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February 19, 2026

VIA ELECTRONIC SUBMISSION

Ms. Crystal Henwood
Regulatory Affairs Officer/Clerk
Nova Scotia Energy Board
1601 Lower Water Street, 3rd Floor
P.O. Box 1692, Unit "M"
Halifax, NS B3J 3S3

Dear Ms. Henwood:

RE: M12663 - Nova Scotia Independent Energy System Operator (IESO Nova Scotia) - 2026/2027 Revenue Requirement and Fees Application – Temporary Financial Relief Request Rebuttal

On January 21, 2025, the Independent Energy System Operator of Nova Scotia ("**IESO Nova Scotia**") filed its 2026/2027 Revenue Requirement and Fees Application (the "**Application**") with the Nova Scotia Energy Board (the "**Board**"). In that filing, IESO Nova Scotia requested immediate temporary financial relief no later than February 27, 2026. The Board's hearing order established the following timetable related to the temporary relief: (a) Intervenor submissions on February 12, 2026, and (b) IESO Nova Scotia rebuttal submissions on February 19, 2026.

Submissions were received from Port Hawkesbury Paper ("**PHP**"), the Consumer Advocate ("**CA**"), the Small Business Advocate ("**SBA**"), and the Industrial Group ("**IG**"). With the exception of PHP (which did not oppose, subject to implementing timely cost-recovery mechanisms), the intervenors oppose interim relief, principally citing: (i) the level of evidentiary support for the request and IESO Nova Scotia's financial position; (ii) use of Nova Scotia Power Inc.'s ("**NS Power**") Fuel Adjustment Mechanism ("**FAM**") as a recording/deferral vehicle; and (iii) the absence of a prior prudency finding.

IESO Nova Scotia acknowledges these concerns. This rebuttal provides additional evidence, legal context, and outlines customer protections that address the issues raised and demonstrates why temporary relief is warranted now to ensure continuity of IESO Nova Scotia's legislated mandate under the *More Access to Energy Act* ("**MAEA**").

A. OVERVIEW

Despite the concerns raised by intervenors, the circumstances underlying IESO Nova Scotia's request are clear, urgent, and exceptional. As this rebuttal demonstrates, temporary financial relief is required immediately to ensure that the IESO Nova Scotia can continue to perform its legislated mandate during the transition period established under the MAEA. IESO Nova Scotia currently has no approved fee mechanism and no remaining access to alternative funding beyond the use of its existing Line of Credit from the Province of Nova Scotia. Commercial financing is unavailable without a source of revenue, and significant operational responsibilities have formally transferred from NS Power. Without interim relief, IESO Nova Scotia will face an inability to meet its liabilities as they become due as early as May 2026, creating material risks to ongoing system operations and its ability to meet its legislated obligations.

At the same time, the issues identified by intervenors, particularly related to evidentiary sufficiency, use of the FAM as a temporary deferral mechanism, and the absence of a prudency determination, are temporary limitations, and are reasonably expected in a first full year filing in the absence of a previously approved revenue requirement. In this submission, to assist the Board in awarding the relief needed, IESO Nova Scotia has made every effort to provide additional financial evidence, legal authority, and customer protection measures to demonstrate that interim relief is justified, proportionate, and in the public interest. Importantly, customers remain protected, with prudency determinations being made in the 2025–2026 and 2026–2027 proceedings, with any variances being trued up under the IESO's proposed deferral mechanism. As described further below, the use of the FAM is proposed strictly as a short-term administrative tool, not as a vehicle for ultimate customer recovery.

The IESO is actively developing that mechanism for filing in Q2 2026, but urgent operational realities do not permit delaying funding until that process concludes. Temporary relief ensures continuity of IESO Nova Scotia's core and statutorily mandated functions, avoids insolvency and associated system level risks, and maintains momentum in the province's legislated transition to an independent system operator. With limited alternatives, strong customer safeguards, and clear statutory authority for interim relief, IESO Nova Scotia believes the balance of considerations weighs decisively in favour of approving its request for interim relief in the amount and time as so specified.

B. ANALYSIS

In an effort to aid the Board in its determination, IESO Nova Scotia has made every reasonable effort below to address all material matters identified by intervenors in submission.

