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July 24, 2026

Ms. Crystal Henwood
Regulatory Affairs Officer/Clerk of the Board
Nova Scotia Energy Board
3rd Floor, 1601 Lower Water Street
Halifax, NS B3J 3P6

Dear Ms. Henwood:

Re: Matter M12663 – Nova Scotia Energy System Operator ("IESO") 2026/27 Revenue Requirement and Fees Application – Submissions on behalf of Port Hawkesbury Paper ("PHP")

On January 20, 2026, the IESO applied for approval of its 2026/27 Revenue Requirement and Fees Application. The Nova Scotia Energy Board (the "Board") issued a Hearing Order for a paper process, which was subsequently converted to an oral hearing that took place on June 17 and 25, 2026.

In accordance with the schedule established following the oral hearing, please accept the following brief closing submissions on behalf of PHP. This submission focuses primarily on go-forward issues related to the proposed Net Revenue Requirement Variance and Deferral Mechanism ('Deferral Account"), the approval processes for the recovery of capital and energy resource supply contract costs, and the IESO's status as a not-for-profit entity. PHP's failure to address any particular issue in this matter should not be interpreted as PHP's acceptance of, or agreement with, IESO's position on such issues.

At page 37 of its Application, line 8, the IESO requests approval "in perpetuity" of the Deferral Account. In response to Doane Grant Thornton IR-1(a), the IESO stated: "…at this time, the only costs to be included are OM&A cost variances resulting from the 2025-2026 revenue application and 2026-2027 revenue application. In future, capital costs associated with energy resource procurements may also be included. Costs that would be excluded are any costs that were not submitted to the NSEB for approval."

During the hearing, the IESO Panel appeared to expand on the scope of costs that could be included within its Deferral Account:

> Q. I appreciate the context. I guess what I'm trying to understand is, is IESO NS applying to the Board for essentially a catch-all account for any over or under recoveries in the run of a year, regardless of whether they're included in a Revenue Requirement Application or not?

> A. (Johnston) So I mean, I think that as a not-for-profit organization, if there are any expenses that we end up having to take, then there has to be a way for those expenses to be addressed one way or the other. So yes.[1]

There was also discussion during the hearing about Section 30(1) of the *More Access to Energy Act*, which deals specifically with the recovery of costs for energy resource supply contracts. In response to questions from counsel for the Industrial Group, the IESO Panel stated that currently it is not recording any costs for section 30 recovery, but there is no internal policy or document that articulates the separate recording of these costs between section 29 and section 30 of the *More Access to Energy Act*.[2] The IESO Panel also could not provide a timeline in which they anticipate filing for a cost recovery mechanism under section 30.[3]

Further, in response to questions from the Chair, the IESO Panel confirmed its intent to address the topic of cost control and include a more detailed description of what is in place as part of the guidelines for the Deferral Account, but confirmed that none of that has been put forward to date.[4] Although the IESO Panel appeared to accept Doane Grant Thornton's recommendation for stringent forecasting and tracking processes as part of the Deferral Account, Mr. Johnston noted that "we very much see that as an end-of-year, one-time drop activity, not something that's happening day to day or week to week."[5]

Given the lack of clarity regarding (i) the potential scope of costs to be included in the proposed Deferral Account, (ii) the distinct approaches to be adopted for recovery of revenue requirement costs versus energy resource supply contract costs, and (iii) the specific cost control and reporting efforts that will be undertaken by the IESO on an ongoing basis, PHP submits that it would be premature for the Board to approve the proposed Deferral Account "in perpetuity" at this time.

Since the IESO is a not-for-profit entity, there is a real risk that ratepayers could be held responsible for costs even if they are found to be imprudent. As the Chair noted: "…practically speaking, the Board's remedy of imprudence…would be a very difficult one to implement in this particular case because of the not-for-profit status."[6] Questions were raised by Counsel for the Province during the hearing regarding the scope of the Board's authority to disallow costs under the *More Access to Energy Act*.[7] In light of the not-for-profit status of the IESO, it is all the more critical for the Board to proactively mitigate the risk that the IESO costs could subsequently be found to be imprudent.

Accordingly, prior to approving any Deferral Account "in perpetuity", PHP suggests the Board require the IESO to bring forward documentation in its next Application that clearly defines the scope of eligible costs and distinguishes between costs to be recovered as part of the revenue requirement application Deferral Account and the costs associated with energy resource supply contracts. This documentation should also outline the cost control and reporting measures to be implemented and managed by the IESO throughout the year, and the specific steps to be taken

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[1] Transcript, page 238, lines 4-14.
[2] Transcript, page 395, line 8 to page 396, line 11.
[3] Transcript, page 397, lines 11-14.
[4] Transcript, page 503, line 10 to page 508, line 9.
[5] Transcript, page 511, lines 8-19.
[6] Transcript, page 515, lines 5-8.
[7] Transcript, pages 459-466.

by the IESO if it becomes aware of the potential for material cost increases. This should include the adoption of an approval to overspend (ATO) process, similar to what is in place for NS Power and other public utilities, to help ensure the Deferral Account retains proper monitoring and control for cost variances above a certain threshold. Going forward, with respect to the mechanism for recovery of costs for energy resource supply contracts, the IESO should similarly be required to adopt guidelines and policies as part of that mechanism that indicate when and how the Board and stakeholders can be provided opportunity to review and comment on significant projects, presumably in advance of IESO commitment to such projects, to help proactively mitigate any chance that ratepayers may be required to bear costs that the Board later finds were imprudently incurred.

Thank you for the opportunity to provide these closing submissions.

Yours truly,

James MacDuff

cc: M12663 Participants