IN THE MATTER OF AN APPLICATION BY THE NEW BRUNSWICK POWER CORPORATION TO THE NEW BRUNSWICK ENERGY AND UTILITIES BOARD IN ACCORDANCE WITH SUBSECTION 107 OF THE *ELECTRICITY ACT*.

BOARD REFERENCE: EL-002-2025

WRITTEN ARGUMENT OF Dr. Andrew Secord

Introduction

Good morning, Mr. Chairman and members of the panel.

We are here today to respond to NB Power's request to the NB EUB for approval of their proposed twenty-five year contract (the Tolling Agreement) with RIGS Atlantic Limited Partnership, as represented by its general partner 1542987 B.C. Ltd. The consequences of this hearing are significant for NB Power's customers with the evidence suggesting that the revenue requirements over the 25-year period may be as high as 3.5 billion dollars.

The contract (Tolling Agreement) effectively creates a monopsonistic market relation where NB Power has exclusive rights to the energy and capacity associated with the 400-megawatt combustion-turbines. However, NB Power pays a price for this over the life of the contract, with guaranteed monthly payments to RIGS Atlantic to cover their capital and operating costs, in addition to a specified rate of return on their investment.

Financial exposure

The question remains as to whether the Tolling Agreement, as currently negotiated, sufficiently reduces the financial exposure of NB Power and its customers. As an economic regulator, this is a primary concern of the NB Energy and Utilities Board. It is also a primary concern of the Board of NB Power. As the evidence shows (pages 13-17 of Redacted Confidential Cross Examination of NB Power Panel by Ms. Mallory, February 11, 2025), the Board has raised issues about the financial exposure inherent in the Tolling Agreement and instructed staff to re-negotiate to reduce the exposure. Based on the redacted transcripts, it is unclear the extent to which the Board's concerns have been dealt with. I raised other issues during cross examination which have not been addressed in the non-confidential hearings, including the commitment of PROENERGY to meet liabilities of RIGS

Atlantic, guarantees on price of combustion turbines, and commitment of PROENERGY to continue with their support and commitments if they sell RIGS Atlantic.

Confidentiality problem

As an academic economist, my research and public service must utilize publicly available information. Consequently, my contribution to this hearing process must be based on the evidence which has not been redacted. Such redactions are primarily to protect the commercial interests of NB Power. For example, the Tolling Agreement was redacted of all economic and financial information. Additionally, any evidence or cross examination which utilized such redactions was further redacted, resulting in the redaction of any basis to do a public economic analysis of the Tolling Agreement. As a result, my argument will focus on the limits of the decision-making process, the lack of an applied economic methodology to evaluate alternatives, the absence of an analytical evaluation of any alternatives, and the challenges of making long run investment decisions in a turbulent planning environment.

Alternatives

> So really, when we were looking at addressing this need, we were looking at one project to – to address this. Not trying to do seven or eight small things at the same time where we could do one project that we're going to need anyway. Just do it all at once.
>
> (transcript, February 9, 2025, page 69, lines 15-20)

The perspective of the NB Power witnesses was that "were going to need it anyway". They were committed to combustion turbines from the beginning and there was thus no need for NB Power to seriously examine alternatives.

A fundamental initial question in any economic policy analysis is the concept of "opportunity cost": what are the alternatives foregone. No significant evidence has been provided by the proponent documenting their analysis of the alternatives.

While the evidence references many alternatives to combustion turbines to meet capacity needs (including utility-scale batteries, the effective load carrying capacity of wind turbines as they expand in the province, expansion of demand-side management programs focusing on peak reduction, utilizing smart meters to reduce

load, and reducing exports to meet provincial needs), the only alternative examined by NB Power was public versus private ownership of the combustion turbines.

Other experts did discuss alternatives.

The expert witness Toby Couture provided evidence which established that utility battery systems exhibit higher capacity and energy capabilities than assumed by NB Power. For example, Mr. Couture indicated that a 500-megawatt battery could be relied upon to provide 400 megawatts of capacity with an effective load carrying capacity (ELCC) of 80%. (transcript, February 12, 2025, page 218, lines 9-18). This is one-half of the battery requirements NB Power had assumed in their evidence to provide the same amount of capacity (NBP 6.03 Evidence, October 31, 2025, page 21, line 14).

NB Power assumed that 400 megawatts of effective capacity would require 1000 MW of installed battery capacity. They then applied costs from their 2023 Request for Expressions of Interest which led them to conclude that utility battery systems were 75 percent more expensive than combustion turbines (NBP 6.03 Evidence, October 31, 2025, page 21, line 22). Mr. Couture's evidence suggests that batteries are much more competitive than the NB Power evidence claimed as only 500 megawatts of battery storage was needed instead of the 1000 megawatts assumed by NB power to provide 400 megawatts of capacity to the utility. This is especially relevant given the impact of ongoing technological change on lowering the prices of utility battery systems. The evidence provided by Mr. Couture suggests that the proponent was remiss from an economic standpoint in not doing a more rigorous and up-to-date analysis of the battery alternative.

Making Decisions in a Turbulent Planning Environment

A common theme expressed by the witnesses was that the electrical energy sector was experiencing uncommon turbulence associated with rapid technological change (especially in batteries), increasing reliance on renewable supply, and increasing electrification; exacerbated in New Brunswick by generating units which require billion dollar rebuilds or decommissioning (Mactaquac), need conversion from coal (Belledune), or have general aging limitations (Lepreau).

I am arguing that in this current turbulent planning environment it is very important to evaluate all the alternatives for both short run operational problems and long-term system planning. In his evidence, Mr. Palermo pointed out the possibility of delaying the planned 111 MW net generation capacity reductions at

Mactaquac until 2029 which would "provide more time to develop better alternatives and long-term solutions" (PI 3.04, age 7, lines 13-15). Mr. Palermo also provided evidence that, based on his analysis of the Maritime Area resource adequacy review study, NB Power "has enough resources available without the RIGS generation to meet or exceed its planning requirements through 2030" ((PI 3.04, age 7, lines 9-11). This will provide the time to do a complete economic analysis of the economic alternatives.

Conclusion

My argument is that an economic regulator should not approve a project which is equivalent to over a billion-dollar capital investment (paid for by rate payers over the next 25 years) unless the proponent (NB Power) has provided credible evidence on the alternatives and why their preferred project is a superior economic choice. This has not been done.

The expert testimony that has been provided by Mr. Couture not only challenges the assumptions of NB Power's economic assessment of the ability of batteries to provide capacity for NB Power, but also in my opinion establishes that the economic justification of the RIGS project cannot be confirmed (or refuted) without a proper economic assessment of the alternatives (including the battery option).

I am further concerned that the RIGS project commits NB Power rate payers to a 25-year commitment to a particular technological approach at a time when the alternatives to RIGS are experiencing the fastest technological change. As expert witness Mr. Palermo concludes, NB Power's problem was the need for additional capacity in the immediate future and "This led to NB Power choosing refurbished CTs as a hurried solution" (PI 3.04, page 45, lines6-7).

This is my argument opposed to the approval of NB Power's application.

Dr. Andrew G. Secord

Respectfully submitted this 19th day of February 2026