Request IR-1:

References: PARTIALLY CONFIDENTIAL 2026-2027 GRA CS-01-CS-03 Attachment 1

Question:

(a) Please provide all source information, formulas and (if necessary) models used to calculate the financial results and ratios presented on lines 8 through 20 of the attachment.

(b) Please present an alternate version of this attachment which assumes that the planned securitization of DDA assets does NOT proceed, and the DDA assets remain in ratebase. Please note the changes required to the source information and formulas which are required to prepare these alternate results.

Response IR-1:

(a) **Line 8**- Total Regulated Capitalization- Please refer to RB- 02-16 Attachment 1, line 28 (Regulated Rate Base).

Line 11 – This is calculated as FO-01 Attachment 1, line 38 (Net Income attributable to Common Shareholders) / CS- 01-03 Attachment 1, line 12 (Average Regulated Equity).

Line 12- This is calculated as RB- 02-16 Attachment 1, line 30 (Average Regulated Rate Base) x 40 percent equity ratio for all columns for all columns with exception of 2024 actuals, which was taken from NS Power's 2024 regulated financial statements.

Line 13- The figure for column 1 was taken from NS Power's compliance filing in the 2023-2024 GRA. Please see Confidential Attachment 1 for the calculations for columns 2-3 and 7-8. Please refer to Cleary IR-1 Attachment 1 for the calculations for columns 4 and

5. Please note that NS Power's credit metrics are evaluated on a legal entity basis and the figures in the attachments will not match NS Power's regulated financial statements.

Line 14- The figure for column 1 was taken from NS Power's compliance filing in the 2023-2024 GRA. Please see Confidential Attachment 1 for the calculations for columns 2-3 and 7-8. Please refer to Cleary IR-1 Attachment 1 for the calculations for columns 4 and 5. Please note that NS Power's credit metrics are evaluated on a legal entity basis and the figures in the attachments will not match NS Power's regulated financial statements.

Line 15- The figure for column 1 was taken from NS Power's compliance filing in the 2023-2024 GRA. Please see Confidential Attachment 1 for the calculations for columns 2-3 and 7-8. Please refer to Cleary IR-1 Attachment 1 for the calculations for columns 4 and 5. Please note that NS Power's credit metrics are evaluated on a legal entity basis and the figures in the attachments will not match NS Power's regulated financial statements.

Line 19- This is the portion of long-term debt maturing in the following year. The $125 million in columns 1 and 2 are related to the Series F bond (Line 24 of CS 01-03 Attachment 1), which matured on May 19, 2025. The amount in column 3 is related to the Series "M" bond (Line 26 of CS 01-03 Attachment 1), which will mature on August 14, 2026.

Line 20- This is NS Power's forecast of long-term debt at December 31st of each year. This is calculated as CS 01-03 Attachment line 8 (Total Regulated Capitalization) x 60 percent debt ratio - CS 01-03 Attachment line 48 (Total Long-Term Debt, net) - CS 01-03 Attachment line 19 (Current portion of Long-term Debt).

2026-2027 GRA MPA IR-01 Confidential Attachment 1 has been filed electronically.

Request IR-2:

References: Direct Evidence p. 64:

> **"NS Power currently has access to a syndicated revolving bank line of credit."**

Question:

Please provide a copy of this credit agreement.

Response IR-2:

Please refer to Confidential Attachment 1.

2026-2027 GRA MPA IR-02 Confidential Attachment 1 has been removed due to confidentiality.

Request IR-3:

References: Direct Evidence p. 65:

> **"NS Power plans to continue participating in the Commercial Paper market throughout 2026-2027. The 2026 forecast monthly average short-term rate is in the 3.15 to 3.25 percent range, and the 2027 forecast monthly average short-term rate is 3.25 percent. A further credit rating downgrade would result in the inability to access the Commercial Paper market and significant incremental cost, as NS Power's revolving line of credit rates would typically be more than 100 basis points (one percentage point) higher than Commercial Paper rates on average."**

Question:

(a) Please provide the sources relied on to estimate short-term credit costs in 2026 and 2027.

(b) Please provide analysis to substantiate the claim that revolving line of credit rates would be more than 100 basis points more expensive than commercial paper. If this analysis relies on historical market data, please provide at least three years of data to substantiate the claim.

Response IR-3:

(a) The 2026 and 2027 short-term credit costs were estimated based on Bloomberg's 3-month T-Bill forecast.

(b) NS Power's current commercial paper rate is 3.07 percent. NS Power's current borrowing rate under its revolving line of credit is 4.18 percent, based on a Term CORRA rate of 2.70

percent plus a credit spread of 1.45 percent. This rate is 1.11 percent higher than NS Power's CP rate.

Request IR-4:

References: Direct Evidence p. 65:

> **"in Q4 2022, NS Power applied to its securities regulators for exemptive relief to permit it to resume its commercial paper program with its lower credit ratings. On February 9, 2023, the securities regulators granted the requested relief"**

Question:

Please provide copies of the NS Power application in this matter, and the decision referred to.

