2024 M11990

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: ***The Public Utilities Act, RSNS 1989, c.380, as amended***

- and -

IN THE MATTER OF: **An application by Nova Scotia Power Incorporated (NS Power) for approval of Weighted Average Cost of Capital and Allowance for Funds Used During Constructions Rates for 2025**

INFORMATION REQUESTS

To: Nova Scotia Power Incorporated ("NSPI")

From: The Industrial Group

Responses Due: January 30, 2025

Contact Person: Nancy G. Rubin, K.C. /Brianne E. Rudderham
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Issued at Halifax, Nova Scotia, this 9th day of January, 2025.

Request IR-1:

(a) Please confirm that the methodology for calculating short term debt in this 2025 Application includes two variations to the prior methodology approved: (1) NSPI is using the Bloomberg Outlook rate, and (2) the Canadian Overnight Repo Rate Average ("**CORRA**") has now been adopted in the methodology for calculation short-term debt? If there are any other changes, please explain.

(b) Please confirm that these variations in the methodology used for 2025 are not yet part of the "Board approved methodology".

(c) After discontinuance of CDOR, in June 2024, what process and criteria led to adoption of CORRA (versus any other benchmark reference)?

Request IR-2:

Reference: **Page 6, lines 20-26 and Reference: Matter M11563, Exhibit N-3, NSPI (IG) RIR – 1 (f)**

Preamble: NSPI references the exemptive relief given in 2023 to participate in the 2023 Commercial Paper Market within this application. In the last WACC/AFUDC application, M11563, NSPI confirmed that it had a further restriction for 2024 that required its Commercial Paper Securities only be sold in Canada and that the sales be made only to Canadian Qualified Purchasers.

(a) Please confirm if there remains any restriction(s) on NSPI's participation in the Commercial Paper market in 2025? And if so, please describe.

(b) If so, please explain whether any of the Financial Institutions published by Bloomberg would contravene the restriction(s) imposed? If so, what is the impact of breaching such a restriction? If not, please explain.

Request IR-3:

Reference: Figure 1, page 8, NSPI has provided a table comparing the Bloomberg forecast rate to the estimated short-term rate obtained using three-month T-Bills from Scotiabank, BMO, RBC, CIBC and TD Bank, as was requested by the Board in M11563.

And Reference: Page 8, lines 6-10

> ***As the short-term debt represents a small portion of the Company's capital structure, the impact of a difference in short-term interest rates is not significant to the forecast WACC rate. For example, if the Company used the three-month T-Bills rate of 4.86 percent instead of the Bloomberg Outlook rate of 5.19 percent, the 2025 WACC rate would change by 0.005 percent.***

(a) Please update the table to include the comparative data dating back to encompass a ten-year period i.e. 2015 to 2025.

(b) Please also provide a column outlining the WACC rate impact that would result if the Bloomberg Outlook rate were used for each year instead of the previously approved five Canadian Banks rate.

(c) What is the dollar amount associated with the interest payable on the 0.005% difference when using the Bloomberg rate?

(d) NSPI further notes that using the Bloomberg rate results in an “improved forecast process” (line 13). Please elaborate on what this means, and identify any cost savings by using this new methodology?

(e) For 2025, the Bloomberg rate is notably higher than the Short-term Interest Rate Forecast using 3-month T-Bills from the five Canadian Banks, which differs from the prior years’ data provided. Can NSPI elaborate on why that is the case, and explain why the higher rate noted from Bloomberg data is more appropriate than the Canadian Bank rates for 2025?

Request IR-4:

Reference: Appendix A – FOR-10 and M11563, N-3 NSPI (IG) IR-2

(a) Please explain why, in presenting its Estimated Cost of Capital for 2025, NSPI includes the WMA preferred shares (in relation to the BESS Project) as a “Long-Term Debt”, rather than showing it as a category of equity in addition to Common Equity?

(b) If presented as a category of equity would this affect NSPI’s allowed and actual equity thickness, and if so, please provide the recalculation.

(c) Please explain why Series “F”, maturing May 19, 2025 at a cost of $4.2 million has a blank line when last year it represented $125 million in debt.

(d) What is NSPI’s forecasted actual equity thickness?

Request IR-5:

In FOR-11, please explain the increase in a) “Other financing charges & adjustments” and b) amortization of deferred financing charges.

Request IR-6:

Has there been any change to NSPI’s credit rating or any other changes that materially affect NSPI’s access to capital and borrowing costs since last year? If so, please explain and provide an assessment of the impacts the change(s) may have.