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**Nova Scotia Energy Board**

**Nova Scotia Power Inc. 2026-2027 General Rate Application  
Board Matter M12451**

Report date: December 2, 2025

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# 1. Executive summary

## 1.1 Purpose and scope

Doane Grant Thornton LLP ("we", "us", "our", or "Doane Grant Thornton") has been engaged by the Nova Scotia Energy Board (the "Board" or "NSEB") for the review of Nova Scotia Power Incorporated ("NS Power", "NSPI", or the "Company") M12451 2026-2027 General Rate Application (the "Application", "2026-2027 GRA") as filed by NSPI on September 18, 2025. The purpose of our engagement is to present our observations, findings, and recommendations with respect to the Application submitted by NSPI.

Our review was carried out in accordance with the following Terms of Reference:

1. Review NSPI's revenue requirement components, with the exception of fuel and purchased power, Fuel Adjustment Mechanism ("FAM") cost deferral, demand side management ("DSM") expense, DSM deferral, depreciation and accretion, and return on equity components.
2. Review NSPI's operating, maintenance and general costs ("OM&G"), including labour, materials, contracts, pension costs, insurance, membership dues, subscription costs, office supplies, travel and meals expense.
3. Review NSPI's regulatory amortization and deferrals.
4. Review NSPI's tax expense, including income taxes and grants in lieu of property taxes.
5. Review NSPI's interest and other expenses.
6. Review NSPI's rate base including working capital.

## 1.2 Restrictions and limitations

Our scope of work is as set out throughout this report. The procedures undertaken in the course of our review do not constitute an audit of the Company's financial information and consequently, we do not express an audit opinion on the financial information provided by the Company. Our opinions on other matters are outlined throughout this report.

We acknowledge that our report will be communicated to the parties to the matter and may become a public document accessible through the Board's website. We have given the Board our consent to use our report for this purpose. Our report is not to be reproduced or used for any purpose other than that outlined above without prior written permission in each specific instance. Doane Grant Thornton LLP recognizes no responsibility to any third party who may rely on this report or other material provided to the Board.

Unless stated otherwise in this report, Doane Grant Thornton LLP has relied on information provided by the Company, the Board's website and third-party sources in preparing this report, whom Doane Grant Thornton LLP believes is reliable. We are not guarantors of the information upon which we have relied in preparing the report and, except as stated, we have not audited or otherwise attempted to verify any of the underlying information or data contained in this report. We have made efforts to ensure a conservative, realistic and transparent approach, however, some of the analysis depends on the input from third parties whose opinions may influence the conclusions. All analysis, information and recommendations contained herein are based on the information available to Doane Grant Thornton LLP as of this report's date.

## 1.3 Summary of findings, observations and conclusions

The following represents a summary of our key findings and recommendations based on the procedures outlined throughout the report:

**Figure 1 – Summary of findings, observations and conclusions**

| #  | Report section                              | Findings, observations, and conclusions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. | Revenue requirement                         | We have addressed the major components of revenue requirement detailed above with the exception of fuel and purchased power, FAM cost deferral, DSM expense, DSM and storm deferral, depreciation and accretion, and return on equity components as the Board has not engaged us to review of these matters, and are therefore outside the scope of our work. Our specific comments on matters included in our scope of work related to revenue requirement are outlined in the various individual sections of this report.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 3. | Operating, maintenance and general expenses | We have reviewed the operating expenses included in NS Power's 2024 Actuals ("2024A") and 2025 Budget ("2025B"), as well as 2024 restated GRA Compliance Filing ("2024 Compliance (restated)", or "2024CR"), 2026 Forecast ("2026F"), and 2027 Forecast ("2027F"). Our procedures included performing analytical procedures with respect to financial information in the Company's records and investigating variances, and reviewing the methodology and assumptions used in the OM&G forecast for reasonableness. We also reviewed the benchmarking study against the Company's peers, as completed by ScottMadden. Overall, operating costs are forecast to be approximately \$351.8 million in 2026F and \$357.9 million in 2027F. These amounts are largely driven by Corporate Groups (\$115.2 million in 2026F and \$118.7 million in 2027F), Power Production (\$109.7 million in 2026F and \$112.9 million in 2027F), and Energy Delivery (\$131.3 million in 2026F and \$131.3 million in 2027F). The noted amounts are partially offset by Corporate Adjustments ((\$63.9 million) in 2026F and (\$68.2 million) in 2027F). Based on our review, nothing has come to our attention to indicate that the 2026 and 2027 Forecast for operating expenses are unreasonable on an overall basis. |
| 4. | Regulatory amortization expense             | We have reviewed the regulatory amortizations included in NS Power's 2024 Actuals and 2025 Budget, as well as 2024 Compliance Filing ("2024C"), 2026 Forecast, and 2027 Forecast. Our procedures included reviewing the methodology of proposed regulatory amortization to determine reasonableness and consistency with previously approved practices. We also reviewed previously approved regulatory amortizations to ensure they are in accordance with Board decisions. Overall, regulatory amortizations are forecast to be approximately \$8.1 million in 2026F and \$8.3 million in 2027F. These amounts are largely driven by the non-standard meters (\$2.4 million in 2026F), the Hurricane Fiona Cost Recovery (\$3.4 million in both 2026F and 2027F), and the Annapolis Tidal Retired Assets (\$2.6 million in 2027F). Based on our review, nothing has come to our attention that would indicate regulatory amortizations included in the GRA are unreasonable.                                                                                                                                                                                                                                                                                                                         |