Response IR-4:

Please refer to Attachments 1 and 2.

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario, Canada M5X 1B8
416.362.2111 MAIN
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January 16, 2023

John Macfarlane
Direct Dial: 416.862.4280
jmacfarlane@osler.com
Our Matter Number: 1061839

Toronto
Montréal
Calgary
Ottawa
Vancouver
New York

DUAL APPLICATION

SENT BY ELECTRONIC MAIL

Nova Scotia Securities Commission
Ste. 400, Duke Tower
5251 Duke Street
Halifax, Nova Scotia B3J 1P3

Attention: Corporate Finance

and

Ontario Securities Commission
Cadillac Fairview Tower, 8th Floor
20 Queen Street West
Toronto ON M5H 3S8

Dear Sirs/Mesdames:

Nova Scotia Power Incorporated – Dual application pursuant to National Policy 11-203 - *Process for Exemptive Relief Applications in Multiple Jurisdictions* (NP 11-203)

We are counsel to Nova Scotia Power Incorporated (**NSPI** or the **Filer**). Pursuant to section 3.6(3)(b) of NP 11-203, the Nova Scotia Securities Commission (**NSSC**) is the principal regulator for the purposes of this application on the basis that the head office of the Filer is located in the Province of Nova Scotia. Pursuant to section 5.2(1)(a)(v) of NP 11-203, notice is hereby given that section 4.7(1) of Multilateral Instrument 11-102 - *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Prince Edward Island and Newfoundland and Labrador (together with Nova Scotia and Ontario, the **Jurisdictions**). The Ontario Securities Commission (**OSC**) is a non-principal regulator.

We are filing this dual application on the Filer's behalf for a decision of the NSSC and the OSC granting the Filer an exemption (the **Exemption Sought**) providing that distributions of negotiable promissory notes or commercial paper maturing not more than one year from the date of issue (the **Notes**) of the Filer be exempt from the prospectus requirements set out in Section 58(1) of the *Securities Act* (Nova Scotia), Section 53(1) of the *Securities Act* (Ontario) and the equivalent prospectus requirements in each of the Jurisdictions. Schedule C to this application sets out the provisions of the legislation of the Jurisdictions for the Exemption Sought. The Filer has had pre-filing discussions with the NSSC with respect to the subject matter of this application.

The Filer requests that this application and any supporting materials be held in confidence during the application review process in accordance with Section 5.4(1) of NP 11-203. The Filer's request for confidentiality is based on the fact that the information contained in this application, related communications with the NSSC and the OSC and the supporting materials relates to NSPI's proposed financing strategy, which it considers to be commercially and competitively sensitive, and NSPI would like to keep its proposed financing strategy confidential. As there will be no distributions of Notes by NSPI prior to the granting of the Exemption Sought, the Filer submits that this request for confidentiality is reasonable in the circumstances and it would not be prejudicial to the public interest for the securities regulators to grant this request.

I. FACTS

A. The Filer

1. The Filer is incorporated under the *Companies Act* (Nova Scotia). The head office of NSPI is located at 1223 Lower Water Street, Halifax, Nova Scotia B3J 3S8.

2. The Filer is a reporting issuer in each of the Jurisdictions and is not in default of any requirement of securities legislation in any such Jurisdiction.

3. The authorized capital of NSPI consists of an unlimited number of common shares, first preferred shares and second preferred shares. All of the common shares of NSPI are owned directly or indirectly by Emera Incorporated (**Emera**), a geographically diverse energy and services reporting issuer headquartered in Halifax, Nova Scotia, and there are currently no issued and outstanding first preferred shares or second preferred shares of NSPI.

4. NSPI has $6.8 billion in total assets and is the primary electricity supplier in Nova Scotia, providing 95% of the electricity generation, transmission and distribution to approximately 540,000 residential, commercial and industrial customers.

5. NSPI is a public utility as defined in the *Public Utilities Act* (Nova Scotia) and is subject to regulation under the *Public Utilities Act* by the Nova Scotia Utility and Review Board (the **NSUARB**). The *Public Utilities Act* gives the NSUARB supervisory powers over NSPI's operations and expenditures. Electricity rates for NSPI's customers are subject to NSUARB approval. NSPI is not subject to a general annual rate review process, but rather participates in hearings held from time to time at NSPI's or the NSUARB's request.

B. Commercial Paper Program and Downgrade

6. Prior to November 21, 2022, NSPI issued commercial paper on a regular basis to fund short-term working capital requirements. All such distributions of commercial paper were made pursuant to the exemption (the **CP Exemption**) from the prospectus requirement in the securities legislation (the **Legislation**) of Nova Scotia, Ontario and the Jurisdictions under Section 2.35(1) of National Instrument 45-106 – *Prospectus Exemptions* (**NI 45-106**).

