NSPI (CA) RIR-9.

¹³ Transcript Day 1, pages 188-190.

The best evidence of PHP's sustainable load is found in the now non-confidential breakdown of PHP's operating modes at Exhibit 16(i), Attachment 2.¹⁴ As is evident from that document, PHP must consume between 106-120 MW in order to be at a sustainable business production level. More specifically, the current Operating Mode ("**OM**") 6 requires a demand level of 106-120 MW, in order to operate the paper machine, bleaching, and thermomechanical pulp line 3. That mode is recorded as a priority "1", meaning, it is of the highest priority. As described by Mr. Locke, "[s]o in an operating period and not in a down day, those are – those are the operating modes" and "... when we are running, making paper and that stable operating, the priority would be those OMs in the range of the 90 to 105 or 90 to 115, in and around there. One twenty (120) as it stated here; sorry."¹⁵

As noted above, NSPI's 65 MW figure is carried over from the GRA Settlement, as derived from a request by PHP, and is itself an average of PHP's historical, already-dispatched-down 3CP in 2022-2023; it does not reflect PHP's underlying load, but rather PHP's load net of dispatch requests. Looking more recently, and as corrected by PHP response to UT-20,¹⁶ at each of the last 3CP events, PHP was dispatched down to house load (its proposed firm load + the Biomass unit). Using those historical, dispatched-down peaks as the basis for future peak demand estimates effectively credits PHP a second time for past load-shaping, for which it has already received credit through the ELIADC.

The Consumer Advocate's consultant, Intergrupp, likewise confirmed on cross-examination that the 65 MW figure was "the outcome of a settlement" rather than the product of independent analysis, and Mr. McLaren confirmed that he had "not developed a firm opinion on what the right number would be if that Settlement Agreement didn't exist."¹⁷ While Intergrupp takes the position that the Settlement Agreement load parameters dictate the load parameters for 2026 and 2027, in response to IG IR 1, Intergrupp confirmed that the cost allocation approach used by Bowman, specifically CBL operating load at 120 MW, would be one cost allocation approach that could be considered going forward.¹⁸

Related to demand assumptions, but more specifically applicable to interruptibility, PHP itself takes the position that its winter month system coincident demand for interruptible load should be set at or near zero. This is precisely because that demand is subject to dispatch by NSPI rather than reflecting PHP's own operating choice. That position, if applied consistently to the demand assumptions used, equally undermines reliance on the 65 MW (or any other figure drawn from those same dispatch-determined hours) as representative of PHP's true baseline demand.

BAI is the only consultant supporting the 8 MW figure as the demand assumption to be used. NSPI has unequivocally disagreed with using 8 MW as a fair baseline resulting in cross-

¹⁴ N-16 (i), SBA IR-1(a-c) Attachment 2.

¹⁵ Transcript Day 3, page 144-145.

¹⁶ N-54, PHP Undertaking Responses, UT-20.

¹⁷ Transcript Day 3, page 301.

¹⁸ N-5, CA (IG) IR 1 (c).

subsidization,¹⁹ as has Synapse,²⁰ Intergroup,²¹ and Mr. Bowman.²² Mr. Bowman's evidence confirms that at 8 MW, PHP would not be a viable commercial operation and would avoid paying for essentially any transmission or generation capacity despite continuing to receive service at demand levels of up to approximately nineteen times that figure.

In addition, the Board should approach BAI's evidence with caution. While presented as an independent expert on behalf of PHP, BAI's evidence and testimony at times blurred the line between expert advisor and advocate, including repeated references to PHP and BAI collectively as "we" or "us".²³ Most starkly, when it was put to Mr. Fitzhenry that the reason for including a COS result in the SA is that it would reflect what would be applied in 2026 and 2027, he stated, "I think we were certainly hoping to become an ATL customer, which is why we were, you know, pursuing modelling with us included in an ATL rate" (emphasis added).²⁴ Those references raise concerns regarding the degree of independence that should be attributed to BAI's opinions and reduced weight should be given where it departs from the objective evidence of the other expert evidence tendered in this proceeding.

The IG's primary position is that the Board should adopt 120 MW as the demand assumption used to set the rate. In the alternative, any CBL selected by the Board should be derived from PHP's expected load absent dispatch, based on the best available evidence or as confirmed through a compliance filing, rather than from historical hours already affected by ELIADC dispatch, consistent with Mr. Bowman's recommendation.