| #  | Report section                                                    | Findings, observations, and conclusions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5. | Taxes including income taxes and grants in lieu of property taxes | We have reviewed taxes including income taxes and grants in lieu of property taxes included in NS Power's 2024 Actuals and 2025 Budget, as well as 2024C, 2026 Forecast, and 2027 Forecast. Our procedures included recalculating income taxes based on substantively enacted corporate income tax rates for Federal and Provincial jurisdictions, and assessing the reasonableness based on forecast income and substantively enacted rates. We also conducted a review of NS Power's deferred income tax regulatory asset and liability and its interconnection with test year revenue requirement. Overall, taxes are forecast to be approximately \$29.7 million in 2026F and \$56.1 million in 2027F. These amounts are largely driven by grants in lieu of property taxes (\$50.5 million in 2026F and \$51.5 million in 2027F), which are partially increased (offset) by corporate income tax ((\$20.7 million) in 2026F and \$4.6 million in 2027F). Based on our review, nothing has come to our attention to indicate that the 2026 and 2027 Forecast for taxes including income taxes and grants in lieu of property taxes are unreasonable.                                                                                                                                                                                |
| 6. | Interest and other expenses                                       | We have reviewed interest and other expenses included in NS Power's 2024 Actuals and 2025 Budget, as well as 2024C, 2026 Forecast, and 2027 Forecast. Our procedures included recalculating interest and other expenses based on supporting documentation and assessing the reasonableness of all expenses included within the interest account. Overall, interest and other expenses are forecast to be approximately \$118.5 million in 2026F and \$130.0 million in 2027F. These amounts are largely driven by interest and other expenses (\$143.9 million in 2026F and \$146.8 million in 2027F), which is partially offset by allowance for funds used during construction ("AFUDC"), FAM, and DSM rider deferral interest ((\$25.4 million) in 2026F and (\$16.8 million) in 2027F). We note that the primary reason for the \$11.5 million increase in interest and other expenses from 2026F to 2027F is related to the \$12.6 million of deferred interest on assets to be securitized in 2026F. The remaining unrecovered net book value of thermal assets is forecast to be securitized in December 2026 and therefore are not included in 2027F. Based on our review, nothing has come to our attention to indicate that the 2026 and 2027 Forecasts for interest and other expenses are unreasonable on an overall basis. |
| 7. | Rate base                                                         | We have reviewed the components included in average rate base for the test years. Our procedures included agreeing all carry-forward data and forecast data to supporting documentation, checking the clerical accuracy of the continuity of the rate base as forecast for 2026 and 2027, recalculating the forecast rate base for 2026 and 2027, and agreeing the methodology used in the calculation of the average rate base to the NSEB approved methodology and relevant Matters. Overall, average rate base is forecast to be approximately \$5.58 billion and \$5.89 billion in 2026 Forecast and 2027 Forecast, respectively. These amounts are largely driven by average capital assets of \$4.96 billion and \$5.30 billion in 2026F and 2027F, respectively. Based on our review nothing has come to our attention to indicate that the 2026 and 2027 Forecasts for average rate base are unreasonable on an overall basis.                                                                                                                                                                                                                                                                                                                                                                                                  |

## 2. Revenue requirement

### 2.1 Scope

Revenue requirement reflects the amount of revenue NS Power must collect in a test year in order to cover the costs of providing service to its customers, inclusive of a fair return for NS Power's shareholders. Revenue requirement can be broken down into a number of cost categories. These categories are as follows:<sup>1</sup>

- Fuel and purchased power;
- Operating, maintenance and general expenses costs;
- Third-party DSM costs;
- Depreciation and accretion expense on capital assets;
- Regulatory amortization (including FAM expense);
- Taxes including income taxes and grants in lieu of property taxes;
- Interest and other expenses; and
- Return on equity.

The appropriateness of the fuel and purchased power, FAM expense, and return on equity components are beyond the scope of our report, and as such we have not commented on the reasonableness of these balances.

### 2.2 Procedures

Our procedures with respect to NS Power's revenue requirement calculations were focused on the assessment of the reasonableness and accuracy of the calculation, the reasonableness of the underlying assumptions including the support for those assumptions, and the internal consistency between financial schedules included in the September 2025 filing. In particular, the procedures we performed included the following:

- Recalculated revenue requirement to determine the mathematical accuracy of the financial schedules;
- Reviewed NS Power's forecast methodology for components of the revenue requirement calculation including expense categories; and
- Reviewed the September 18, 2025 GRA filing for internal consistency (revenue requirement components including operating expenses).

### 2.3 Analysis

Based on the evidence included in the Company's Application, NS Power has indicated that its revenue requirement for 2026F is \$1.98 billion and \$2.04 billion for 2027F. These requirements are based on the proposals that the Company has put forward.

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<sup>1</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 73.

The following table presents the revenue requirement from electric rates for each of the forecasted periods of 2026 and 2027:<sup>2</sup>

*Figure 2 – Breakdown of Forecast Revenue Requirement by Category*

| (\$ millions)                                                  | 2026F          | 2027F          | Notes |
|----------------------------------------------------------------|----------------|----------------|-------|
| Fuel & purchased power                                         | 918.6          | 918.4          | [1]   |
| FAM fuel cost deferral                                         | 8.9            | (10.7)         | [1]   |
| OM&G                                                           | 351.8          | 357.9          |       |
| Demand side management expense                                 | 63.8           | 63.8           | [1]   |
| Demand side management and storm deferral                      | (0.2)          | 0.7            | [1]   |
| Depreciation and accretion                                     | 282.4          | 300.8          | [1]   |
| Taxes (including grants-in-lieu of property taxes)             | 29.7           | 56.1           |       |
| Regulatory amortization                                        | 8.1            | 8.3            |       |
| Interest and other expenses (including AFUDC and FAM interest) | 118.5          | 130.0          |       |
| Return on equity                                               | 201.0          | 212.0          | [1]   |
| Revenue requirement                                            | 1,982.7        | 2,037.2        |       |
| Other revenue                                                  | 45.7           | 46.9           |       |
| <b>Revenue requirement from electric rates</b>                 | <b>1,937.0</b> | <b>1,990.2</b> |       |

[1] – Fuel and purchased power, FAM fuel cost deferral, DSM expense, DSM and storm deferral, depreciation and accretion, and return on equity are outside the scope of our work.

## 2.4 Conclusion

Our specific comments on matters included in our scope of work related to revenue requirement are outlined in the various individual sections of this report.

<sup>2</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 74.

### 3. Operating, maintenance and general expenses

#### 3.1 Scope

NS Power's OM&G costs are broadly classified into three categories:

- Operating and maintaining the generation, transmission and distribution facilities;
- Delivering service to customers; and
- Providing corporate support to those functions.<sup>3</sup>

Overall, NS Power's OM&G costs are organized into the following groupings for the Application:

- The five operating groups include – Power Production, Enterprise Asset Management ("EAM") and Project Implementation, Energy Delivery, Customer Experience and Innovation, and Environmental Services & Policy;
- Corporate Groups provide services such as Executive Management, Legal, Corporate Secretary and Insurance, Corporate Finance, Communications and Public Affairs, Human Resources and Safety, Facilities, Procurement and Security, Information Technology ("IT") and Regulatory Affairs;
- Corporate Adjustments are credits and expenses that are not assigned to a specific business unit or functional area. These mainly include administrative overhead ("AO") allocated to capital and certain payroll costs;
- Pension Expense is the portion of benefit cost projections for NS Power's current service portion of post-retirement benefit plans that are not included in the fringe (payroll matching) portion of NS Power's labour expense.<sup>4</sup>

