Nova Scotia
POWER
An Emera Company

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July 18, 2025

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

Re: M11927 – CI 50518 – HYD – Ruth Falls Main Dam Refurbishment – Closing Submission

Dear Ms. Henwood:

On October 11, 2024, Nova Scotia Power Incorporated (NS Power, Company) filed an Authorization to Overspend (ATO) for Capital Item (CI) 50518 – HYD – Ruth Falls Main Dam Refurbishment for approval from the Nova Scotia Energy Board (NSEB, Board).

On June 18, 2025, the Nova Scotia Energy Board (NSEB, Board) issued its decision in Matter M11927 Nova Scotia Power Inc. – CI 50518 – HYD Ruth Falls Main Dam Refurbishment - $15,445,508 (ATO). The Board's decision stated:

> The Authorization to Overspend application will be held in abeyance until NS Power receives the Fisheries Act Authorization from the Department of Fisheries and Oceans. Once the Fisheries Act Authorization is obtained, NS Power can file an amended application, which must be accompanied by a Net Present Value analysis comparing the preferred refurbishment option to the decommissioning option.[1]

In response to the Board's Decision, NS Power filed a compliance filing on July 4, 2025, which included a copy of the Company's Fisheries Act Authorization (FAA) which was received on June 17, 2025, as well as an economic analysis comparing the preferred refurbishment option to decommissioning. The Company amended the ATO request to $14,839,116 as a result of a reduction in offsetting costs.

[1] M11927, 322217, NSUARB Decision Letter, CI 50518 – HYD – Ruth Falls Main Dam Refurbishment ATO, June 18, 2025, page 1.

NS Power also indicated in its compliance filing that the Company's FAA requires that in-water construction must be conducted between July 21, 2025 and March 31, 2026. Due to the scope of work required, and contractor availability, this schedule does not allow for delay beyond the scheduled July 21, 2025 drawdown without requiring the project to be deferred to a future construction season. NS Power therefore requested the amended ATO be reviewed on an expedited basis.

By letter dated July 4, 2025, the Board determined that it was appropriate to provide parties who participated in the Matter an opportunity to comment on NS Power's updated ATO. The SBA submitted a letter on July 14, 2025 indicating that it had no additional comments. Submissions were received from Board Counsel Consultant, Midgard, and the IG on July 17. The CA did not file a submission. NS Power appreciates the timely review and responses from all parties.

Please see below for NS Power's response.

RESPONSE TO SUBMISSIONS BY MIDGARD

Fisheries Act Authorization

Midgard indicates that the issuance of an FAA for the Ruth Falls project removes a significant area of risk to the project and has reduced the estimated cost to complete the project.

Midgard also indicates that it is in agreement with the Company that Project success depends on the Company being able to execute within the timeframe as outlined in the Company's FAA and indicates that an extended regulatory review would increase the risk of the Project missing its construction window.[2]

However, Midgard also reiterates that NS Power's ability to meet the schedule as outlined in the FAA may be affected by conditions outside the Company's control, which remains a risk to the project and concludes that this remains a risk to the project regardless of when NSEB approval is received.[3]

Deferring construction to a future year will not mitigate the challenges presented by the construction window, as the restrictions on in-stream construction would be a condition of any FAA for the project. However, completing the project in a future construction season will introduce additional costs associated with a deferral.

[2] M11927, Midgard Submission, July 17, 2025, page 8.
[3] M11927, Midgard Submission, July 17, 2025, page 9.

Offsetting

In its submission, Midgard indicated that the decrease in offsetting costs, as outlined in the updated Detail Cost Estimate (DCE) would indicate a lower cost per square metre than had been estimated by the Company, as the final offsetting amount is greater than the Company's original offsetting footprint estimate. Midgard requested NS Power provide additional detail on how it is estimating the cost of offsetting in its reply.

In response, the Company would like to clarify that the $\$25/m^2$ unit rate included in the DCE filed in October 2024 was an estimated rate used to inform the project budget. Since the time of the filing of the ATO, the Company has awarded a contract to a proponent to complete the offsetting work. The updated costs filed on July 4, 2025, are reflective of the unit rate as indicated in the proponent's proposal to complete the required offsetting as established by Fisheries and Oceans Canada (DFO).

Access Road Installation

Midgard requested the Company provide an update on the status of the installation of access roads as part of the Company's response.

The Contractor was able to find alternative access to the site that currently does not require a downstream temporary access road. In accordance with its FAA, the Company notified DFO that the downstream access road construction was not moving forward on July 1 as it was not required. No instream work has started to date and will not start until the drawdown is completed.

