BATES WHITE
ECONOMIC CONSULTING
2001 K Street NW North Building Suite 500, Washington, DC 20006 main 202.408.6110 fax 202.408.7838

May 29, 2026

Delivered by e-mail

Crystal Henwood
Regulatory Affairs Officer/Clerk of the Board
Nova Scotia Energy Board
3rd Floor, 1601 Lower Water Street
Halifax, NS B3J 3S3

Vincent Musco
Bates White Economic Consulting

Via e-mail

Subject: M12768 – Nova Scotia Power, Inc. – Extra Large Industrial Active Demand Control (ELIADC) Tariff – 2025 Annual Report

Bates White, LLC ("Bates White") was retained by the Board to review Nova Scotia Power, Inc.'s ("NSPI's") Extra Large Industrial Active Demand Control ("ELIADC") Tariff – 2025 Annual Report ("Annual Report"). Bates White offers the following submission.

NSPI reports several data points regarding operation of the ELIADC Tariff during 2025, with Port Hawkesbury Paper, LP ("PHP") as its sole customer. PHP's load in 2025 was 690,763 MWh, which was about 15% below PHP's own forecast for 2025 load.[1] PHP has noted that "[f]orecasting the required amount of annual energy for more than one year in advance is challenging due to the nature of the paper market."[2]

NSPI reports that, for the first time since 2020 (the first year of the ELIADC Tariff), the actual cost to serve PHP was below the forecast cost to serve PHP (or, CBL Energy Charge), therefore resulting in a positive ADC differential.[3] Specifically, the 2025 CBL Energy Charge ($96.42/MWh) was higher than the actual costs to serve PHP ($94.21/MWh).[4] The ADC

[1] 2025 Annual Report, page 3.
[2] Port Hawkesbury Paper LP, "Application for Approval of an Above-the-Line Tariff Applicable to Port Hawkesbury Paper: Direct Evidence of Port Hawkesbury Paper," M12661, February 20, 2026, page 10 lines 1 to 3.
[3] 2025 Annual Report, page 2.
[4] 2025 Annual Report, Attachment, page 2. The actual cost to serve PHP is listed as the "Actual CBL Energy Charge ($)," which is the sum of the "Fuel & Purchased Power Charge," the "Variable Operating & Maintenance Charge," and the "Fixed Cost Recovery" charge.

differential is therefore $2.20/MWh,[5] or $1,522,611 in total.[6] Under the ELIADC Tariff, positive ADC differentials are shared between PHP and other NSPI customers. PHP's 25% share equals $380,653; NSPI's other customers receive $1,141,958.[7]

The existence of a positive ADC differential impacts the end-of-tariff-year accounting NSPI must do under the ELIADC Tariff. PHP is owed its share of the positive ADC differential, or $380,653. That amount is netted against the costs PHP caused to the system for unilateral deviations from scheduled loading during 2025.[8] NSPI submits that PHP deviated from schedule under so-called "Cause Code 5" events, or "off-schedule" events, in 95 hours, which imposed incremental system costs of $706,609.[9] NSPI charges PHP only a portion (75%) of this incremental cost, which equals $529,957. The net result, therefore, is PHP will be billed $149,304 to close out the 2025 ELIADC accounting,[10] subject to any regulatory adjustments made later on.

Operationally, NSPI reports large decreases in Cause Code 1,[11] 2,[12] and 4[13] hours.[14] However, these numbers are not comparable to prior periods due to the impact of the 2025 "cyber incident," which "necessitated a shift in PHP's dispatch process" that led to "Cause Codes 1, 2, and 4…not being tracked in late-April through early-August" 2025.[15] Cause Code 3 hours (in which PHP is unable to perform according to schedule) remained nearly identical to 2024 quantities.[16] Cause Code 5 hours (in which PHP unilaterally decides to deviate from NSPI's economic dispatch instructions, or "off-schedule" hours) increased nearly four-fold from 2024.[17]

Our review of the 2025 Annual Report suggests that the ELIADC Tariff continues to perform as it has since its inception. The modest ADC benefit in 2025 is the first realized since the tariff's first year of operation (2020). NSPI's calculated 2025 ELIADC benefit for other customers of

5 2025 Annual Report, Attachment, page 2. The one cent difference is likely due to rounding.
6 2025 Annual Report, Attachment, page 2.
7 2025 Annual Report, Attachment, page 2.
8 2025 Annual Report, page 4.
9 2025 Annual Report, page 4.
10 2025 Annual Report, page 4.
11 Cause Code 1 hours are Nova Scotia Power System Operator ("NSPSO")-induced increases in PHP's load.
12 Cause Code 2 hours are NSPSO-induced decreases in PHP's load.
13 Cause Code 4 hours are hours in which PHP and NSPI agree to a new dispatch.
14 2025 Annual Report, Table 2.
15 2025 Annual Report, page 4.
16 2025 Annual Report, Table 2.
17 2025 Annual Report, Table 2.

$4.4 million[18] remains substantially below the $10 million/year benefit expected by NSPI in 2019 when it submitted the ELIADC Tariff to the Board for approval.[19]

In reviewing the Cause Code data, we caution against reliance on Cause Code 1, 2, and 4 data in comparing ELIADC Tariff results to prior years since those codes were not tracked for more than three months in 2025. The increase in Cause Code 5 hours from 2024 is concerning, if only because NSPI is only refunding 75% of the incremental costs of those deviations to its other customers. Still, total Cause Code 5 hours were lower in 2025 than in the first four years of the ELIADC Tariff, where Cause Code 5 hours ranged from 100 to 466 hours in a given year.[20]

NSPI provided additional commentary in its 2025 ELIADC Annual Report,[21] including a summary of its efforts to comply with prior Fuel Adjustment Mechanism ("FAM") Audit recommendations.[22] As FAM auditor, Bates White is currently conducting the 2024-2025 FAM Audit, which includes ELIADC results from 2025. We will address 2025 ELIADC results and NSPI's efforts to comply with prior FAM Audit recommendations in our upcoming FAM Audit report.

[18] This figure is calculated as the sum of: (1) PHP's payment of $4.00/MWh of fixed cost recovery for all 690,763 MWh, or $2,763,052; (2) other customers' share of the ADC differential, or $1,141,958; and (3) PHP's payment of 75% of the incremental costs it caused on the system for off-schedule deviations, or $529,957.
[19] Exhibit N-1, NSPI, Extra Large Industrial Active Demand Control Tariff Application, M09420, September 27, 2019, page 4 lines 12 to 14.
[20] 2025 Annual Report, Table 2.
[21] 2025 Annual Report, pages 3 to 9.
[22] 2025 Annual Report, pages 5 to 9.