The following table illustrates the operating cost forecast as provided within the filed Application:<sup>5,6</sup>

**Figure 3 – 2024CR – 2030F Operating cost forecast**

| (\$ millions)   | 2024CR | 2024A | 2025B | 2026F | 2027F | 2028F | 2029F | 2030F |
|-----------------|--------|-------|-------|-------|-------|-------|-------|-------|
| Operating costs | 297.4  | 328.2 |       | 351.8 | 357.9 | 380.0 | 387.5 | 385.0 |
| Increase        |        | 30.8  |       |       | 6.1   | 22.1  | 7.4   | (2.5) |
| Percent change  |        | 10.4% |       |       | 1.7%  | 6.2%  | 2.0%  | -0.6% |

Based on the above information, the forecasted operating costs increased by \$6.1 million (1.7%) from 2026 to 2027. NS Power has noted in the Application that an increase of \$22.1 million (6.2%) from 2027 to 2028 is a result of the consensus approach to this GRA.<sup>7</sup> Per NS Power, the parties to the GRA Settlement Agreement agreed to the operation and maintenance expense amounts included in the draft GRA, subject to the reductions, as outlined in Appendix B of the Settlement Agreement. The Company noted that it allocated the \$9 million OM&G reduction in 2026F and 2027F to the following areas:

<sup>3</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 33.

<sup>4</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A pages 2-4.

<sup>5</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 36.

<sup>6</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7D.

<sup>7</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 36.

- Energy Delivery - \$5 million;
- Customer experience and Innovation - \$2 million; and
- Corporate - \$2 million.<sup>8,9</sup>

We note that without the \$9 million reduction in operation and maintenance expense amounts per the GRA Settlement Agreement, OM&G costs would be approximately \$360.8 million in 2026F and \$366.9 million in 2027F. Therefore, without the GRA Settlement Agreement, there would be a 3.6% increase in costs in 2028F, rather than 6.2% increase in 2028F as reflected in above table.

Our review of operating expenses was conducted using the breakdown of expenses as outlined under the analysis section below. The breakdown details the re-stated operating expenses per Compliance filing for the year 2024, Actual for 2024, Budget for 2025, and the Forecast for 2026 and 2027.

## 3.2 Procedures

Our procedures with respect to OM&G expenses included the following:

- Performed analytical procedures with respect to financial information in the Company's records and investigated variances between 2024 Actual, 2025 Budget, and 2026 Forecast. The analysis is included as key variances at the group level in Section 3.4.1 and at the detailed level in Section 3.4.2;
- Performed analytical procedures with respect to financial information in the Company's records and investigated variances between the 2024 restated GRA Compliance Filing and 2026 to 2027 Forecast. This analysis is included as key variances at the group level in Section 3.5.1 and at the detailed level in Section 3.5.2;
- Reviewed the methodology and assumptions used in the OM&G forecast for reasonableness; and
- Reviewed the benchmarking studies against its peers.

## 3.3 Assumptions and methodology

Please see below the assumptions used to forecast labour costs for both union and non-union employees for the 2026 to 2027 forecast years:

### Union labour

- Union labour is forecast to escalate at a rate of [REDACTED] and [REDACTED] for 2026 and 2027, respectively. Per the Company, labour inflation rates were determined using the current ratified collective agreement, which provided a [REDACTED] increase on April 1, 2025 and expires on March 31, 2026, and research provided by the Company's compensation consultant.<sup>10</sup>

### Non-union labour

- Non-union labour is forecast to escalate at the same rate as union labour ([REDACTED] and [REDACTED] for 2026 and 2027, respectively). According to the Company, the [REDACTED] increase in 2026 recognizes the assumption that

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<sup>8</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-47.

<sup>9</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-1 Attachment 1.

<sup>10</sup> N-27 (C) – NSPI Responses to NSEB Information requests – IR-51.

wages will be higher in the first quarter of 2026 due to the timing of the [REDACTED] union wage increase on April 1, 2025.<sup>11</sup>

### Changes in full-time equivalents (“FTEs”)

- The forecast assumes FTEs of 2,622 and 2,597 in 2026F and 2027F, respectively.<sup>12</sup>

### Non-labour

- Non-labour inflation rates were sourced from the Conference Board of Canada's consumer price index (“CPI”) forecast, dated October 28, 2024, consistent with NS Power's previous GRA. The Conference Board of Canada's inflation forecast was 2.2%, 2.0%, and 2.0% in 2025, 2026, and 2027, respectively.<sup>13,14</sup>

### Forecasting uncertainties

The Company noted that it uses the following methods to decrease the uncertainty associated with multi-year forecasting of operating costs:

- Bottom-up forecasting** – involves budgeting labour and other large accounts at a detailed level. For example, NS Power forecasts labour expense by determining the positions that will be required by department, the associated salary for each employee and the periods, by month in which that employee will be required by the Company. This ensures that forecast operating expenses are tied to specific employees, vendors, or initiatives, which improves the overall quality of the forecast and decreases the potential for significant variances.
- Multiple levels of review** – this is considered an inherent part of NS Power's process for preparing GRA forecasts. As part of this process, department leaders must justify the requirement for their operating budget. Required sensitivity analyses and alternative approaches to delivering the required level of service to customers is discussed and if determined to be required, adjustments are made to OM&G budgets to provide customers with improved value.
- Labour reconciliation** – ensures the total labour forecast across operating, capital, and fuel accounts are equal to the salaries of the total staffing complement that is expected during the test period. Per NS Power, the Company also considers the generation outage schedule when building the Company's labour budget to ensure that plant labour is appropriately charged between capital and operating expense and temporary employees are timed in the forecast to correspond with the timing of increased capital investment and maintenance expense that is incurred during a plant shutdown.
- Variance assessment and continuous improvement** – involves the Company assessing variances to budget and reforecast, if applicable, at a departmental level on a monthly basis. Per the Company, as part of this process, they assess whether the variance could have reasonably been determined at the time of creating the forecast. In the case that the variance could have been determined while forecasting, the Company implements process improvement to allow for better accuracy of forecasting in the future.<sup>15</sup>

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<sup>11</sup> N-27 (C) – NSPI Responses to NSEB Information requests – IR-51.

<sup>12</sup> N-27 (C) – NSPI Responses to NSEB Information requests – IR-42.

<sup>13</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-5.

<sup>14</sup> N-12 – 2026-2027 GRA FO-08.