Decommissioning

In its submission, Midgard assumes that the cost estimate provided is for the decommissioning of only the Ruth Falls portion of the Sheet Harbour System.[4] This is a correct assumption.

When discussing decommissioning alternatives, partial decommissioning in the EAM has been defined as decommissioning a portion of a hydro system, whereas full decommissioning includes the removals of all structures associated with the hydro system, returning the entire system to a pre-development like condition and surrendering all NSECC Water Approval for Water Withdrawal and Storage of Water permits (operating approvals) held by the Company for the hydro system to the Province.

For the Ruth Falls development, considering it a partial decommissioning is appropriate. While all structures at the development would be removed, and the site returned to its pre-development conditions, the upstream structures, including the generating station at

[4] M11927, Midgard Submission, July 17, 2025, page 10.

Malay Falls would remain and the Company would continue to hold operating approvals for the Sheet Harbour Hydro System.

Midgard raises concerns that the costs associated with decommissioning the Ruth Falls development, which is a fraction of the Sheet Harbour system, are now greater than the costs to decommission the entire Sheet Harbour Hydro System as outlined by Hatch as part of the 2018 Hydro Asset Study (HAS).

Hatch's costs to decommission the Sheet Harbour Hydro System included in the 2018 HAS, and updated in 2024[5], contained a number of exclusions which would be required if the Company were to move forward with a decommissioning scenario. The costs associated with those exclusions were estimated by the Company and included in its Economic Analysis Model (EAM) when comparing refurbishment and decommissioning in this proceeding. Those exclusions include, but are not limited to, archaeology, fish habitat compensation, wetland compensation, engagement with the Mi'kmaq of Nova Scotia, and NS Power's internal costs such as labour, travel, meals, and administrative overhead. A detailed breakdown of decommissioning costs for the Ruth Falls development was provided as Appendix A of NS Power's Reply Evidence.

Economic Analysis Results

Midgard indicates that its review of the EAM suggests the outcome is reasonable, given the inputs. Midgard also indicates that it completed a sensitivity analysis where it made extreme adjustments to the decommissioning capital costs and the replacement energy costs included in NS Power's EAM and that the results of that sensitivity analysis indicate that refurbishment remains the preferred alternative in all scenarios.

REPLY TO SUBMISSIONS OF THE INDUSTRIAL GROUP

Unit Rates for Offsetting

The IG expresses concern about the unit rate used for offsetting by NS Power, stating:

> …while the gross area of degraded fish habitat to be offset is now certain,
> the unit rate and its validity remain unclear.[6]

As noted above the $25/m^2 unit rate included in the detailed cost estimate (DCE) filed in October 2024 was an estimated rate used to inform the project budget. Since that time, the Company has awarded a contract to a proponent to complete the offsetting work. The updated costs filed on July 4, 2025, are reflective of the unit rate as indicated in the

[5] The updated hydro system decommissioning costs, as well as the hydro asset archaeological program 2024 revised costing study were filed as Undertaking U-8 in Matter M12012.
[6] M11927, Industrial Group Submission, July 17, 2025, page 3

proponent's proposal.

Decommissioning

While speaking about decommissioning the Ruth Falls Hydro system, the IG states:

> While NSPI has it labelled as "partial decommissioning", it is unclear what makes it "partial" versus full when it includes full dam and powerhouse removal, management of sediment, fish habitat and wetland compensation and site reinstatement.[7]

When discussing decommissioning the Ruth Falls development, it is appropriate to consider it a partial decommissioning. While all structures at the development would be removed, and the site returned to its pre-development conditions, the Hydro System would not be decommissioned in its entirety, as the upstream structures, including the generating station at Malay Falls would remain and the Company would continue to hold operating approvals for the Sheet Harbour Hydro System.

The IG also recommends more detail and a range of decommissioning options be presented in future. Given the significant difference in costs between partial decommissioning and refurbishment, and as confirmed by Midgard's sensitivity analysis, significant increases in capital costs associated with refurbishment and decreases in the value of replacement energy do not change the outcome of the EAM.

In its Closing Submissions, NS Power agreed to provide decommissioning costs as part of future applications, however the Company does not feel there is a case to develop multiple alternatives for partial decommissioning given the difference in net present value of the alternatives considered in the Company's EAM.

Project Progress Reporting:

NS Power agrees to provide the detailed construction schedule and monthly progress reports as submitted to DFO to the Board and Interested Parties, should the Board deem it necessary. However, these reports do not include project financial information.