4. THE DR CREDIT PROCESS: THE NEED FOR UPFRONT BOARD APPROVAL, OR A DEFINED PROCESS FOR AFTER-THE-FACT REVIEW

The DR credit, as proposed, is a highly material annual transfer from all ATL customers to PHP, calculated after the close of each tariff year through an after-the-fact cost simulation that compares PHP's actual load to a hypothetical, levelized high CBL profile. Bates White's evidence identifies, and the IG agrees, that this mechanism may confer on NSPI substantial discretion that will be difficult or impossible for the Board and other intervenors to verify, given the numerous subjective adjustments, including maintenance outage randomization, and "other factors," that go into the calculation.

Mr. Bowman and Intergroup both recommend that the Operating Procedures governing PHP's dispatch under the DR, be specifically subject to Board approval, rather than left as a matter developed solely between NSPI, the System Operator, and PHP outside the tariff and outside Board oversight.²⁵ The IG agrees. Unlike under the ELIADC, the benefits and costs of compliance or non-compliance with the Operating Procedures under the ELID will flow fully to PHP depending on PHP's own operational priorities, which makes Board oversight of those Procedures, including

¹⁹ N-5, NSPI (CA) IR-9; and N-9, NSPI (SBA) IR-1.

²⁰ N-21, Evidence of Synapse Energy Economics, page 3, lines 14-20.

²¹ N-19, Evidence of Intergroup Consultants, page 5.

²² N-25, Evidence of Bowman, page 18.

²³ Transcript Day 2, page 208, 317, and 318

²⁴ Transcript Day 2, page 318.

²⁵ N-25, Evidence of Bowman, pages 15-16; Exhibit N-19, Evidence of Intergroup Consultants, page 10; N-29, CA (IG) IR -7(a).

NSPI's enforceable control over PHP load at acute system constraints, a necessary precondition to the significant financial benefits that flow from the DR credit construct.

The IG submits that the Board should direct that the ELID Operating Procedures be filed for, and subject to, Board approval before the tariff takes effect, rather than developed unilaterally and outside the regulatory process. If the Board declines to require upfront approval of the Operating Procedures, the IG submits, in the alternative (or in addition to pre-approval), that the Board should direct a defined and transparent process for reviewing the DR credit calculation after year end. This option was explored with Bates White on cross-examination and appears as a reasonable alternative or addition to approval of the Operating Procedures on the front end.²⁶

This should include, at a minimum: quarterly reporting on the DR credit's status (including estimates of the annual DR credit to be funded by ATL customers based on year-to-date results, rather than the single annual report NSPI has proposed); and disclosure of the specific adjustments made to the underlying cost simulation (including any randomization of maintenance outages and any other subjective adjustments), sufficient to allow the Board and stakeholders to verify that the credit paid to PHP is demonstrably tied to PHP's decision to shift load in response to system conditions and energy prices. Reliance on an undisclosed, after-the-fact calculation of a multi-million-dollar annual credit, the accuracy of which cannot be independently verified by other parties, raises concerns as a foundation for a mechanism funded entirely by other ATL customers.

5. THE INTERRUPTIBLE CREDIT MUST REFLECT WHAT IS ACTUALLY INTERRUPTIBLE

The IG supports as a general principle, the proposition that PHP should be credited for load that is genuinely available for interruption at times of system constraint. The IG does not oppose the use of the "standard methodology" to calculate such a credit. Rather, the IG's submissions relate to the amount of load that is, in fact, available to be interrupted, rather than the amount of load nominally subject to interruption on paper, and specifically disagrees with the priority credit proposed.

The evidentiary record demonstrates that, once the DR has done its work, little or no PHP load remains available for interruption. This is especially so if the ELID establishes an 8 MW firm or house-load component.

NSPI's event log identifies 29 interruption events in which LIIR customers were interrupted between 2020 and 2025.²⁷ The IG has cross-referenced every logged interruptible event against PHP's hourly load immediately before, during, and immediately after an interruption.²⁸ The log records each event's reference number, timestamp, event type, estimated LIIR load reduction, PHP dispatch status, and cause(s) of the interruption. PHP's hourly load data comes from the attachment PHP itself identified as the source for NSPI's rolling dispatch of operating modes and

²⁶ Transcript Day 4, pages 293-294, and 299-300. Note that Mr. Musco agreed that cause code tracking for load changes would be relevant information needed for this after the fact review.