LEGISLATIVE AUTHORITY

Under section 29 of the MAEA, the Board has the jurisdiction to review and approve of the fees the IESO proposes to charge during the fiscal year. For reference, the relevant portions of section 29 are as follows:

> ***Proposed expenditure and revenue requirements***
> ***29*** ***(1)*** *The IESO shall, at least 90 days before the beginning of each fiscal year, submit its proposed expenditure and revenue requirements for the fiscal year* ***and the fees it proposes to charge during the fiscal year*** *to the Energy Board for review.*
>
> ***(2)*** *Where the IESO is unable to make its submission under subsection (1) within the time required under that subsection, the IESO shall file its proposed expenditure and revenue requirements for the fiscal year* ***and the fees it proposes to charge during the fiscal year*** *to the Energy Board for review as soon as possible.*
>
> ***(3)*** *Until the Energy Board approves the proposed expenditure and revenue requirements for the fiscal year and the fees the IESO proposes to charge during the fiscal year, the fees approved for the previous fiscal year remain in effect* ***unless the Energy Board orders otherwise****.*
>
> ***(4)*** *The Energy Board* ***may approve*** *the proposed expenditure and revenue requirements and* ***the proposed fees or may refer them back to the IESO for further consideration with the Energy Board's recommendations****.*
>
> [Ephasis Added]

Subsection 29(3) is particularly important in the present circumstances. It contemplates that, pending approval of the fees proposed for a fiscal year, the fees from the previous year continue to apply "unless the Energy Board orders otherwise." Because IESO Nova Scotia has no previously approved fees upon which it can rely, the MAEA necessarily requires the Board to "order otherwise." In this context, the only practical and lawful path forward is for the Board to determine an interim fee arrangement that allows IESO Nova Scotia to collect the funds required to discharge its legislated responsibilities in the current fiscal year.

Subsection 29(4) reinforces the breadth of the Board's authority by expressly empowering it to approve IESO Nova Scotia's proposal or to refer it back with recommendations. Notably, the MAEA provides no guidance on how fees are to be calculated, through what vehicle they are to be charged, to whom they should be charged, or when collections should begin. The absence of such detail does not limit the Board's authority. Instead, it requires that the Board interpret and apply section 29 in a manner consistent with the established principles of statutory interpretation.

Pursuant to *Canada (Minister of Citizenship and Immigration) v. Vavilov*, 2019 SCC 65, administrative decision-makers are required to interpret their enabling statute by reading the statutory language in its text, context, and purpose. The MAEA expressly identifies as one of its purposes the facilitation of "a phased transition of the system operator from Nova Scotia Power Incorporated to an Independent Energy System Operator" (s. 2(f)). The Act establishes IESO Nova Scotia as a statutory body corporate (s. 7(1)) and sets out its objects (s. 9). When read as a whole, the MAEA is designed to create, and ultimately transition system operation responsibilities to, a functional and financially viable IESO Nova Scotia.

Section 29 forms part of that scheme and is the mechanism through which the Legislature intended that IESO Nova Scotia would secure the funding required to carry out its responsibilities. Although the Act leaves the specific structure of fees to the judgment of IESO Nova Scotia and the Board, its purpose makes clear that IESO Nova Scotia must have access to sufficient funds to perform the work assumed by it during the transition period. A contrary interpretation would frustrate the legislative purpose by rendering IESO Nova Scotia unable to carry out its statutory mandate.

Accordingly, section 29 must be interpreted in a manner that allows the Board to make the orders necessary to ensure that IESO Nova Scotia can obtain the funding required for its basic operations. In these circumstances, that includes the authority to approve the temporary use of NS Power's FAM, or another Board directed mechanism, as the vehicle through which interim fees are recorded and deferred for later reconciliation. In the IESO Nova Scotia's review, nothing in the MAEA, or in the *Public Utilities Act* (Nova Scotia), appears to preclude this approach, and the broad discretion expressly conferred under section 29 supports its use on a temporary basis while a permanent fee mechanism is being developed and considered by the Board.

IESO NOVA SCOTIA'S FINANCIAL POSITION

The IG and CA assert that the need for IESO Nova Scotia's temporary financial relief request is unsubstantiated. The CA provides, in part, the following:

> …the Consumer Advocate submits that the information provided is simply not sufficient for the Board to make a proper determination as to whether (a) IESO NS will be unable to meet its "planned and forecasted liabilities" as they become due…[1]
>
> …

[1] Consumer Advocate Submission, Re: M12663 - IESO Nova Scotia - 2026/2027 Revenue Requirement and Fees Application, February 12, 2026, p.2.