7. Subsection 2.35(1)(b) and (c) of NI 45-106 provides that the CP Exemption is only available where such short-term debt: (a) "has a credit rating from a designated rating organization…that is at or above" certain prescribed short-term ratings, and (b) "has no credit rating from a designated rating organization…that is below" certain prescribed short-term ratings.

8. NSPI's commercial paper is rated by two "designated rating organizations" (as defined in NI 45-106), S&P Global Ratings (**S&P**) and DBRS Limited (**DBRS**). Prior to November 21, 2022, S&P rated NSPI's commercial paper as A-1 (Low) and DBRS rated NSPI's commercial paper as R-1 (low).

9. On November 21, 2022, S&P downgraded the rating of NSPI's commercial paper to A-3 (Cdn) (the **S&P Downgrade**) and on December 20, 2022 DBRS downgraded the rating of NSPI's commercial paper to R-2 (high), with a stable trend (the **DBRS Downgrade** and, together with the S&P Downgrade, the **Downgrades**). Those are the ratings of NSPI's Notes by S&P and DBRS on the date of this application.

10. The Downgrades were in response to the amendment (Bill 212) made by the province of Nova Scotia to the *Public Utilities Act* that will override the process of the NSUARB and limit the increase in the Filer's non-fuel rate to 1.8% until the end of 2024.

11. As a result of the Downgrades, NSPI no longer satisfies the conditions in subsections 2.35(1)(b) and (c) of the CP Exemption. Immediately following the S&P Downgrade, NSPI ceased distributions of Notes and has relied on borrowings under its credit facilities to fund short-term working capital requirements. This change has increased NSPI's borrowing costs.

II. SUBMISSIONS

12. Subject to receiving the Exemption Sought, NSPI proposes to issue Notes in Canada in a manner which provides potential purchasers with an appropriate level of investor protection, while being consistent with the expectations and practices of the Canadian commercial paper market. Specifically, distributions of Notes would be subject to the following conditions:

    (a) Each Note:

        (i) will have a maturity not exceeding 365 days from the date of issuance, and will be sold in denominations of not less than $250,000;

        (ii) will not be convertible or exchangeable into, or accompanied by a right to purchase, another security other than a Note; and

        (iii) will not be a "securitized product", as defined in NI 45-106.

    (b) The Notes will be offered and sold in Canada only:

(i) through investment dealers registered, or exempt from the requirement to register, under applicable securities legislation in Canada (**Canadian Dealers**); and

(ii) to persons or companies (the **Canadian Qualified Purchasers**) that are "accredited investors" as defined in NI 45-106, other than those that are any of the following:

(1) an individual referred to in any of paragraphs (j), (j.1), (k) and (l) of that definition;

(2) a person or company referred to in paragraph (t) of that definition in respect of which any owner of an interest, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, is an individual referred to in any of paragraphs (j), (j.1), (k) and (l); and

(3) a trust referred to in paragraph (w) of that definition,

and the Filer will require each Canadian Dealer to apply procedures to ensure that sales of Notes by such Canadian Dealer, as well as any subsequent resales of previously-issued Notes by such Canadian Dealer, are made only to Canadian Qualified Purchasers.

(c) The Notes will be of a class of Notes that has a rating issued by a "designated rating organization" or a "DRO affiliate", both as defined in NI 45-106, at or above one of the following rating categories:

Designated Rating Organization	**Rating**
DBRS Limited	R-2 (mid)[1]
Fitch Ratings, Inc.	F1
Moody's Canada Inc.	P-1
S&P Global Ratings Canada	A-3 (Cdn) (Canada national scale)

and having no rating below:

[1] NSPI's Notes are currently rated R-2 (high) by DBRS which, based on the scale used by rating agencies, is on par with a rating of A-1 (low) or A-2 (Cdn) by S&P. The rating of R-2 (mid) has been included in Section 12(c) since that rating is on par with the current rating of the Notes by S&P of A-3 (Cdn). This is consistent with the policy objectives of Section 2.35 of NI 45-106 which includes ratings of rating agencies in each of Section 2.35(1)(b) and Section 2.35(1)(c) that are substantially equivalent.

Designated Rating Organization	Rating
DBRS Limited	R-2 (mid)[1]
Fitch Ratings, Inc.	F2
Moody's Canada Inc.	P-2
S&P Global Ratings Canada	A-3 (Cdn) (Canada national scale)

(d) The Exemption Sought would expire on the fifth anniversary of the date upon which it is issued.

13. NSPI expects that funding its short-term working capital requirements through issuances of Notes rather than through draws on its credit facilities will allow it to reduce other indebtedness, reduce its overall borrowing costs and improve its financial position.

14. Without receiving the Exemption Sought, NSPI would be permitted to issue Notes through Canadian Dealers on a prospectus-exempt basis to accredited investors pursuant to the exemption in Section 2.3 of NI 45-106 and Section 73.3 of the *Securities Act* (Ontario). Distributions of Notes may also be exempt from the prospectus requirement pursuant to the exemption in Section 2.10 of NI 45-106 since the Notes will be sold in denominations of not less than $250,000.