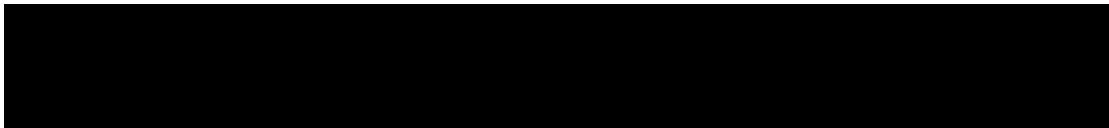
²⁷ N-10(C)(i), NSPI (Synapse) RIR-5 Attachment 1.

²⁸ N-16(C)(i) CONFIDENTIAL Attachment 1 - SBA IR 1(a-c) (PHP's hourly actual load, 2020-2025); and N-10(C)(i), NSPI (Synapse) RIR-5 Attachment 1 (NSPI's record of interruptible events between 2020-2025)

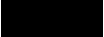
PHP's load levels from 2020-2025. In 23 of the events logged, PHP was already at house load²⁹ before the event began and remained at approximately the same level throughout. While at house load, there was no material load for NSPI to draw on from PHP in these cases. A further five events involved PHP being dispatched down at or near the event; those were ADC load shifting dispatches, not physical interruptions.³⁰ Only one event—January 9, 2021—involved a physical interruption of PHP.

When each interruption event occurred (absent that one example), PHP's load had already been dispatched down, whether on a day-ahead or real-time basis, such that no PHP load was available to participate in the interruption procedure.

NSPI had previously confirmed that there had been no interruption-related load reductions initiated for PHP since the inception of the ELIADC. On the morning of the first day of the hearing, this statement was corrected to confirm that there was, in fact, one physical interruption of PHP on January 9, 2021. Even the sole identified physical interruption occurred after PHP had already been reduced to approximately house load. The hourly data provided from this event confirms that PHP was already at house load when the interruption was called on January 9, 2021. As further confirmed in NSPI Response to Undertaking U-7:



This single example of an interruption identified over the past six years does not change the conclusion that there is a pattern that PHP's load is already dispatched down during hours of interruption, such that PHP typically will not have load available to provide operating reserve or be available for physical interruption. That event does not demonstrate that the substantially larger quantity proposed for IR treatment is ordinarily available after DR dispatch.

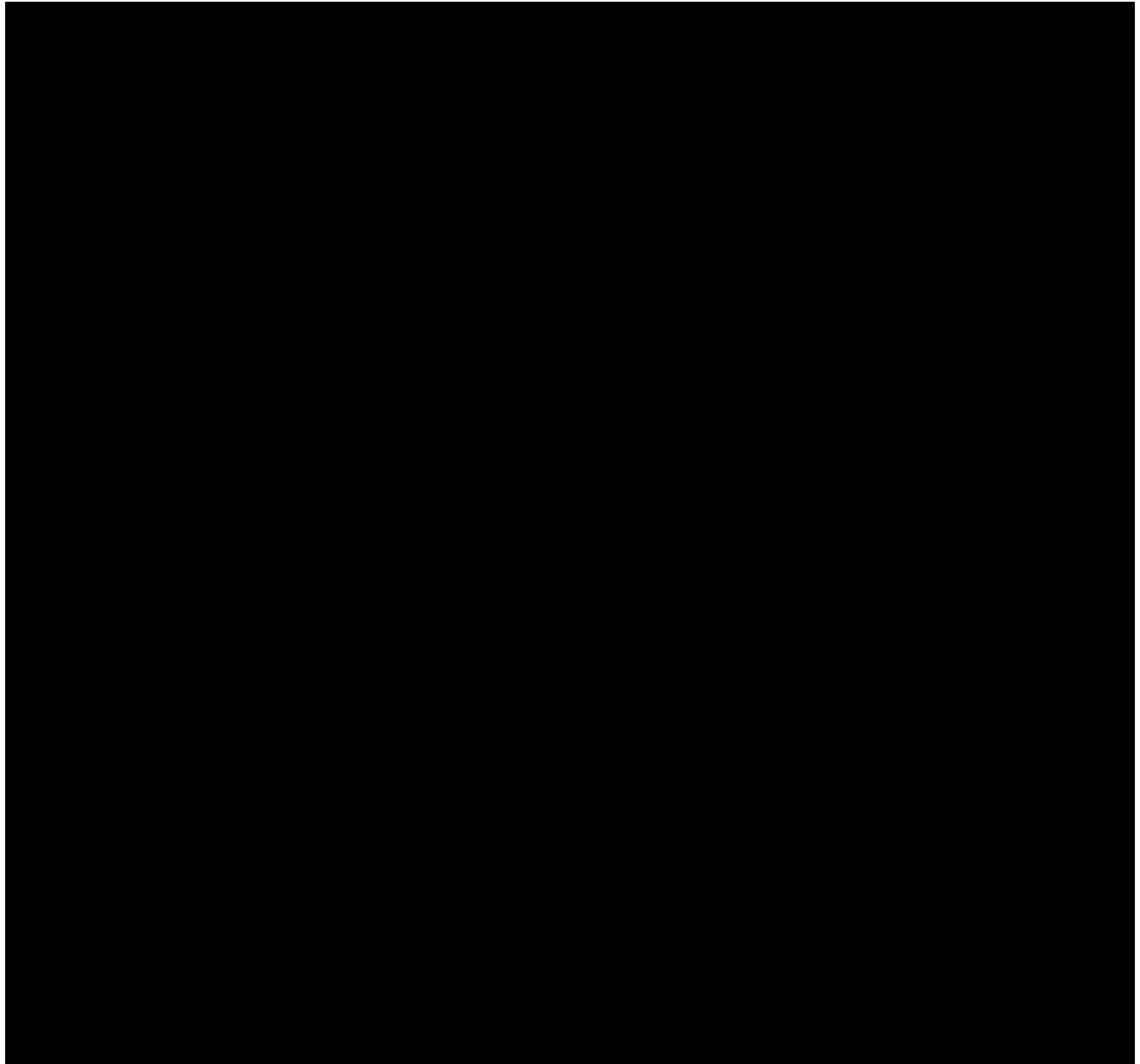
Even more telling is that following that single January 2021 event, which was initiated because of a transmission line failure, the applicable Capacity and Energy Emergency Procedure which outline the procedures for calling interruptions were changed so PHP was never dropped below  again.³¹ NSPI's internal protocols confirm that PHP is not treated as an ordinary interruptible customer. NSPI's System Operator guideline, 1OP-016 – Capacity and Energy