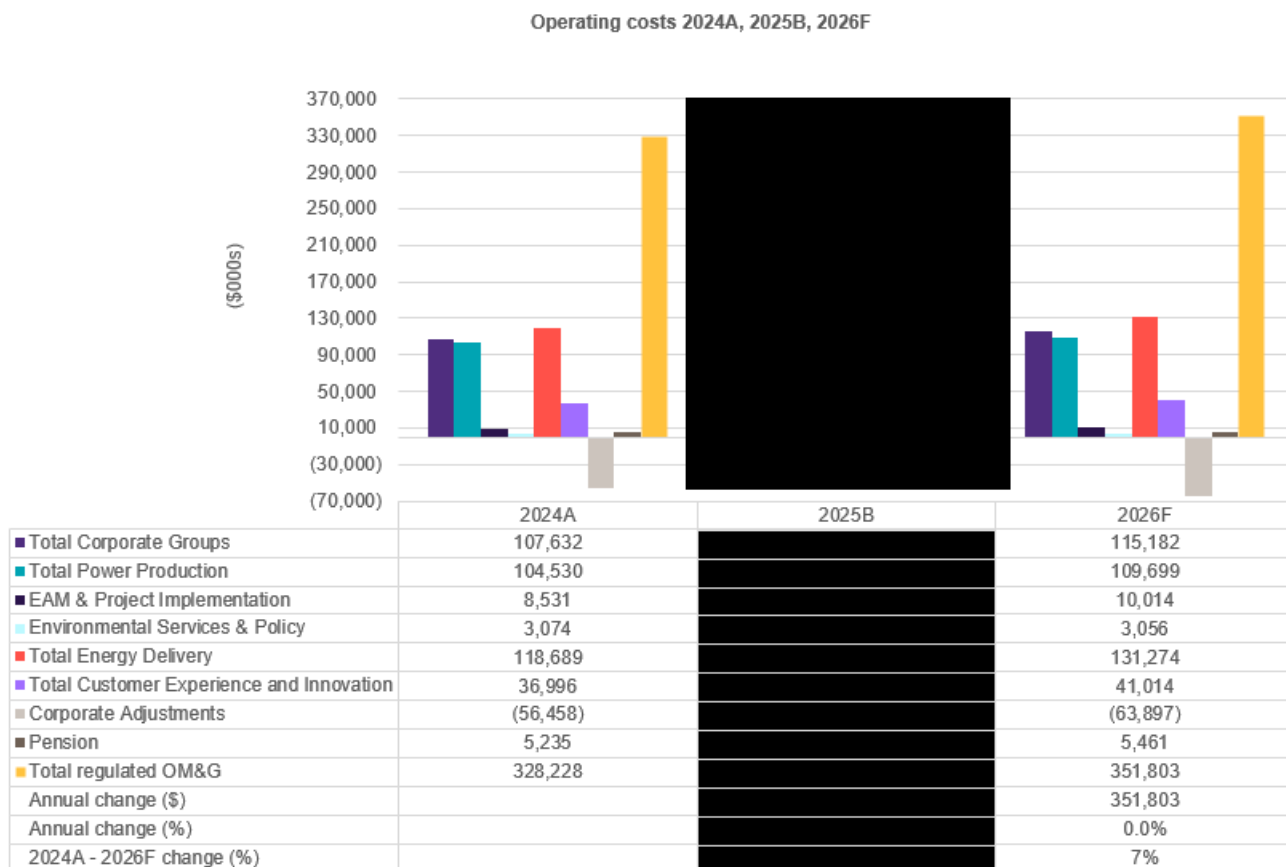
<sup>15</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-3.

## 3.4 Analysis – 2024A, 2025B, 2026F

### 3.4.1 Operating expenses – key variances at group level (2024A, 2025B, 2026F)<sup>16</sup>

Based upon our review of the breakdown of expenses as outlined in the following table, the key variances between 2024 Actual, 2025 Budget, and 2026 Forecast have been noted, along with explanations provided by the Company.

**Figure 4 – Operating costs by groups - 2024 Actual, 2025 Budget and 2026 Forecast**



- Corporate Groups** – Corporate Groups OM&G is forecasted to increase from \$107,632,000 in 2024A to \$115,182,000 in 2026F. This is an increase of approximately \$7.6 million. There is an approximate increase from 2024 Actual to 2025 Budget and increase from 2025 Budget to 2026 Forecast. The primary drivers of the increase from 2024 Actual to 2026 Forecast are increases in Corporate Office of Secretary and General Council (\$3.1 million), Corporate Human Resources (including Safety) (\$1.9 million), and Information Technology (\$4.6 million). Please refer to the table outlining Corporate Groups operating cost detail and the corresponding explanations of the year-over-year changes within this group under the Operating expense – key variances at detailed level (2024A, 2025B, 2026F) section below.

<sup>16</sup> The variance amounts and the analysis has been derived from N-6 – GRA Direct Evidence, Appendix 7C and calculations performed on N-6 – GRA Direct Evidence, Appendix 7D.