As the construction of the Project is anticipated to be completed in an eight-month window ending in April 2026, the Company does not agree that quarterly or bi-annually reporting on spending against budget is required. Furthermore, there are well established tools in place to provide reporting to the Board if project spending falls outside of the approved final cost ranges defined within the CEJC and those ranges provide the appropriate balance of regulatory efficiency to provide appropriate level of reporting and approvals.

[7] M11927, Industrial Group Submission, July 17, 2025, page 4.

Project Budget Approval Amount

NS Power respectfully disagrees with the Industrial Group's recommendation for the Company to be required to manage the project expenses within the envelope approved by the Board, before accounting for any allowances for funds used during construction (AFUDC). All prudently incurred costs associated with the project should be recoverable through the Company's rate base in accordance with the Capital Expenditure Justification Criteria (CEJC).

The juxtaposition between NS Power's reconstruction of its office premises at Lower Water Street and the refurbishment of the Ruth Falls Main Dam is not an appropriate comparison. The project justifications, project alternatives, project risks, regulatory environments, and impact to NS Power's operations and rate base are entirely different.

Within the Lower Water Street decision by the Board, the Board noted that NS Power had four reasonable alternatives to renovating the Lower Water Street property to Class A office standards, and there were different risks to the successful execution of each of the alternatives. The net present value of each of the alternatives presented in NS Power's application for capital approval to construction office space on its property located on Lower Water Street (CI 29131 – FAC Space 2011 U&U) were very similar. The difference between the recommended option and the next best alternative was approximately $5 million at the time and $16 million between the recommended option and the least preferred option. As a result, the Board was concerned that the risks associated with developing the Lower Water Street property were greater than continuing to rent a similar space in an office building with no responsibility for construction as there was significant risk that the demolition and construction of the office space could exceed the cost of the next best alternative. As such, the Board's decision was to ensure that NS Power managed its costs within the requested approval.

This is not the case with the Ruth Falls Main Dam project. The difference between refurbishment and decommissioning is significant. There is no other reasonable comparable option for the Ruth Falls Main Dam, as was the case for the Lower Water Street Project. Also, as demonstrated by Midgard's sensitivity analysis, extreme changes to both the capital costs associated with refurbishment and the replacement cost of energy do not change the outcome of the economic analysis for the Ruth Falls Main Dam, whereas an increase in capital cost at Lower Water Street may have had the ability to change the outcome of the economic case.

Therefore, NS Power reiterates that all prudently incurred costs associated with the refurbishment of the Ruth Falls Dam should be able to apply for NSEB approval of any costs that exceed the ATO threshold, as in all other capital projects per the Board-approved CEJC and should not be subjected to the financial conditions included within the Board's decision to approve NS Power's construction of its office space at Lower Water Street.

REPLY TO SUBMISSIONS OF THE SMALL BUSINESS ADVOCATE

In its letter dated July 14, 2025, the SBA indicated that it had no further comments but reiterated:

> that it remains concerned about costs and continues to respectfully request that the Board require NSPI to provide regular status updates.[8]

As noted in its response to the IG above, NS Power does not believe that financial updates to the Board are necessary or warranted.

CONCLUSION

The Company would like to reiterate, as indicated in its letter dated July 4, 2025, that the construction schedule for the Ruth Falls project is confined by the dates as set forth in the Company's FAA. This requires all in stream construction to take place between July 21, 2025, and March 31, 2026. Due to the scope of work required, and contractor availability, this schedule does not allow for much delay beyond the scheduled July 21, 2025, drawdown without requiring the project to be deferred to a future construction season. Midgard has agreed with the Company that meeting this timeline for construction is critical to the Project's success. The Company reiterates that deferring construction to a subsequent year will not further de-risk or mitigate the challenges presented by the prescribed eight-month in-water construction window. However, a deferral to a future construction season will result in cost escalations.

In addition to the above, the Company maintains its position that refurbishment of the Ruth Falls Main Dam has been considered carefully and remains the lowest cost option for customers to address the issues identified in the dam safety reports. With the FAA secured, and the risk of changes to scope mitigated, along with the additional sustaining capital that would be required to maintain the site in a safe manner, the Company respectfully requests that that the Board approve the ATO with an amended cost of $14,839,116 in full and that it do so in an expedited manner.

NS Power again wishes to thank all parties for their timely review and responses to this compliance filing.

Yours truly,

Annie Beth Sampson Manager, Regulatory

[8] M11927, Small Business Advocate Submission, July 14, 2025.