> …IESO NS acknowledges that it has received a $10 million line of credit (the "LOC") from the Province to fund its operations, yet still "projects that it will become unable to meet its liabilities as they become due in May 2026." …IESO NS provides no other explanation as to why these funds could not be used to support IESO NS's operations until May 2026 (at least, if not longer).[2]
>
> …
>
> IESO NS then calculates that a "minimum" of $950,000 per month is needed to ensure it meets its obligations, but does not provide any information to support this calculation.[3]

The CA concludes that it "opposes IESO NS's request for immediate temporary financial relief, on the basis that (a) the request is not supported by sufficient evidence;"[4]

The IG provides, in part, the following:

> The IESO-NS has failed to provide adequate justification or evidentiary support for the proposed $950,000 monthly assessment.[5]

Additionally, the IG notes that the lack of justification or evidentiary support pertains to:

(a) why IESO Nova Scotia is unable to pay its liabilities[6]
(b) how the $950,000 a month was calculated[7]
(c) why payments are sought retroactively[8]

Moreover, the IG concludes that "…the Monthly Assessment value of $950,000 should not be approved given the lack of detail provided."[9]

That all said, IESO Nova Scotia provides additional information below to assist the Board in making a determination. The IESO Nova Scotia remains available to provide any necessary additional financial information to it, on an expedited basis, to the extent it believes more information could be helpful.

1. Why IESO Nova Scotia is unable to pay its liabilities

IESO Nova Scotia submitted its initial Revenue Requirement and Fees Application for the test period ending March 31, 2026 to the Board on August 5, 2025. The initial 2025/2026 Revenue Requirement and Fees Application included total OM&A costs of $7.98 million less provincial funding of $2.675 million for a net of $5.31 million sought for approved OM&A costs.

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[2] Consumer Advocate Submission, Re: M12663 - IESO Nova Scotia - 2026/2027 Revenue Requirement and Fees Application, February 12, 2026, p.3.
[3] Consumer Advocate Submission, Re: M12663 - IESO Nova Scotia - 2026/2027 Revenue Requirement and Fees Application, February 12, 2026, p.3.
[4] Consumer Advocate Submission, Re: M12663 - IESO Nova Scotia - 2026/2027 Revenue Requirement and Fees Application, February 12, 2026, p.1.
[5] Industrial Group Submission, Re: M12663 – IESO-NS - 2026-27 Revenue Requirement and Fees Application, February 12, 2026, p.5.
[6] Industrial Group Submission, Re: M12663 – IESO-NS - 2026-27 Revenue Requirement and Fees Application, February 12, 2026, p.5.
[7] Industrial Group Submission, Re: M12663 – IESO-NS - 2026-27 Revenue Requirement and Fees Application, February 12, 2026, p.6.
[8] Industrial Group Submission, Re: M12663 – IESO-NS - 2026-27 Revenue Requirement and Fees Application, February 12, 2026, p.6.
[9] Industrial Group Submission, Re: M12663 – IESO-NS - 2026-27 Revenue Requirement and Fees Application, February 12, 2026, p.6.

Exhibit A-1 B.6 of the 2025/2026 Revenue Requirement and Fees Application stated:

> "The NSIESO is not seeking capital funding as part of this revenue requirement Application. The NSIESO contemplates that separate applications may be made to the Nova Scotia Energy Board by the NSIESO for approval of capital projects, including:
>
> a. For capital funding required to fulfil the NSIESO's core functions; and
> b. To support energy and capacity procurement initiatives and preserve project timelines."

At the same time the OM&A requirement was developed, IESO Nova Scotia created an internal budget to support energy and capacity procurement initiatives totaling $3.21 million in 2025/2026. As referenced above, these costs were not included in the 2025/2026 Revenue Requirement and Fees Application, and were similarly excluded from the 2026/2027 Application. In particular, because those amounts relate to development and procurement financing that are generally structured with the intention of recovering those costs from successful proponents rather than from customers. Excluding those amounts from the revenue requirement was deliberate and intended to avoid the risk of duplicate recovery from customers followed by later refunds once proponent reimbursements are realized.