- 1 • **Power Production** – This includes the operations and maintenance of generation plants and costs  
2 associated with fuel procurement, FAM administration, and management.<sup>17</sup> Power Production OM&G is  
3 forecasted to increase from \$104.53 million in 2024A to \$109.70 million in 2026F. This is an increase of  
4 approximately \$5.2 million. There is an approximate [REDACTED] increase from 2024 Actual to 2025 Budget,  
5 and a [REDACTED] increase from 2025 Budget to 2026 Forecast. The primary drivers of the increase from  
6 2024 Actual to 2026 Forecast are increases in expenses for Thermal Plants (\$3.2 million) and Tufts Cove  
7 and Combustion Turbines (\$1.5 million). Please refer to the table outlining Power Production operating cost  
8 detail and the corresponding explanations of the year-on-year change within this group under the Operating  
9 expense – key variances at detailed level (2024A, 2025B, 2026F) section below.
- 10 • **Enterprise Asset Management and Project Implementation** – This group focuses on strategic asset  
11 management and includes the Asset Management Operations, Strategic Asset Planning and Capital  
12 Governance, Asset Risk & Reliability, Project Implementation and Engineers-in-training (“EIT”) teams. At the  
13 time of the 2023-2024 GRA forecast (“last GRA” or “M10431 2022-2024 General Rate Application”), Project  
14 Implementation team included the System Planning team, which is now included in Transmission and  
15 Distribution (“T&D”) Contractor Management, and previously only included costs for the Power Production  
16 EITs. All operating costs for the Power Production and Energy Delivery EITs are now included in this  
17 group.<sup>18</sup> EAM and project implementation OM&G is forecasted to increase from \$8.53 million in 2024A to  
18 \$10.01 million in 2026F. This is an increase of approximately \$1.5 million. There is an approximate [REDACTED]  
19 [REDACTED] increase from 2024A to 2025B. The Company has noted that this is primarily due to inflationary  
20 pressures and the expectation that roles were vacant for a portion of 2024 will be filled in 2025. The  
21 Company has also stated that EAM and project implementation will further increase by [REDACTED] in 2026F  
22 due to the need for additional engineering and asset management personnel to support risk mitigation plans  
23 across the Company. Specific drivers include additional roles to facilitate increased reliability investments for  
24 substations, managing additional data to deliver enhanced insights, and overseeing evolving operational  
25 technology cyber security risks.<sup>19</sup>
- 26 • **Environmental Services & Policy** – This group is responsible for environmental compliance and  
27 monitoring.<sup>20</sup> Environmental services and policy OM&G is forecasted to decrease from \$3.07 million in  
28 2024A to \$3.06 million in 2026F. This is a decrease of approximately \$0.02 million. The Company noted  
29 there is an approximate [REDACTED] decrease from 2024 Actual to 2025 Budget and increased by [REDACTED]  
30 [REDACTED] in 2026 Forecast.<sup>21</sup>
- 31 • **Energy Delivery** – Formerly Customer Operations, this group includes Regional Operations (Transmission  
32 and Distribution Line Services and Substation Operations, including the apprentice programs), Control  
33 Centre Operations (including the System Operator function), Energy Delivery Services, Reliability  
34 Implementation, T&D contractor Management (including Contract Management and Engineering Services,  
35 Utility Services, Fleet, Protective Equipment Testing Centre and System Planning and Grid Integration),  
36 Storm Restoration costs, and Administration.<sup>22</sup> Energy delivery OM&G is forecasted to increase from \$118.7  
37 million in 2024A to \$131.3 million in 2026F. This is an increase of approximately \$12.6 million. There is an  
38 approximate [REDACTED] increase from 2024 Actual to 2025 Budget, and a [REDACTED] increase from 2025  
39 Budget to 2026 Forecast. Please refer to the table outlining Energy Delivery operating cost detail and the  
40 corresponding explanations of the year-over-year change within this group under the Operating expenses –  
41 key variances at detailed level (2024A, 2025B, 2026F) section below.
- 42 • **Customer Experience and Innovation** – This group includes the Customer Service (including Customer  
43 Care Centre, Billing and Payment services, Credit and Collections, and Wiring Inspection Permit Centre),  
44 Customer Solutions (including customer communications, customer relations, heating solutions, large  
45 customer management, sales and load and revenue forecasting), and Grid Modernization and Customer  
46 Integration (including Smart Meter Operations Centre, Telecom, Operating Systems & Quality Control, Work

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<sup>17</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 2.

<sup>18</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 2.

<sup>19</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 11.

<sup>20</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 4.

<sup>21</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 29.

<sup>22</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 3.

and Asset Management ("WAM") Support, Customer Engineering and Innovation, and Customer Experience)<sup>23</sup> Customer Experience and Innovation OM&G is forecasted to increase from \$37 million in 2024A to \$41 million in 2026F. This is an increase of approximately \$4.0 million. There is an approximate increase of [REDACTED] from 2024 Actual to 2025 Budget, which is then partially offset by a decrease of [REDACTED] from 2025 Budget to 2026 Forecast. Please refer to the table outlining Customer Experience and Innovation operating cost detail and the corresponding explanations of the year-over-year change within this group under the Operating expenses – key variances at detailed level (2024A, 2025B, 2026F) section below.

- **Corporate Adjustments** - Corporate Adjustments fluctuate from (\$56.5) million in 2024A to (\$63.9) million in 2026F. The 2025 Budget includes corporate adjustments of [REDACTED], which is an increased recovery of [REDACTED] from 2024 Actual. According to the Company, this is due to higher administrative overhead of [REDACTED] associated with the profile of capital investment and increased support costs and reduced forecast for variable compensation of [REDACTED], partially offset by the discontinuation of the credit to Corporate Adjustments for inventory carrying charges, which is fully offset by a reduction in Facilities, Procurement and Security of [REDACTED].<sup>24</sup> The 2026 Forecast includes corporate adjustments of (\$63.9) million, which is an increased recovery of [REDACTED] from 2025 Budget. Per the Company, this is due to the addition of a labour vacancy adjustment of [REDACTED], which reflects the assumption that all positions included in the 2026-2027 GRA budget will not be filled at all times, and a \$2 million reduction in OM&G expense per the consensus approach to the GRA. The Company further stated that this is partially offset by lower administrative overhead of [REDACTED] due to the expected capital investment profile in 2026F and increased variable compensation expense of [REDACTED] due to increased staffing and labour escalations.<sup>25</sup>
- **Pension** – This is the portion of benefit cost projections for NS Power's current service portion of post-retirement benefit plans that are not included in the fringe (payroll matching) portion of NS Power's labour expense. The current service cost projections were provided by NS Power's actuary and are based on an extrapolation of accounting valuation results as of December 31, 2024<sup>26</sup>. Per a letter from NS Power's actuary, we confirmed that current service cost, including both payroll matching for defined contribution ("DC") and defined benefit ("DB") plans (labour expense), and current service cost of DB plans not included in labour (pension expense) for 2026F is \$21.7 million.<sup>27</sup> Per the Company, \$16.2 million is allocated to labour expense, and \$5.5 million is allocated to pension expense in 2026F.<sup>28</sup> Overall, total pension expense in OM&G has remained relatively consistent in the 2024A-2026F period span from \$5.2 million in 2024A, [REDACTED] in 2025B, and \$5.5 million in 2026F. Overall, this is a \$0.2 million increase from 2024 Actual to 2026 Forecast.

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<sup>23</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 3.

<sup>24</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 35.

<sup>25</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 35.

<sup>26</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 4.

<sup>27</sup> N-16 – 2026-2027 GRA RB-02-16 Attachment 2.

<sup>28</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 36.

### 3.4.2 Operating expenses – key variances at detailed level (2024A, 2025B, 2026F)<sup>29</sup>

Based on our review of the expenses within each operating group, we have identified key variances between 2024 Actual, 2025 Budget, and 2026 Forecast. The identified variances and explanations provided by the Company are detailed throughout this section.