²⁹ For reference, N-6, NSPI(IG IR-12(d)) explains that in real time, the NSPSO considers PHP available for operating reserve "anytime it is operating above house-load (that required to meet PHP's firm requirement without limiting generation from the biomass facility)." Transcript Day 1, page 294, Mr. Mowatt refers to days PHP was "at house load or 12 megawatts" in describing the CBL levelization methodology; and at Transcript Day 2, page 168, Mr. Locke confirms "House load or OM-2" terminology and the 8 MW to 20 MW range, and confirmed that it is "pretty much just the auxiliary, none of the thermal pulping," at page 187.

³⁰ Dates being: 2022-12-11; 2022-11-24; 2022-11-15; 2022-03-09; and 2021-12-10.

³¹ N-06(C), NSPI (IG) IRs 11, Attachment 2, 1OP-016 – Capacity and Energy Emergency Procedure." See page 13 of 29.

Emergency Procedure,³² reinforces this conclusion and demonstrates that PHP is instead treated as a dispatchable resource functionally closer to NSPI's own generating fleet:



The revision history to 1OP-016 confirms that PHP's interruption mechanics were built into the procedure incrementally, and the January 2021 event preceded that revision. This single interruption does not change the IG's conclusion that there is no practical load available for interruption; instead, the contemporaneous records and internal procedures support it.

³² N-06(C), NSPI (IG) IRs 11, Attachment 2, 1OP-016 – Capacity and Energy Emergency Procedure."

Moreover, the prospective operation of the ELID reinforces the conclusion that there will likely be little or no incrementally interruptible load. If PHP's firm load is established at 8 MW and the DR preserves NSPI's dispatch rights, an event like the January 2021 interruption would be less likely to require a separate interruption instruction. The relevant IR load quantity must therefore be the residual load expected to remain online after DR dispatch—not PHP's nominal firm-plus-interruptible demand.

In Synapse's filed evidence, Ms. Whited recommends that NSPI and PHP work together to develop an "interruptible credit proposal that would induce PHP to take service on the ELID tariff."³³ Respectfully, that approach reverses the proper ratemaking inquiry. While Ms. Whited confirmed, in response to IG IR 1 (a), that the credit would be based on marginal cost of capacity, with a negotiated amount of benefits provided to other customers,³⁴ the IG has significant reservations about this approach. The issue before the Board is not whether a particular rate is acceptable to PHP, but whether it appropriately reflects the costs caused by PHP and accords with established ratemaking principles. The Board's task is to determine a just and reasonable rate based on those established principles, having regard to the interests of all ATL customers who ultimately fund the credits provided to PHP, and not what PHP unilaterally considers "satisfactory".