To bridge operating requirements and procurement capital financing in advance of determination of the revenue requirement proceedings, IESO Nova Scotia obtained a $10 million line of credit from the Province of Nova Scotia (the "**LOC**"). Financing documents were executed on December 2, 2025, with an initial draw of $2 million on December 5, 2025. The planned draw schedule contemplated $2.0 million in December, $2.0 million in January, $2.5 million in February, $2.0 million in March, and $1.5 million in April, with the LOC expected to sustain operations only through April, 2026. Current cash tracking against budget confirms that this planning assumption remains accurate. On the present trajectory, and absent interim relief, IESO Nova Scotia will exhaust available cash beginning or during May, 2026, at which point it would be unable to meet obligations as they become due, including payroll, certain vendor commitments, and procurement related development expenditures for which proponent reimbursement timing is inherently uncertain. IESO Nova Scotia has approached a commercial bank in an attempt to secure additional financing to cover these costs. However, as may be expected, a reputable commercial lender is unwilling to provide funding to a newly created entity in absence of revenue. IESO Nova Scotia has not sought funding from non-traditional lenders because the elevated interest rates and expected associated conditions would impose unnecessary costs on customers and are not prudent given the temporary nature of the requested relief.

2. Calculation of the $950,000 monthly fee

In determining the interim fee portion of the application, IESO Nova Scotia undertook a practical exercise with simple cash modeling, with a view of trying to arrive at the lowest possible monthly fee to sustain operations, with a simple recurring fixed monthly fee. To determine the minimum interim fee required, IESO Nova Scotia developed a cash flow model using actual accounting records converted to a cash basis. The model is maintained monthly and reflects, among other things, the opening cash position as of January 1, 2026; anticipated inflows from LOC draws, interest, any procurement recoveries, and interim fee receipts; and, outflows for payroll, benefits, and vendor invoices. In preparing this cash flow model, key assumptions included:

(a) spending in 2025/26 was forecasted to the end of the current fiscal year for both OM&A and procurement requirements;

(b) the 2026/27 cash requirements are based on the 2026/2027 OM&A budget of $14.85 million in addition to a procurement budget of $3.1 million;

(c) where reasonable to do so, invoiced expenditures are assumed to be paid 60 days in arrears;

(d) adjustments were made for non-cash items or where the actual cash outflow is expected to differ from the budgeted accounting outflow;

(e) no recovery of procurement costs in the test period due to the uncertainty of timing;

(f) the cash flow excludes Phase 2 implementation costs which aligns with the 2026/2027 Revenue Requirement and Fees Application;

(g) interim monthly fees are assumed to begin effective February 1, 2026;

(h) no repayment of the LOC from the Province or any related interest costs during this time frame; and,

(i) no other recoveries were received by IESO Nova Scotia, given the uncertainty as to when the revenue requested under the 2025/2026 and 2026/2027 Revenue Requirement and Fees Applications will be approved by the Board.

Testing multiple fee levels under these assumptions demonstrates that a monthly amount of $950,000 is the minimum necessary to maintain a positive cash position through November 2026. The scenario outcomes are summarized in Figure 1.

Figure 1: Interim Monthly Fee Received and Corresponding Final Month with Positive Cash Balance

Interim Monthly Fee Received	Final Month with Positive Cash Balance
$0	April, 2026
$500,000	May, 2026
$650,000	June, 2026
$750,000	July, 2026
$850,000	August, 2026
$900,000	September, 2026
$925,000	October, 2026
$950,000	November, 2026
$1,050,000	December, 2026

By December 2026, IESO Nova Scotia expects to have commenced collections under a permanent cost recovery mechanism, subject to the Board's approval, and would no longer require monthly assessments from NS Power. Although the model indicates sufficiency through November, assuming a $950,000 monthly amount, the Application requests approval of that amount through March 31, 2027. This outer date functions as a limited, time bound backstop to address practical risks that are outside of IESO Nova Scotia's direct control, including the possibility that approval or implementation of the permanent mechanism occurs later than presently anticipated, or variations in the actual timing of vendor payments. A defined sunset at fiscal year-end avoids the need for multiple interim applications, to the extent a decision is not yet issued on the permanent fee recovery model, ensures administrative simplicity for customers and the utility, and preserves Board oversight because any unused portion of the authorization would simply not be collected.