#### 3.4.2.1 Corporate Groups

**Figure 5 – Corporate Groups operating cost detail - 2024A, 2025B, 2026F**

| (\$000s)                                          | 2024A          | 2025B | 2025B<br>vs<br>2024A | %<br>change | 2026F          | 2026F<br>vs<br>2025B | %<br>change | 2026F<br>vs<br>2024A | %<br>change |
|---------------------------------------------------|----------------|-------|----------------------|-------------|----------------|----------------------|-------------|----------------------|-------------|
| Executive Management                              | 1,968          |       |                      |             | 1,922          |                      |             | (46)                 | -2%         |
| Corporate Office of Secretary and General Counsel | 13,523         |       |                      |             | 16,624         |                      |             | 3,101                | 23%         |
| Corporate Finance                                 | 6,209          |       |                      |             | 7,077          |                      |             | 868                  | 14%         |
| Communications and Public Affairs                 | 2,752          |       |                      |             | 3,606          |                      |             | 854                  | 31%         |
| Corporate Human Resources (Including Safety)      | 9,693          |       |                      |             | 11,562         |                      |             | 1,869                | 19%         |
| Facilities, Procurement & Security                | 17,150         |       |                      |             | 13,570         |                      |             | (3,580)              | -21%        |
| Information Technology                            | 46,048         |       |                      |             | 50,642         |                      |             | 4,594                | 10%         |
| Eastern Clean Energy Initiative                   | 903            |       |                      |             | 683            |                      |             | (220)                | -24%        |
| Regulatory Affairs                                | 9,386          |       |                      |             | 9,495          |                      |             | 109                  | 1%          |
| <b>Total Corporate Groups</b>                     | <b>107,632</b> |       |                      |             | <b>115,182</b> |                      |             | <b>7,550</b>         | <b>7%</b>   |

As discussed in the above section, the primary drivers of the increased expense in Corporate Groups from 2024A to 2026F are increases in Corporate Office of Secretary and General Counsel, Corporate Human Resources (including Safety), and Information Technology. These increases within each sub-group are explained below by the Company:

- Corporate Office of Secretary and General Counsel** – The increase of approximately \$3.1 million from 2024A to 2026F is primarily due to the following:<sup>30</sup>
  - Increased legal and consulting fees as a result of NS Power's ongoing dispute with Canada Revenue Agency ("CRA") (\$1.2 million). According to the Company, NS Power has forecasted operating expenses of [REDACTED] for both 2026F and 2027F in relation to the ongoing CRA litigation.<sup>31</sup> The Company has stated that the year over year increases relate to the fact that as delays in the file continue, costs get pushed out and estimates are made for inflation. NS Power noted that the forecast for external legal costs are reflective of the currently anticipated stages of the litigation. Further, NS Power noted that since the appeal was filed, Tax Court of Canada has experienced a significant backlog as a result of lack of resources and Covid-19 closures. As such, this backlog, coupled with the fact that the parties are currently waiting for decisions in discovery motion that were heard in January 2025, are the reasons for the delay in having the appeal heard. NS Power stated that the outcome of the discovery motions will impact the process and timing of the balance of the litigation. The Company concluded that no hearing date has been set for the litigation and it is currently unknown when the matter is likely to resolve.<sup>32</sup>
  - Increased insurance expense as a result of increasing premiums (\$1.1 million).

<sup>29</sup> The variance amounts and the analysis has been derived from N-6 – GRA Direct Evidence, Appendix 7C and calculations performed on N-6 – GRA Direct Evidence, Appendix 7D.

<sup>30</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 6.

<sup>31</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-7.

<sup>32</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-60.

- Increased labour and directors' fees due to increased staff complement changes, salary escalations, and the addition of a new independent director (\$0.4 million). While included in the GRA forecast is the intention to hire a corporate director, the Company has noted that this has not yet taken place as of September 2025.<sup>33</sup> Additionally, the Company noted that the staff complement change in 2026 includes a promotion in the legal team and the addition of a Senior Government Affairs Advisor. Further, the 2025 budget included staff on parental leave in 2025, driving forecasted expenses to increase when they return in 2026.<sup>34</sup>
  - Other increases in costs such as increased legal software costs, increased training and development requirements, and corporate support for an Annual General Meeting (\$0.3 million).
- **Corporate Human Resources (Including Safety)** – The increase of approximately \$1.9 million from 2024A to 2026F is primarily attributable to three factors:<sup>35</sup>
  - Increased labour costs due to increased staffing levels and salary escalations (\$0.8 million). Per the Company, the labour expense increase is related to overall company headcount in the 2026 GRA Forecast, requiring a larger Human Resource team to support the increased number of employees. Additionally, the Company noted that the Human Resource and Safety teams have grown by a total of 10 employees with additional resources such as more Safety Specialists, additional employees to support diversity, equity and inclusion programs and labour relations, and an increased number of Human Resource partners to support talent acquisition and new employees.<sup>36</sup>
  - Increased consulting fees due to planned engagements for Health and Wellness and Safety (\$0.5 million). Per the Company, this increase is driven by the overall increase to total headcount, which increases the support required by the Human Resource and Safety teams. The Company further explained that the primary driver of the increase is increased medical consulting expense. NS Power also noted that it is more economic to purchase these services from a third-party as opposed to performing the work internally.<sup>37</sup>
  - Increased contract expense due to greater staffing levels at NS Power (\$0.2 million).
- **Information Technology** – The increase of approximately \$4.6 million from 2024A to 2026F is primarily due to the following:<sup>38</sup>
  - Increased labour required in cyber security, replacement of technology, introduction of new customer services and introduction of new technology services (\$2.9 million). Per the Company, the number of positions estimated for such initiatives totals 24.<sup>39</sup>
  - Increased contract expenses due to identify and access management ("IAM"), managed service provider ("MSP") and increase OnX MSP fees (\$1.6 million).
  - Increased subscription costs due to the transition to cloud based services and incremental costs for Microsoft Enterprise Agreement ("EA") renewal (\$0.8 million).
  - Increased rental, maintenance equipment, and software due to support for the cyber security program and inflation (\$0.8 million).

<sup>33</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-8.

<sup>34</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-10.

<sup>35</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 12.

<sup>36</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-14.

<sup>37</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-62.

<sup>38</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 18.

<sup>39</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-19.

- The above increases are partially offset by an increased non-regulated cost recovery due to higher recoveries from affiliates (\$1.6 million) and decreased other goods and services expenses due to a savings challenge of \$1.0 million included in 2026 forecast. While we do not have any additional information on this savings challenge, the Board may wish to better understand the specifics of this initiative.