15. However, NSPI has been advised by potential Canadian Dealers that certain requirements under the Legislation applicable to these exemptions would likely cause distributions to be unsuccessful or otherwise not practicable due to practices in the Canadian commercial paper market. In particular, the requirement to obtain purchaser information in order to comply with the reporting requirements under Section 6.1(1) of NI 45-106, and the restrictions on further trades of commercial paper under National Instrument 45-102 – *Resale of Securities* would not be consistent with customary commercial paper purchasers' expectations in respect of purchases of Notes.

16. Pursuant to the conditions contemplated with respect to the Exemption Sought described in paragraph 10 above, potential purchasers of Notes would be subject to certain protections designated to provide an appropriate level of investor protection. In particular:

(a) purchasers of Notes would be limited to Canadian Qualified Investors, and all sales would be made through Canadian Dealers that would be subject to their usual know your client and suitability requirements, and who would further be required to apply procedures to ensure that sales of Notes, as well as any subsequent resales of previously-issued Notes by such dealer, are made only to Canadian Qualified Purchasers, thereby providing comfort that purchasers would have the capacity to make an informed judgment regarding an investment in NSPI's Notes; and

(b) a further downgrade by both S&P and DBRS would result in the requested relief no longer being available.

17. Investors that routinely participate in the Canadian commercial paper market are intimately familiar with the approved credit rating organizations and the issuers that participate in that market. These investors are among the most sophisticated investors in the capital markets and fully understand and appreciate the nature of the securities in which they are investing and the risks associated therewith. Furthermore, investors are required to make a minimum subscription of at least $250,000 which will rule out most investors.

18. NSPI is a mature, established issuer that is a regulated electric utility whose business provides for regular cash flows and designated rates of return on invested capital. It is the primary electricity supplier in Nova Scotia and was an experienced and seasoned issuer of commercial paper in the Canadian market prior to the S&P Downgrade.

19. Reference is made to the decision of the Alberta Securities Commission and OSC in *Re Enmax Corporation*, 2021 ABASC 12, which permitted the applicant to issue commercial paper on a prospectus-exempt basis notwithstanding that its only rating had fallen below the minimum rating threshold in the CP Exemption, with such issuances being subject to conditions equivalent to those set forth in the Exemption Sought. Additional decisions consistent with the Exemption Sought have also been granted in circumstances where a downgrade has resulted in the CP Exemption no longer being available. See *Re Daimler Canada Finance Inc*., (2021) 44 OSCB 205, *Re Enbridge Inc.*, 2015 ABASC 959, *Re Agrium Inc.*, 2015 ABASC 755 and *Re Bell Canada* (2016) 39 OSCB 9873.

20. For these reasons, we respectfully submit that if the securities regulators apply their discretionary power to grant the Exemption Sought, it will be of benefit to NSPI and other stakeholders (including ratepayers), as well as to potential purchasers that would be eligible to purchase Notes in accordance with the conditions described herein, and would not be detrimental to the public interest.

III. OTHER MATTERS

In connection with this application we enclose:

(a) an authorization and verification statement of the Filer set out in Schedule A, authorizing us to make and file this application and verifying the truth of the facts contained herein;

(b) a draft form of decision set out in Schedule B; and

(c) the provisions of the Legislation of the Jurisdictions for the Exemption Sought are set out in Schedule C.

Payment of the required filing fees has been made concurrently with submission of this application. The application and the draft decision document will also be sent to you via electronic mail under separate cover.

Please contact me at the number above with any questions concerning this application.

Yours very truly,

"*John Macfarlane*" (signed)

Enclosures

c: John MacLean, Senior Counsel, *Emera Incorporated*

SCHEDULE A

AUTHORIZATION AND VERIFICATION STATEMENT

We authorize Osler, Hoskin & Harcourt LLP to make and file the dual application dated January 16th, 2023 on behalf of Nova Scotia Power Incorporated and verify the truth of the facts stated therein.

DATED at Halifax, Nova Scotia this 16th day of January, 2023.

NOVA SCOTIA POWER INCORPORATED

By: G Blunden.

Name: Greg Blunden
Title: Chief Financial Officer

SCHEDULE B

Headnote

National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions* – Filer granted exemption from the prospectus requirement in connection with trades of commercial paper/short term debt instruments that do not meet the rating threshold condition requirement of the short-term debt exemption in section 2.35 of National Instrument 45-106 – *Prospectus Exemptions* – Relief granted subject to conditions.

Applicable Legislative Provisions

Securities Act, R.S.N.S. 1989, c. 418 and *Securities Act*, R.S.O 1990, c. S.5

●, 2023

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
NOVA SCOTIA AND ONTARIO
(the Jurisdictions) AND IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS AND IN THE MATTER OF
NOVA SCOTIA POWER INCORPORATED
(the Filer)**

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer under the securities legislation (the **Legislation**) of the Jurisdictions, in respect of certain negotiable promissory notes or commercial paper maturing not more than one year from the date of issue (**Notes**), that distributions of Notes issued by the Filer and offered for sale in Canada are exempt from the prospectus requirement under the Legislation (the **Exemption Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

(a) the Nova Scotia Securities Commission is the principal regulator for this application;

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 - *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the **Passport Jurisdictions**); and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

In this decision, unless otherwise defined herein, terms defined in National Instrument 14-101 *Definitions* or MI 11-102 have the same meaning.