If the Board were to approve a $950,000 monthly assessment from February 2026 through March 2027, the total interim collections would be approximately $13.3 million. That amount is materially less than the combined revenue requirements presently before the Board for 2025/2026 and 2026/2027, which total $20.16 million ($5.31 million and $14.85 million respectively). As noted above, it also does not include repayment of LOC principal or the carrying costs associated with procurement capital financing.

Finally, the request for a February 1, 2026 effective date, with a first payment due no later than April 1, 2026, reflects the timing realities embedded in the model. With no interim fee, the model shows cash balances turning negative shortly after April 2026. Accruing the interim fee from February, while deferring the initial remittance to the latest of April, allows the Board time to render its decision, and avoids a liquidity cliff immediately before exhaustion of the LOC, without prejudging any ultimate recovery determination. Any interim collections remain subject to the Board's decisions in the 2025/2026 and 2026/2027 proceedings and would be trued up under the proposed variance and deferral mechanism or as otherwise directed by the Board.

3. Retroactivity of Payments

The interim monthly fees are sought effective February 1, 2026, owing to the urgency of IESO Nova Scotia's financial circumstances. In the absence of interim funding, IESO Nova Scotia projected that available cash would be exhausted shortly after April 2026. To address this imminent risk responsibly, IESO Nova Scotia required certainty as to the commencement date of funding, notwithstanding uncertainty regarding the duration of the regulatory process. Absent an effective date, a decision rendered after February would have necessitated a recalculation of the minimum monthly amount required to sustain operations, given the compressed collection period and the same underlying obligations. Establishing an effective date of February 1, 2026, together with a definitive monthly fee amount, therefore serves a prudent cash planning purpose, enables stable forecasting, and avoids volatility in the requested quantum while the Board completes its consideration of interim relief.

4. Applicable Taxes

The SBA and IG also note lack of clarity regarding IESO Nova Scotia's statement regarding the fees being "exclusive of applicable taxes". The SBA noted the following:

> …it is unclear from the information provided in the Application what taxes may apply and what the actual ultimate amount of the payment would be. The SBA respectfully submits this may result in a significant impact to ratepayers and requires clarification.[10]

Likewise, the IG notes that it "is also unclear what the total payment will be including "any applicable taxes"."[11]

Additionally, in the Board's Information Request IR-30[12], we note the following request made by it:

> IESO notes that the monthly payments are "exclusive of applicable taxes". While the Board understands that HST may be payable by ratepayers as it is now, it is not clear why the

[10] Small Business Advocate Submission, Re: M12663 - Nova Scotia Independent Energy System Operator (IESO Nova Scotia) - 2026/2027 Revenue Requirement and Fees - Proposed Temporary Financial Relief, February 12, 2026, p.4.
[11] Industrial Group Submission, Re: M12663 – IESO-NS - 2026-27 Revenue Requirement and Fees Application, February 12, 2026, p.5.
[12] Nova Scotia Energy Board Information Requests, IR-29, Re: M12663 – IESO-NS - 2026-27 Revenue Requirement and Fees Application, February 17, 2026, p.10.

> monthly payments by Nova Scotia Power, which simply represents the collection of costs by Nova Scotia Power from its customers on behalf of IESO Nova Scotia, would be subject to taxes. Please explain the basis for this statement and whether Nova Scotia Power's customers are being exposed to higher tax costs as a result of the arrangements between Nova Scotia Power and IESO Nova Scotia.

At the time of preparing the 2026/2027 Revenue Requirement Application, IESO Nova Scotia sought advice from KPMG Canada to understand its potential tax obligations with respect to the collection of fees contemplated under the MAEA. The preliminary indications from KPMG suggested that fees charged by IESO Nova Scotia in recovery of its revenue requirement may be subject to Harmonized Sales Tax ("**HST**") under the Excise Tax Act.

IESO Nova Scotia received a finalized written opinion from KPMG on February 18, 2026. While that opinion remains currently under review by IESO Nova Scotia, it understands KPMG's position to be that amounts charged or assessed by IESO Nova Scotia for the purpose of recovering its approved revenue requirement will generally be subject to HST at the applicable rate of 14%.

As the Board noted in its Information Request, it is reasonable to expect that amounts collected by NS Power from its customers on behalf of IESO Nova Scotia would themselves be subject to HST. Although IESO Nova Scotia cannot speak to NS Power's tax position, it is reasonable to assume that any HST paid by NS Power to IESO Nova Scotia would give rise to corresponding input tax credits for NS Power. In that circumstance, the economic effect on customers should foreseeably be neutral, because the HST collected from customers would be remitted through to IESO Nova Scotia for onward remittance, while NS Power would be entitled to recover the same amount through the input tax credit mechanism. The expected result is that customers would not bear any incremental tax burden arising from the temporary fee arrangement.