In addition to the increase in the three areas mentioned above, further explanation of OM&G cost changes for NS Power Corporate Groups is provided below by the Company:

- **Executive Management** – The decrease of \$0.05 million from 2024A to 2026F is primarily due to decreased consulting expenses as a result of reduced requirement in 2026F (\$0.1 million), and decreased training expense due to less training requirements for the Executive Leadership Team (\$0.1 million). These decreases are partially offset by increased labour expense due to salary escalations and other variations (\$0.2 million).<sup>40</sup>
- **Corporate Finance** – The increase of approximately \$0.9 million from 2024A to 2026F is primarily due to general cost recovery decrease due to less work forecast to be performed for affiliated companies (\$0.4 million), increased contract expense due to operating costs forecast in contracts rather than corporate support allocations (\$0.3 million) and increased corporate support allocations due to increased utilization of tax and audit services (\$0.2 million). These increases are partially offset by a decrease in consulting expense due to completion of consulting engagements in 2024A.<sup>41</sup>
- **Communications and Public Affairs** – The increase of approximately \$0.9 million from 2024A to 2026F is primarily due to increased labour expense as a result of a staff complement change and salary escalations (\$0.6 million). Per the Company, the staff complement change is due to the addition of Communication and External Engagement employees that perform tasks that previously were not undertaken. This is a new department that is focused on increasing engagement with stakeholders and communities across the province to receive input and feedback, and to share more information on priorities, projects, and initiatives undertaken by the Company in response to customer and stakeholder feedback.<sup>42</sup> Advertising has also increased due to forecast engagements for customer communications (\$0.2 million).<sup>43</sup>
- **Facilities, Procurement and Security** – The decrease of approximately \$3.6 million from 2024A to 2026F is primarily due to decreased short-term interest due to discontinuing the allocation of carrying costs on materials inventory to the procurement cost centre, which is offset in Corporate Adjustments (\$4.2 million). Consulting fees also decreased due to the completion of consulting engagements in 2024 (\$0.4 million). Per the Company, a team was created to find efficiencies and cost savings within the business during 2024. This team incurred consulting expense in the amount of \$0.3 million to provide temporary staff, process improvement consultants, and legal services. The Company further noted that it has not forecasted ongoing costs associated with this team as it is assumed that any ongoing expense will be fully offset by cost savings.<sup>44</sup> These decreases are partially offset by increases in labour due to a staff complement change and salary escalations (\$0.8 million), and increased freight and postage expenses due to increased volume, totalling \$(0.3 million).<sup>45</sup>
- **Eastern Clean Energy Initiative (“ECEI”)** – The decrease of approximately \$0.2 million from 2024A to 2026F is primarily due to decreased labour as a result of increased allocation of labour expense forecast to capital projects (\$0.1 million), and other variations (\$0.9 million).<sup>46</sup>

<sup>40</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 4.

<sup>41</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 8.

<sup>42</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-61.

<sup>43</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 10.

<sup>44</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-17.

<sup>45</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 14.

<sup>46</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 20.

- **Regulatory Affairs** – The increase of approximately \$0.1 million from 2024A to 2026F is primarily attributable to increased labour expense as a result of position vacancies in 2024 and salary escalations (\$0.3 million). Per the Company, the staff vacancies in 2024 Actual results were related to staffing turnover, meaning that positions that are part of the staffing complement were vacant for a period. The Company noted that these vacant positions drove labour savings in 2024A that are not forecast to reoccur in 2026F. Additionally, NS Power noted that it has added a vacancy adjustment to the Corporate Adjustments cost centre to reflect reduced labour expense due to unplanned staffing turnover.<sup>47</sup> This increase is partially offset by reduced consulting expense due to completion of consulting engagements in 2024A (\$0.3 million).<sup>48</sup>

### 3.4.2.2 Power Production

**Figure 6 – Power Production operating cost detail - 2024A, 2025B, 2026F**

| (\$000s)                          | 2024A          | 2025B | 2025B vs 2024A | % change | 2026F          | 2026F vs 2025B | % change | 2026F vs 2024A | % change  |
|-----------------------------------|----------------|-------|----------------|----------|----------------|----------------|----------|----------------|-----------|
| Head Office                       | 3,861          |       |                |          | 2,798          |                |          | (1,063)        | -28%      |
| Thermal Plants                    | 49,001         |       |                |          | 52,239         |                |          | 3,238          | 7%        |
| Tufts Cove & Combustion Turbines  | 18,866         |       |                |          | 20,321         |                |          | 1,455          | 8%        |
| Solar, Hydro & Wind Energy        | 19,972         |       |                |          | 20,230         |                |          | 258            | 1%        |
| Biomass                           | 6,505          |       |                |          | 7,073          |                |          | 568            | 9%        |
| Energy, Fuels and Risk Management | 6,325          |       |                |          | 7,037          |                |          | 712            | 11%       |
| <b>Total Power Production</b>     | <b>104,530</b> |       |                |          | <b>109,699</b> |                |          | <b>5,169</b>   | <b>5%</b> |

Power Production is forecast to increase approximately \$5.2 million from 2024A to 2026F. The primary drivers of this increase are increases in Thermal Plants, and Tufts Cove and Combustion Turbines. The detailed variance explanation of the primary factors for the \$5.2 million increase from 2024A to 2026F has been provided by the Company and is detailed below:

- **Thermal Plants** – The increase of approximately \$3.2 million from 2024A to 2026F is primarily due to increased labour expense as a result of salary escalations (\$2.7 million), and increased contract expense due to pricing increases and unit shutdown requirements (\$0.5 million).<sup>49</sup>
- **Tufts Cove and Combustion Turbines** – The increase of approximately \$1.5 million from 2024A to 2026F is primarily due to increased labour costs as a result of salary escalations, which is partially offset by reduced operating requirements (\$0.9 million). Material costs also increased as a result of increased requirements and cost escalations (\$0.4 million).<sup>50</sup>

In addition to the increase in the two areas mentioned above, further explanation of OM&G cost changes for NS Power's Power Production is provided below by the Company:

- **Head Office** – The decrease of approximately \$1.1 million from 2024A to 2026F is primarily due to the following:<sup>51</sup>
  - Decreased contract costs due to reduced OM&G ash hauling requirements due to NS Power's proposal to transfer these costs to fuel and purchased power expense in this GRA (\$1.5 million). Per the Company, ash hauling contracts transferred to fuel and purchased power expense in 2026

<sup>47</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-23.

<sup>48</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 16.

<sup>49</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 24.

<sup>50</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 26.

<sup>51</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 22.

total \$1.3 million. NS Power also noted that there are ash hauling contracts for each of the thermal plants that include transportation, as well as maintenance of the ash management sites.<sup>52</sup>

- The above decrease is partially offset by increased labour costs due to salary escalation and the addition of two engineering support staff roles (\$0.2 million), and increased consulting costs due to operational requirements (\$0.1 million).