The IG accordingly submits that the Board should conclude there is likely little to no credit due under the IR, consistent with Mr. Bowman's recommendation, and that any interruptible credit that is approved must be calculated by reference to the portion of PHP's CBL genuinely expected to remain online and available for interruption after application of the DR.

The IG strongly opposes the additional 10% Priority Interruptible premium NSPI has proposed. Even if some residual load qualifies for the base IR credit, the evidence does not establish an additional system benefit in theory or in practice supporting a 10% premium.

Regardless of priority status, the total interruptible load available to the system operator does not change based on the order in which load is interrupted, and PHP's labelling as a priority interruptible customer creates no new interruptible MWs or value to the system. The evidence further confirms that Large Industrial non-telemetry customers are, in practice, physically interrupted before PHP, which undermines any claim that PHP occupies a genuinely preferential position in the interruption sequence warranting a separate premium.

The data analyzed above of the interruptions cross-referenced with PHP's hourly data for 2020-2025 confirms only one event where telemetry customers were physically interrupted on December 2, 2022. On that date, there was an event tagged "LIIR + LIIR T&C Int/Restore". PHP's status at that event is recorded at house load which is confirmed in the hourly data. Accordingly, even the one event affecting LIIR telemetry customers specifically, PHP had no material additional load available to contribute and was not physically interrupted before that load (in keeping with the noted procedures above). There is simply no basis, on the record provided, to support PHP being credited for being "priority" interruptible. The converse is supported by the dataset filed.

³³ N-21, Evidence of Synapse Economics, page 14

³⁴ N-33, Synapse (IG) RIR-3(a).

The historical data, the January 2021 event, and NSPI's current Capacity and Energy Emergency Procedure all lead to the same conclusion: PHP is ordinarily dispatched down before the system reaches the stage at which interruptible customers are physically curtailed. The DR and IR must therefore be applied sequentially. Any IR credit should be calculated only on the residual portion of PHP's load that is expected to remain online, above its protected minimum, and genuinely available for further interruption after the DR has been fully applied. The Board should not approve an IR credit based on PHP's nominal interruptible designation or on load already compensated through the DR. Additionally, the Board should also reject the proposed 10% priority interruptible premium.

6. GOOSE HARBOUR AND THE RISK OF OVER-CREDITING THE DR: THE CASE FOR SPLITTING THE CREDIT

A further, and distinct, complication with the present application arises from the treatment of output from the Goose Harbour Lake Wind Farm, developed by PHP's affiliate, Port Hawkesbury Paper Wind Ltd. Under the Power Sale Agreement between NSPI and PHP, all Goose Harbour output is deemed delivered to PHP's load and nets directly against PHP's consumption before PHP's tariff energy exposure is calculated, with excess output banked and carried forward to offset consumption in later billing periods.³⁵ As Bates White's evidence explains, this deeming and banking mechanism need not correspond to actual hour-by-hour delivery: Goose Harbour generation in one period can be applied to reduce PHP's tariff-priced consumption in an entirely different, later period, and the netting calculation does not account for transmission losses on energy that is, in fact, delivered over NSPI's grid rather than behind the meter.³⁶

This creates a specific and material risk of over-crediting PHP under the DR. The DR credit is calculated by comparing a hypothetical, high-load-factor CBL against PHP's actual dispatched load, using PHP's full annual load – inclusive of roughly 500 GWh expected to come from Goose Harbour generation. Yet the bills PHP actually pays are calculated net of Goose Harbour output.

The result is that PHP stands to receive DR credit value calculated against its full, load-shaping activity, including shaping that touches energy PHP never purchases from NSPI, while the costs NSPI actually avoids (and the benefit genuinely delivered to other ATL customers) are necessarily smaller and harder to isolate once netted against a banked, non-contemporaneous wind credit. Put simply, if the DR credit is calculated using gross consumption while PHP's tariff charges are calculated using net consumption, the credit and the underlying cost responsibility are measured on different bases. Without an adjustment, the resulting credit may exceed the system costs actually avoided.

This risk compounds the general over-crediting concern identified by Mr. Bowman and by Bates White. Mr. Bowman's evidence recommends that, to guard against over-crediting PHP relative to the theoretical CBL, some form of benefit-sharing be retained, consistent with the approach taken under the ELIADC, rather than the 100% allocation of all calculated DR savings to PHP that NSPI has proposed.³⁷ Bates White identifies the DR credit as resting on a "shaky premise" given the

³⁵ Matter M12184, N-5(C), NSPI (IG) IR-1 Attachment 1. See also, N-1, Application pages 12 -13 for quoted sections of the Power Sales Agreement.