That said, NS Power has not had the opportunity to comment on this issue, and IESO Nova Scotia has not yet formally adopted the conclusions of KPMG's opinion. In these circumstances, and to avoid any ambiguity as to whether the interim fee amount proposed in this application are intended to include or exclude tax, IESO Nova Scotia submits that any interim fee approved by the Board should be expressed as being "subject to applicable taxes." This ensures clarity for all parties that the fee amount represents the pre-tax charge, and that any HST or other taxes prescribed by law would be applied in addition to, not within, the approved fee amount.

FUEL ADJUSTMENT MECHANISM

In light of IESO Nova Scotia's immediate funding needs and the absence of available LOC or commercial financing, IESO Nova Scotia has proposed temporary financial relief in the form of monthly fees charged to NS Power, with the corresponding amounts recorded and deferred by NS Power within its FAM on a strictly interim basis. The proposal is intended to ensure liquidity for IESO Nova Scotia while avoiding the creation of a bespoke mechanism for a short transitional period.

Intervenors have raised several concerns with the FAM. For example, PHP provided the following regarding use of the FAM by NS Power to recover IESO Nova Scotia fees related costs:

> 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.[13]

The CA provided the following:

> …the Consumer Advocate is concerned about the appropriateness of IESO NS receiving payment from NS Power through the FAM. While the FAM applies to many customer groups, including residential customers, it does not apply to all. However, all customer groups will be served by IESO NS, and accordingly some of the costs attributable to non-FAM customers will effectively be paid by FAM customers. If such costs are eventually recovered by NS Power through the FAM, the Consumer Advocate would expect WACC to apply to such costs, to NS Power's benefit.[14]

The IG provide, in part, the following:

> The FAM is a statutory and highly structured mechanism designed for the recovery of NSPI's fuel and purchased-power costs. It is established under s. 64AB of the Public Utilities Act and has only three components: (1) the Base Cost of Fuel; (2) the Actual Adjustment; and (3) the Balancing Adjustment. NSPI is further entitled to earn its weighted average cost of capital ("WACC") on FAM deficits, as these balances reflect fuel-related regulatory assets.[15]
>
> …
>
> The FAM is in a deficit position; as of year-end 2025; ratepayers owe $101.6 million. Delays in resetting the base cost of fuel in the GRA and the AA/BA rider will only add to that balance. Adding the proposed Monthly Assessment to the FAM will increase the regulatory asset amount, accruing carrying costs at NSPI's WACC. Ratepayers will bear financing costs that are otherwise avoidable, directly increasing customer bills.[16]

The SBA provided the following:

> The SBA notes that FAM customers and ratepayers are not interchangeable terms as the FAM is not paid by all Nova Scotia ratepayers. For example, it is not paid by PHP under the ELIADC tariff currently in place.
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> As such, the SBA respectfully submits that the proposed Financial Relief, using the FAM account, does not fulfill the requirements under the legislation.[17]

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[13] Port Hawkesbury Paper Submission, 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"), February 12, 2026, p.2.
[14] Consumer Advocate Submission, Re: M12663 - IESO Nova Scotia - 2026/2027 Revenue Requirement and Fees Application, February 12, 2026, p.2.
[15] Industrial Group Submission, Re: M12663 – IESO-NS - 2026-27 Revenue Requirement and Fees Application, February 12, 2026, p.5.
[16] Industrial Group Submission, Re: M12663 – IESO-NS - 2026-27 Revenue Requirement and Fees Application, February 12, 2026, p.5.
[17] Small Business Advocate Submission, Re: M12663 - Nova Scotia Independent Energy System Operator (IESO Nova Scotia) - 2026/2027 Revenue Requirement and Fees - Proposed Temporary Financial Relief, February 12, 2026, p.2. As a point of clarification, the section of MAEA referenced by the SBA is section 30, which pertains to recovery of "costs for energy resource supply contracts", and does not pertain to the Application in this case.