Representations

This decision is based on the following facts represented by the Filer:

1. Nova Scotia Power Incorporated (**NSPI**) is incorporated under the *Companies Act* (Nova Scotia). The head office of NSPI is located at 1223 Lower Water Street, Halifax, Nova Scotia, B3J 3S8.

2. The Filer is a reporting issuer or equivalent in the Jurisdictions and each Passport Jurisdiction and is not in default of securities legislation in any such jurisdiction.

3. The Filer has implemented a commercial paper program that involves the sale, from time to time, of Notes issued by the Filer to purchasers located in Canada.

4. The offering and sale of Notes issued by the Filer are subject to the prospectus requirement under the Legislation.

5. Sections 2.35(l)(b) and (c) of National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**) provides that an exemption from the prospectus requirement of the Legislation for short-term debt (the **CP Exemption**) is only available where such short- term debt: (a) “has a credit rating from a designated rating organization ... that is at or above” certain prescribed short-term ratings, and (b) “has no credit rating from a designated rating organization ... that is below” certain prescribed short-term ratings.

6. Prior to November 21, 2022 the Notes had a designated rating of “A-1 (Low)” from S&P Global Ratings (**S&P**) and “R-1 (low)” from DBRS Limited (**DBRS**), which satisfied the rating categories prescribed in the CP Exemption under sections 2.35(1)(b) and (c) of NI 45-106.

7. Accordingly, prior to November 21, 2022, the Notes were offered and sold in Canada pursuant to, and in accordance with, the CP Exemption.

8. On November 21, 2022, S&P downgraded the Notes to “A-3 (Cdn)” (the **S&P Downgrade**). On December 20, 2022, DBRS downgraded the Notes to R-2 (high), with a stable trend (the **DBRS Downgrade** and, together with the S&P Downgrade, the **Downgrades**). The Downgrades are lower ratings than those required by the CP Exemption. The Downgrades were in response to the amendment (Bill 212) made by the province of Nova Scotia to the *Public Utilities Act* that will override the process of the

Nova Scotia Utility and Review Board and limit the increase in the Filer's non-fuel rate to 1.8% until the end of 2024.

9. As a result of the Downgrades, the Filer is no longer able to rely on the CP Exemption for the distribution of Notes.

10. All Notes will have a maturity not exceeding 365 days from the date of issuance, and will be sold in denominations of not less than $250,000.

11. The Notes will be offered and sold in Canada only:

    (a) through investment dealers registered, or exempt from the requirement to register, under applicable securities legislation in Canada (**Canadian Dealers**); and

    (b) to persons or companies (**Canadian Qualified Purchasers**) that are "accredited investors" as defined in NI 45-106, other than those that are any of the following:

        (i) an individual referred to in any of paragraphs (j), (j.1), (k) and (l) of that definition;

        (ii) a person or company referred to in paragraph (t) of that definition in respect of which any owner of an interest, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, is an individual referred to in any of paragraphs (j), (j. l), (k) and (l); and

        (iii) a trust referred to in paragraph (w) of that definition.

12. The Filer will require each Canadian Dealer to apply procedures to ensure that sales of Notes by such Canadian Dealer, as well as any subsequent resales of previously issued Notes by such Canadian Dealer, are made only to Canadian Qualified Purchasers in accordance with paragraph 12 of this decision.

Decision

Each of the Decision Makers is satisfied that the decision satisfies the test set out in the Legislation for the Decision Maker to make the decision.

1. The decision of the Decision Makers is that the Exemption Sought is granted in respect of the distribution of Notes, provided that:

    (a) each Note:

        (i) is not convertible or exchangeable into, or accompanied by a right to purchase, another security other than a Note;

        (ii) is not a "securitized product", as defined in NI 45-106;

        (iii) is of a class of Notes that has a rating issued by a "designated rating organization" or a "DRO affiliate", both as defined in NI 45-106, at or above one of the following rating categories:

Designated Rating Organization	**Rating**
DBRS Limited	R-2 (mid)
Fitch Ratings, Inc.	Fl
Moodv’s Canada Inc.	P-1
S&P Global Ratings Canada	A-3 (Cdn) (Canada national scale)

and has no rating below:

Designated Rating Organization	**Rating**
DBRS Limited	R-2 (mid)
Fitch Ratings, Inc.	F2
Moodv’s Canada Inc.	P-2
S&P Global Ratings Canada	A-3 (Cdn) (Canada national scale)

(b) each distribution of Notes is made:

(i) to a purchaser that is purchasing as a principal and is a Canadian Qualified Purchaser; and

(ii) through a Canadian Dealer;

(c) each Canadian Dealer has agreed to apply the procedures referred to in paragraph 12 of this decision;

(d) for each jurisdiction of Canada, the Exemption Sought will terminate on ●, 2028.