³⁶ N-20, Bates White Evidence, pages 29-30.

³⁷ N-25, Evidence of Bowman, pages 12-13.

volatility and unpredictability of PHP's actual load, the substantial discretion NSPI retains in levelizing that load to construct the CBL, and the resulting risk that any errors in the calculation will be systematically biased toward overestimation, to the detriment of other FAM customers.³⁸

Under the current ELIADC, other FAM customers retain a 75% share of ADC-related savings with PHP receiving 25%. While no other filed evidence addresses any explicit sharing figure that should continue, Intergroup's evidence on cross-examination identified the discontinuation of the variable capital charge, which currently generates roughly \$1 million annually in cost-sharing, as a further reason to preserve a meaningful share of the benefit for other FAM customers.³⁹ On that evidence, it was suggested that sharing with other FAM customers could be 20% to 30% or more of the DR benefit.⁴⁰

Given the combination of (a) the inherent difficulty of calculating a precise CBL identified by both Mr. Bowman and Bates White, (b) the demonstrated potential for the DR credit to be calculated on a gross-load basis while PHP's bills are paid on a net, Goose-Harbour-adjusted basis, and (c) the verifiability concerns Bates White has raised regarding NSPI's discretion in the underlying calculation, the IG submits that it is not currently possible to represent or calculate, with confidence, the true net benefit PHP's load-shaping actually delivers to the system. In these circumstances, allocating 100% of the calculated DR credit to PHP risks precisely the cross-subsidy from other ATL customers to PHP that Bates White has warned against.

A shared-credit approach directly addresses the identified measurement and verification risks. It protects other ATL customers against an overstated credit while preserving PHP's incentive to provide genuine load-shaping and recognizing the value that such activity may deliver to the system. Pending a reliable evidentiary basis for determining the precise allocation, the Board should retain a material portion of the calculated benefit for other customers, with the allocation to be revisited following an initial operating period.

CONCLUSION

For the reasons set out above, the Industrial Group respectfully requests that the Board:

1. Confirm that the billing determinants reflected in the GRA Settlement Agreement, including the 65 MW and 8 MW figures, were assumptions adopted for settlement purposes only, and do not constrain the Board's determination of the ELID's design on the evidentiary record in this proceeding;
2. Adopt a principled, sequential approach to the ELID consistent with cost causation: establishing the CBL before application of the DR, applying the DR to credit genuine load-shaping relative to that CBL, and applying the IR only to load that remains genuinely available for interruption thereafter;
3. Set the CBL demand assumption at 120 MW, consistent with the evidence of Mr. Bowman, on the basis that the 65 MW and 8 MW figures proposed by NSPI and PHP respectively

³⁸ N-20, Bates White Evidence, pages 21, 25, and 27.

³⁹ Transcript Day 3, pages 302-303.

⁴⁰ Transcript Day 3, page 303 ; and Transcript Day 4, page 4-5.

are each affected, in different ways, by historical dispatch under the ELIADC and therefore do not reliably measure PHP's expected demand absent dispatch;

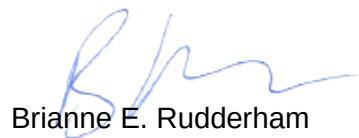
4. Direct that the ELID Operating Procedures be filed for, and made subject to, Board approval prior to the tariff taking effect or, in the alternative, direct a defined process of quarterly reporting and disclosure sufficient to permit verification of the DR credit after the fact;
5. Confirm that PHP may receive credit for load that is genuinely and incrementally available for interruption after application of the DR. On the present record, confirm that there is little or no such load ordinarily available and expected for 2027;
6. Reject the proposed Priority Interruptible premium;
7. Approve a split of the DR credit between PHP and other ATL customers, rather than the 100% allocation to PHP as proposed, in recognition of the complications arising from the treatment of Goose Harbour output, the resulting risk of over-crediting PHP for load-shaping measured on a gross basis while billed on a net basis, and the criticisms raised by Bates White regarding the verifiability of the DR credit calculation; and
8. Direct that the DR credit allocation between PHP and other ATL customers be revisited once the ELID has operated for a sufficient period and it has been demonstrated, on a verifiable basis, that the credit as calculated reflects a true net benefit to the system.

Thank you for the opportunity to provide these submissions.

Yours truly,



Nancy G. Rubin, K.C.



Brianne E. Rudderham

NGR/BER/cj

c. Participants in M12661