IESO Nova Scotia takes these concerns seriously. NS Power has advised that the interim amounts at issue are not included in its approved or proposed general rate application. IESO Nova Scotia understands that NS Power's agreement to facilitate the proposed interim arrangement reflects recognition of IESO Nova Scotia's early-stage revenue shortfall; it was not an agreement to absorb these amounts on NS Power's balance sheet without means for ultimate recovery. In IESO Nova Scotia's discussions with NS Power, we understand that if the Board were to decline the use of the FAM for the limited recording and deferral purpose described in this Application, an alternative deferral mechanism would be required.

The rationale for proposing the FAM in these unique circumstances is that it provides an established, orderly means to record and defer recoverable amounts in the nearer term. IESO Nova Scotia acknowledges that employing the FAM for these interim amounts diverges from the usual scope and intent of the mechanism. That said, the present facts are exceptional and warrant a tailored, time limited solution under the Board's direction, without prejudging ultimate recovery or customer allocation questions.

To address intervenor concerns regarding transparency, IESO Nova Scotia supports the creation of a distinctly identified sub account to record any interim IESO Nova Scotia amounts if the FAM is used for this limited administrative purpose, with any carrying costs applied as directed by the Board. If the Board determines that the FAM should not be used even in this constrained fashion, IESO Nova Scotia may suggest that a stand-alone Board directed deferral account should be established for NS Power with recovery to follow in the permanent IESO Nova Scotia mechanism. This approach ensures that NS Power is not required to absorb costs that are not its own, maintains clarity over the interim balances, and preserves the Board's full discretion over allocation and ultimate recovery.

As noted earlier, it is the intention of IESO Nova Scotia to bring an application with respect to a permanent fee recovery mechanism in Q2 of 2026, for ultimate recovery of those amounts. Every effort will be made to ensure that the Board is in a position to order recovery of those deferred fees, from customers, in less than one year from the date they accrue to minimize costs for customers.

PRUDENCY OF COSTS

PHP provided the following regarding prudency of costs:

> 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 preapproval 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.[18]

The SBA provided as follows:

> IESO Nova Scotia has also asked that the Board approve the Financial Relief and confirm that the payments by NSPI are prudent. The Board may approve payments by NSPI to IESO Nova Scotia, similar to how NSPI makes monthly payments to Nova Scotia Power Maritime Link

However, SBA's comments are consistent with the comments of other intervenors regarding the cost of service treatment of FAM costs not pertaining to all customers.

[18] Port Hawkesbury Paper Submission, 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"), February 12, 2026, p.2.

> (NSPML) on the basis of an approved Revenue Requirement. Notwithstanding that the Board may consider these types of payments as prudent actions by NSPI due to them being made pursuant to a Board order, it still remains open for the Board to examine the prudent actions by NSPML (and in turn IESO Nova Scotia) as to their use of the funds paid by NSPI.
>
> The SBA respectfully submits that there can be no decision on IESO Nova Scotia's prudency prior to IESO Nova Scotia undertaking the work and incurring costs. Moreover, any payments under the FAM are subject to the bi-annual FAM Audit in addition to any audit to which IESO Nova Scotia may be subject.[19]

The CA provided as follows:

> In addition, this exceptional request would also require the Board to deem any such payments through this mechanism to be prudent. Such a presumptive finding would inappropriately limit the Board's ability to review the payments through the usual FAM Audit process, and would also limit recourse for ratepayers in the future.[20]

IESO Nova Scotia's preference, in alignment with many of the submissions, is that the costs allocated to NS Power, and the resulting FAM, be assessed prudent at the time they are ordered. However, given the limited time available between now and the requested February 27, 2026 interim relief decision date, it may not be realistic to expect that a full prudency assessment can be completed in advance of an interim order. In these circumstances, in the alternative, the prudent and practical approach is to rely on the deferral account mechanism to true up any portion of costs that the Board determines to be imprudent at a later date.

Intervenors have also expressed concerns regarding forecasting risk. IESO Nova Scotia acknowledges that, as a new organization with limited operational history, some degree of forecasting uncertainty is unavoidable. That said, actual expenditures for 2025/2026 remain closely aligned with the forecasts filed in the 2025/2026 Revenue Requirement Application, and a material portion of IESO Nova Scotia's costs during this period relate to functions and personnel transitioned from NS Power, of which generally such costs the Board would have historically reviewed in prior NS Power proceedings. As a result, the risk that interim collections would fund imprudent expenditures is low and, in any event, as noted above, fully subject to later reconciliation through the deferral account.