“●” (Name of signatory for the principal regulator)
● (Title)
Nova Scotia Securities Commission

SCHEDULE C

PROVISIONS OF THE LEGISLATION OF NOVA SCOTIA AND ONTARIO FROM WHICH EXEMPTIONS ARE SOUGHT

PROVISION	JURISDICTIONS	
	NOVA SCOTIA	ON
Prospectus Requirement	s.58(1)[1]	s.53(1)[2]

Notes:

1. *Securities Act* (Nova Scotia)
2. *Securities Act* (Ontario)

EQUIVALENT PROVISIONS OF THE SECURITIES LEGISLATION OF THE PASSPORT JURISDICTIONS

PROVISION	PASSPORT JURISDICTIONS							
	BC	AB	SK	MB	NB	PE	QC	NL
Prospectus Requirement	s.61[1]	s.110[2]	s.58[3]	s.37(1)[4]	s.71(1)[5]	s.94[6]	s.11, s.12[7]	s.54(1)[8]

Notes:

1. *Securities Act* (British Columbia)
2. *Securities Act* (Alberta)
3. *The Securities Act* (Saskatchewan)
4. *The Securities Act* (Manitoba)
5. *Securities Act* (New Brunswick)
6. *Securities Act* (Prince Edward Island)
7. *Securities Act* (Québec)
8. *Securities Act* (Newfoundland and Labrador)

Headnote

National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions* – Filer granted exemption from the prospectus requirement in connection with trades of commercial paper/short term debt instruments that do not meet the rating threshold condition requirement of the short-term debt exemption in section 2.35 of National Instrument 45-106 – *Prospectus Exemptions* – Relief granted subject to conditions.

Applicable Legislative Provisions

Securities Act, R.S.N.S. 1989, c. 418 and *Securities Act*, R.S.O 1990, c. S.5

February 9, 2023

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
NOVA SCOTIA AND ONTARIO
(the Jurisdictions) AND IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS AND IN THE MATTER OF
NOVA SCOTIA POWER INCORPORATED
(the Filer)**

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer under the securities legislation (the **Legislation**) of the Jurisdictions, in respect of certain negotiable promissory notes or commercial paper maturing not more than one year from the date of issue (**Notes**), that distributions of Notes issued by the Filer and offered for sale in Canada are exempt from the prospectus requirement under the Legislation (the **Exemption Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

(a) the Nova Scotia Securities Commission is the principal regulator for this application;

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 - *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the **Passport Jurisdictions**); and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

In this decision, unless otherwise defined herein, terms defined in National Instrument 14-101 *Definitions* or MI 11-102 have the same meaning.

Representations

This decision is based on the following facts represented by the Filer:

1. Nova Scotia Power Incorporated (**NSPI**) is incorporated under the *Companies Act* (Nova Scotia). The head office of NSPI is located at 1223 Lower Water Street, Halifax, Nova Scotia, B3J 3S8.

2. The Filer is a reporting issuer or equivalent in the Jurisdictions and each Passport Jurisdiction and is not in default of securities legislation in any such jurisdiction.

3. The Filer has implemented a commercial paper program that involves the sale, from time to time, of Notes issued by the Filer to purchasers located in Canada.

4. The offering and sale of Notes issued by the Filer are subject to the prospectus requirement under the Legislation.

5. Sections 2.35(l)(b) and (c) of National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**) provides that an exemption from the prospectus requirement of the Legislation for short-term debt (the **CP Exemption**) is only available where such short- term debt: (a) "has a credit rating from a designated rating organization ... that is at or above" certain prescribed short-term ratings, and (b) "has no credit rating from a designated rating organization ... that is below" certain prescribed short-term ratings.

6. Prior to November 21, 2022 the Notes had a designated rating of "A-1 (Low)" from S&P Global Ratings (**S&P**) and "R-1 (low)" from DBRS Limited (**DBRS**), which satisfied the rating categories prescribed in the CP Exemption under sections 2.35(1)(b) and (c) of NI 45-106.

7. Accordingly, prior to November 21, 2022, the Notes were offered and sold in Canada pursuant to, and in accordance with, the CP Exemption.

8. On November 21, 2022, S&P downgraded the Notes to "A-3 (Cdn)" (the **S&P Downgrade**). On December 20, 2022, DBRS downgraded the Notes to R-2 (high), with a stable trend (the **DBRS Downgrade** and, together with the S&P Downgrade, the **Downgrades**). The Downgrades are lower ratings than those required by the CP Exemption. The Downgrades were in response to the amendment (Bill 212) made by the province of Nova Scotia to the *Public Utilities Act* that will override the process of the Nova Scotia Utility and Review Board and limit the increase in the Filer's non-fuel rate to 1.8% until the end of 2024.

