MCINNES COOPER

David S. MacDougall
Direct +1 (902) 444 8561
david.macdougall@mcinnescooper.com

1969 Upper Water Street
Suite 1300
McInnes Cooper Tower - Purdy's Wharf
Halifax NS
Canada B3J 2V1
Tel +1 (902) 425 6500 | Fax +1 (902) 425 6350

Our File: 179164

February 12, 2026

Ms. Crystal Henwood
Nova Scotia Energy Board
P.O. Box 1692, Unit M
1601 Lower Water Street, 3rd Floor
Halifax, Nova Scotia
B3J 3S3

Dear Ms. Henwood:

Re: M12663: In the Matter of an Application by the Nova Scotia Independent Energy System Operator ("IESO Nova Scotia) for approval of its proposed expenditure and revenue requirement for the test year ending March 31, 2027 ("Application")

In accordance with the Board's schedule for the Application please accept the following as Port Hawkesbury Paper LP's ("PHP") comments with respect to IESO Nova Scotia's request for temporary financial relief.

IESO Nova Scotia has advised in its Application that commercial lenders are not prepared to loan it funds in the absence of revenue or an approved revenue requirement, and that although the Province has been prepared to loan it the total of $10 Million in the form of a letter of credit, it will become unable to meet its liabilities as they become due in May 2026.

Accordingly, IESO Nova Scotia is requesting Board approval for temporary financial relief including the following components:

1. Direction to Nova Scotia Power Inc. ("NS Power") to begin paying, no later than April 1, 2026, monthly payments to IESO Nova Scotia in the amount of $950,000 per month, exclusive of applicable taxes, with such payments made effective February 1, 2026;
2. Confirmation that these payments will continue until the earlier of March 31, 2027, or the effective date of a Board-approved permanent fee recovery mechanism; and
3. Authorization for NS Power to record, defer and recover such payments through its Fuel Adjustment Mechanism ("FAM"), with the monthly assessment being approved as a prudent cost of NS Power by way of this Application.

In support of their request, IESO Nova Scotia has advised that NS Power is agreeable with this proposal subject to confirmation of provision #3 above, and that $950,000 is needed each month to ensure IESO Nova Scotia continues to meet its liabilities as they become due.

PHP notes the following three specific areas for consideration by the Board in relation to IESO Nova Scotia's request for temporary financial relief.

Use of the FAM Mechanism

The relief requested will have the effect of turning the applicable OM&A costs of the non-profit IESO Nova Scotia into FAM costs of the for profit utility. Costs on which NS Power will earn its weighted average cost of capital in accordance with the operation of the FAM.

It is imperative from the outset of the operations of IESO Nova Scotia that it contain its costs to those necessary to provide reliable electricity supply in the Province.

If, as it suggests, IESO Nova Scotia does not have access to any other lower cost financing from the Province or otherwise, PHP encourages the timely filing by IESO Nova Scotia of its noted permanent fee recovery mechanism, which PHP anticipates will not require any utility equity cost component.

Prudent Cost

With respect to the request that the monthly assessment be pre-approved as a prudent cost of NS Power, PHP notes that if agreed to by the Board it should be made clear that such pre-approval of the monthly assessment paid by NS Power should not be construed as a pre-approval of the prudency of the underlying costs of IESO Nova Scotia. A mechanism should be put in place in this regard to ensure that customers of NS Power are not charged for any costs of IESO Nova Scotia that may ultimately be found not to be prudent during the applicable time period.

Clarification

PHP is unclear on what IESO Nova Scotia means by NS Power beginning to pay the monthly payments no later than April 1, 2026, but with such payments made effective February 1, 2026. Clarification on the differentiation of the two dates and the intention behind them would be appreciated.

Yours very truly,

David S. MacDougall