Intervenors also suggest that customers may effectively "pre fund" costs prior to a prudency determination. This is a feature of any interim order and, in the absence of the Board confirming prudent cost, is routinely mitigated by subsequent true up, which IESO Nova Scotia has expressly proposed. Interim relief in that circumstance would not eliminate prudency review; rather, would ensure continuity of operations until the Board renders its final determinations.

Finally, IESO Nova Scotia notes that the IG itself did not appear to oppose the 2025/2026 revenue requirement during that proceeding, and the Board's consultant, Doane Grant Thornton, identified no unreasonable cost categories or methodological flaws in IESO Nova Scotia's approach. The forthcoming Board decisions in both proceedings will provide clear and authoritative guidance on all prudency matters, after which any necessary adjustments to interim collections can be made.

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[19] Small Business Advocate Submission, Re: M12663 - Nova Scotia Independent Energy System Operator (IESO Nova Scotia) - 2026/2027 Revenue Requirement and Fees - Proposed Temporary Financial Relief, February 12, 2026, p.2-3.
[20] Consumer Advocate Submission, Re: M12663 - IESO Nova Scotia - 2026/2027 Revenue Requirement and Fees Application, February 12, 2026, p.3.

PAYMENT START AND EFFECTIVE DATE

PHP provided the following regarding clarification on payment start and effective date:

> 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.[21]

The SBA also noted that it was unclear what IESO Nova Scotia was requesting with respect to the payment and start date.[22]

To clarify, the effective date reflects the period for which interim fees would accrue, whereas the payment date reflects the date when NS Power would be obligated to remit those accrued amounts to IESO Nova Scotia.

The effective date of February 1, 2026 indicates that monthly fees would apply beginning with February 2026. However, given its financial situation, IESO Nova Scotia could benefit from certainty on when fees would actually be paid to it from NS Power following decision. With the proposed interim relief order, NS Power would begin remitting the monthly amounts no later than April 1, 2026. In practical terms, this means that the fees for February, March, and April would become payable on April 1, 2026.

This structure provides the Board with sufficient time to consider the request while ensuring that IESO Nova Scotia does not face a liquidity shortfall immediately prior to the exhaustion of its existing funding sources.

C. CONCLUSION

The circumstances described in this rebuttal demonstrate that temporary financial relief is urgently required to ensure IESO Nova Scotia can continue its operations during the transition mandated by the MAEA. Even with full use of the LOC, IESO Nova Scotia will be unable to meet its liabilities beginning in or about May 2026. No alternative financing is available, and without interim funding, key system-operation responsibilities would be placed at risk.

Intervenor concerns regarding evidentiary sufficiency, use of the FAM, and the absence of a prudency determination are understandable, and the IESO Nova Scotia has made an effort to adequately address those considerations herein. The FAM is proposed only as a temporary administrative tool for dispensing with the interim amounts. While it is preferred that the Board assess prudency at the time an interim order is made, in the alternative, prudency determinations will occur in the 2025/2026 and 2026/2027 revenue requirement proceedings. Any costs ultimately found imprudent can be trued up through the proposed variance and deferral mechanism. The IESO Nova Scotia, for the reasons stated above, believe this provides adequate and reasonable protection for customers, while also balancing the risks to customers resulting from an insolvency of the system operator.

IESO Nova Scotia has also provided an overview of the detailed cash-flow modelling showing that a monthly amount of $950,000 is the minimum needed to avoid insolvency during this interim period. The

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[21] Port Hawkesbury Paper Submission, 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"), February 12, 2026, p.2.

[22] Small Business Advocate Submission, Re: M12663 - Nova Scotia Independent Energy System Operator (IESO Nova Scotia) - 2026/2027 Revenue Requirement and Fees - Proposed Temporary Financial Relief, February 12, 2026, p.4.

concerns raised by intervenors are inherently short-term and will be resolved through the permanent fee and cost-recovery mechanism that IESO Nova Scotia expects to file in Q2 of 2026.

When weighed against the immediate financial and operational risks of not granting interim relief, the temporary and mitigated nature of the intervenors' concerns supports approving the relief as requested. Respectfully, IESO Nova Scotia submits that the Board should approve the temporary financial relief, on the terms set out in the Application, without delay.

Yours very truly,

David Luther