9. As a result of the Downgrades, the Filer is no longer able to rely on the CP Exemption for the distribution of Notes. Following the S&P Downgrade, the Filer ceased distribution of Notes under its commercial paper program.

10. All Notes will have a maturity not exceeding 365 days from the date of issuance, and will be sold in denominations of not less than $250,000.

11. The Notes will be offered and sold in Canada only:

    (a) through investment dealers registered, or exempt from the requirement to register, under applicable securities legislation in Canada (**Canadian Dealers**); and

    (b) to persons or companies (**Canadian Qualified Purchasers**) that are "accredited investors" as defined in NI 45-106, other than those that are any of the following:

        (i) an individual referred to in any of paragraphs (j), (j.1), (k) and (l) of that definition;

        (ii) a person or company referred to in paragraph (t) of that definition in respect of which any owner of an interest, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, is an individual referred to in any of paragraphs (j), (j. l), (k) and (l); and

        (iii) a trust referred to in paragraph (w) of that definition.

12. The Filer will require each Canadian Dealer to apply procedures to ensure that sales of Notes by such Canadian Dealer, as well as any subsequent resales of previously issued Notes by such Canadian Dealer, are made only to Canadian Qualified Purchasers in accordance with paragraph 11 of this decision.

Decision

Each of the Decision Makers is satisfied that the decision satisfies the test set out in the Legislation for the Decision Maker to make the decision.

1. The decision of the Decision Makers is that the Exemption Sought is granted in respect of the distribution of Notes, provided that:

    (a) each Note:

        (i) is not convertible or exchangeable into, or accompanied by a right to purchase, another security other than a Note;

        (ii) is not a "securitized product", as defined in NI 45-106;

        (iii) is of a class of Notes that has a rating issued by a "designated rating organization" or a "DRO affiliate", both as defined in NI 45-106, at or above one of the following rating categories:

Designated Rating Organization	Rating
DBRS Limited	R-2 (high)
Fitch Ratings, Inc.	Fl
Moodv's Canada Inc.	P-1
S&P Global Ratings Canada	A-3 (Cdn) (Canada national scale)

and has no rating below:

Designated Rating Organization	Rating
DBRS Limited	R-2 (high)
Fitch Ratings, Inc.	F2
Moodv's Canada Inc.	P-2
S&P Global Ratings Canada	A-3 (Cdn) (Canada national scale)

(b) each distribution of Notes is made:

(i) to a purchaser that is purchasing as a principal and is a Canadian Qualified Purchaser; and

(ii) through a Canadian Dealer;

(c) each Canadian Dealer has agreed to apply the procedures referred to in paragraph 12 of this decision;

(d) for each jurisdiction of Canada, the Exemption Sought will terminate on February 9, 2028.

NOVA SCOTIA SECURITIES COMMISSION

Paul E. Radford, K.C., Chair

Request IR-5:

References: PARTIALLY CONFIDENTIAL 2026-2027 GRA CS-01-CS-03 Attachment 1

Preamble: In 2026 and 2027, in both the "Present Rates" and "Proposed Rates" scenarios, NS Power is estimating that the ratio of long-term to short-term debt will be between 10:1 and 13:1. This differs significantly from the ratios for 2024 and 2025.

Question:

(a) Please provide historical information providing context for these ratios. Please provide the annual ratio for long-term to short-term debt for each of the 10 years ending December 31, 2024. Please also provide the average ratio for this ten-year period.

(b) Please comment and expand on why NS Power is proposing greater use of short-term debt in 2026 and 2027, and under what conditions this intention may change

Response IR-5:

(a-b) NS Power has not changed its approach to the use of short-term debt in 2026 and 2027. Rather, the lower year-end short-term debt ratios in 2024 and 2025 are due to the timing-specific transactions that occurred or were expected to occur, that resulted in proceeds used to reduce short-term debt. Specifically, in Q4 2024, NS Power received the proceeds from the Federally guaranteed debt issued by NSP Maritime Link. In Q4 2025, NS Power assumed $500 million in proceeds would be received in relation to the thermal plant securitization. NS Power's view is that providing the annual average year-end ratio is not relevant, as it is highly dependent on timing. At a high level, NS Power expects to continue to have access to an $800 million revolving credit facility and will draw on that facility until it nears its cap, at which point it will periodically issue long-term debt to reduce the balance and ensure adequate liquidity for the business.

Request IR-6:

References: Direct Evidence p. 68:

> **"However, this forecast assumes approval of the rates requested in this Application and a successful securitization of the net book value of the thermal assets. Absent an increase in general rates and successful securitization, NS Power forecasts that the S&P and DBRS metrics would deteriorate and be below the minimum 10 percent cash flow to debt threshold by 2027. This could result in NS Power no longer having access to the commercial paper market and would have other negative implications for the Company's credit ratings, borrowing costs, required return and therefore, cost of equity and access to capital."**

Question:

(a) Other than access to commercial paper (already discussed in the Direct Evidence), and the interest rate associated with the projected $250 M capital raise in 2027, please provide specific references to line items in the NS Power financial statements that may be affected by a deterioration in the Company's credit rating.

(b) Please provide commentary to support the statement that failure to achieve "the minimum 10 percent cash flow to debt threshold" will have negative implications for the Company's credit ratings and borrowing costs, given that the current credit rating may be in part a result of NS Power having been below that threshold in the years 2022 and 2023.

Response IR-6:

(a) NS Power and Wasoqonatl Transmission Inc.'s (WTI) financing agreements with CIB would be negatively affected if NS Power does not maintain an investment-grade credit rating. Specifically, the interest rate on NS Power's Battery Energy Storage System project debt would increase by 300 basis points from 2.51 percent to 5.51 percent and the return on equity on CIB's investment in WTI would increase from 1.15 percent to 9 percent. In addition, once a downgrade occurs, it can take years to be able to restore a credit rating to historical levels. As such, the cost of refinancing existing long-term debt as it matures and issuing new long-term debt could be affected well beyond 2027.

(b) The statement is based on the credit rating agency reports, which state that a negative rating action could occur if cash flow to debt metric remains below 10 percent on a sustained basis. Said another way, the rating agencies have been willing to look through the short-term underperformance in this metric with the expectation that it will not remain below 10 percent indefinitely and will instead return to historical levels following the completion of this General Rate Application process.

Request IR-7:

References: Direct Evidence p. 13:

> **"When put into effect, this approach could save customers as much as $90 million over 2026-2027 by removing these assets from NS Power's rate base and financing them through lower-cost debt."**

Question:

Please provide all assumptions and calculations which result in a potential savings of $90 M for ratepayers.

Response IR-7:

Please refer to Attachment 1. Please note that the $90 million figure was based on the midpoint of a 4-5 percent interest rate range for the securitization bonds. The attached calculation uses the most recent interest rate expectation of approximately 5 percent, which results in a benefit of approximately $85 million over 2026-2027.

2026-2027 GRA MPA IR-07 Confidential Attachment 1 has been filed electronically.

Request IR-8:

References: Direct Evidence p. 72:

> **"*Maintaining* [emphasis added] the current approved common equity ratio is particularly important to maintaining NS Power's current credit ratings given the significant capital investments required over the remainder of the decade. Although NS Power earns AFUDC during the construction phase of projects, AFUDC is non-cash; it contributes to NS Power's earnings, but it does not contribute to NS Power's cash flow. As such, significant capital projects result in a deterioration in credit metrics during construction, as debt increases to fund the debt component of the capital structure, with no corresponding increase in cash flow until the project is placed in service. Therefore, *the increase* [emphasis added] in the common equity ratio is imperative to ensure NS Power improves its current credit ratings such that it has the financial integrity to attract the capital necessary to fund these transformational capital investments."**

Preamble: As described in this paragraph, it is undoubtedly true that during the course of very large and time-consuming construction projects, cash flow-to-debt financial metrics may suffer for a utility. However, typical credit analysis is generally far more extensive than a narrow focus on selected credit metrics, and the transitory effect of construction projects.

Question:

(a) Please clarify the intention of references to "maintaining" and "increasing" the equity ratio in the context of this paragraph of the Direct Evidence.

(b) In the context of the capital structure, equity return and customer rates applied for in this Application for 2026 and 2027, please define the size and scope of a capital

project that would risk causing a reduction in credit ratings for NS Power, according to the logic of this paragraph. Please provide the calculation of financial metrics to support the argument presented.

(c) Please confirm whether projects of that size and scope are currently planned by NS Power.

Response IR-8:

(a) "Maintaining" is in reference to the current approved common equity ratio. "Increasing" is in reference to the actual common equity ratio, which has been below the approved common equity ratio in recent years as NS Power's earnings were not sufficient to support the approved return on equity on the approved common equity ratio.

(b-c) There is not a defined size and scope of a capital project that would risk causing a reduction in credit ratings/metrics. However, as a frame of reference, a $4 million increase in interest expense or a $40 million increase in debt roughly results in a 10-basis point decrease in NS Power's cash flow-to-debt metrics. Significant projects included in the GRA test period that would individually be of a magnitude to impact NS Power's credit metrics include the Battery Energy Storage System project and the Synchronous Condenser project. However, a combination of smaller projects that aggregate to a significant dollar value and/or an elevated capital plan relative to historical levels could also negatively impact NS Power's credit metrics.

Request IR-9:

References: Direct Evidence p. 67

> **"NS Power's senior unsecured debt is currently rated BBB- with a Stable Outlook by S&P Global ("S&P") and BBB (high) with a Stable Trend by DBRS."**

Question:

For each of S&P and DBRS, please provide copies of the credit rating report in which NS Power's current rating was established, and all subsequent reports/updates/guidance concerning NS Power published by the agencies to the present day.

Response IR-9:

Please refer to Cleary IR-1 Attachments 2-16.