- **Solar, Hydro and Wind Energy** – The increase of approximately \$0.3 million from 2024A to 2026F is primarily due to the following:<sup>53</sup>

- Increased consulting costs due to environmental requirements (\$0.7 million).
- Increased labour costs due to salary escalation and increased staffing to fill position vacancies in 2024 (\$0.7 million).
- The above increases are partially offset by decreased contract costs due to proposed transfer of the variable component of the Nuttby Wind maintenance contract based upon generation output to fuel and purchase power expense in 2026 (\$0.4 million). Insurance costs also decreased as 2024 actuals include insurance claim deductible expense that is not expected to reoccur in 2026 (\$0.3 million).

- **Biomass** – The increase of approximately \$0.6 million from 2024A to 2026F is primarily due the following:<sup>54</sup>

- Increased labour costs due to salary escalation (\$0.5 million).
- Increased contract costs due to increased shutdown requirements in 2026 (\$0.1 million).

- **Energy, Fuels and Risk Management** – the increase of approximately \$0.7 million from 2024A to 2026F is primarily due to the following:<sup>55</sup>

- Increased labour costs due to position changes and salary escalations (\$0.4 million).
- Increased shared service allocations costs associated with use of Allegro software system, which is owned by an affiliated company (\$0.2 million).
- Increased subscription and information software due to inflation (\$0.2 million).

<sup>52</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-25.

<sup>53</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 28.

<sup>54</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 30.

<sup>55</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 32.

### 3.4.2.3 Energy Delivery

**Figure 7 – Energy Delivery operating cost detail - 2024A, 2025B, 2026F**

| (\$000s)                     | 2024A          | 2025B | 2025B vs 2024A | % change | 2026F          | 2026F vs 2025B | % change | 2026F vs 2024A | % change   |
|------------------------------|----------------|-------|----------------|----------|----------------|----------------|----------|----------------|------------|
| Regional Operations          | 35,375         |       |                |          | 40,135         |                |          | 4,759          | 13%        |
| Control Center               | 9,361          |       |                |          | 12,706         |                |          | 3,345          | 36%        |
| Energy Delivery Services     | 16,129         |       |                |          | 17,694         |                |          | 1,566          | 10%        |
| Reliability Implementation   | 13,074         |       |                |          | 13,442         |                |          | 368            | 3%         |
| T & D Contractor Management  | 29,027         |       |                |          | 30,787         |                |          | 1,760          | 6%         |
| Storm                        | 12,711         |       |                |          | 19,647         |                |          | 6,936          | 55%        |
| Administration               | 3,012          |       |                |          | (3,136)        |                |          | (6,148)        | -204%      |
| <b>Total Energy Delivery</b> | <b>118,689</b> |       |                |          | <b>131,274</b> |                |          | <b>12,585</b>  | <b>11%</b> |

Energy Delivery is forecast to increase approximately \$12.6 million from 2024A to 2026F. The primary drivers of this increase are increases in Regional Operations, Control Center, Energy Delivery Services, T&D Contractor Management, and Storm expenses. The detailed variance explanation of the primary factors for the \$12.6 million increase from 2024A to 2026F has been provided by the Company and is detailed below:

- Regional Operations** – The increase of approximately \$4.8 million from 2024A to 2026F is primarily due to the following:<sup>56</sup>
  - Increased labour costs as a result of customer growth, increased customer-requested work, reliability investment, and salary escalation (\$5.1 million).
  - Increased other goods and services expenses as a result of operating and maintenance costs associated with grid scale batteries (\$0.9 million).
  - The above increases are partially offset by decreases in materials as a result of reclassification of expenses and higher material requirements in 2024, which are not expected to reoccur in 2026 (\$0.9 million), decreased contracts due to reduced reliance on contractors due to increased internal resources (\$0.7 million), and decreased third party claims due to expected change in level claims as 2024 actuals were unusually high and not expected to reoccur in 2026 (\$0.5 million).
- Control Centre** – The increase of approximately \$3.3 million from 2024A to 2026F is primarily attributable to increased labour as a result of additional employees being hired for operational requirements, which is partially offset by the reduction of three employees related to phase one of the Nova Scotia Independent Energy System Operator (“NSIESO”) transition (\$3 million).<sup>57</sup>
- Energy Delivery Services** – The increase of approximately \$1.6 million from 2024A to 2026F is largely attributable to the following:<sup>58</sup>
  - Increased labour costs as a result of increased staffing and salary escalations partially offset by reduced Meter Reader requirements as a result of implementation of advanced metering infrastructure (“AMI”) Opt-out fee, and reorganization of meter shop to T&D Contractor Management. (\$1.3 million).
  - Increased costs for internet communications due to the rollout of satellite internet across Nova Scotia (\$0.2 million). Per the Company, total forecast satellite internet costs included in Energy Delivery Services OM&G forecast in the 2026 Forecast period is approximately \$0.3 million. NS

<sup>56</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 38.

<sup>57</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 40.

<sup>58</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 42.

Power noted that satellite internet is required by the Company due to inconsistent cellular coverage across the province, and safe and effective dispatch of work requires real-time updates to work orders and field resource schedules. The Company further noted that to provide real-time data transfer to resources in the field, satellite internet connectivity is required in the trucks of regional planners, wiring inspectors and other Energy Delivery personnel.<sup>59</sup>

- **Reliability Implementation** – The increase of approximately \$0.4 million from 2024A to 2026F is primarily due to the following:<sup>60</sup>

- Increased labour costs due to the addition of four line inspectors and two customer planners on the line inspection team, and two new engineers on the standards and community engagement team (\$0.6 million). Per the Company, the 2024A expense was reduced due to position vacancies.

- The above increase is partially offset by decreased contract costs due to reduced vegetation management charged to operating expense in 2026F (\$0.3 million).

- **T & D Contractor Management** – The increase of approximately \$1.8 million from 2024A to 2026F is primarily due to the following:<sup>61</sup>

- Increased labour costs as a result of increased staffing, labour vacancies in 2024A that are expected to be filled by 2026F, and salary escalations (\$0.9 million). Per NS Power, the increase in staffing for this team was to support the two additional line contractors that were certified by the Department of Labour, Skills and Immigration: K-Line Construction and Locke's Electrical, as well as the increase in resources that Connect Atlantic Utility Services brought in to assist with the 40 percent increase in customer work and the execution of the Five-Year Reliability Plan.<sup>62</sup>

- Increased contract costs due to increased maintenance requirements resulting from a larger fleet and adding fleet vehicles (\$0.6 million). Per NS Power, the increased costs for the fleet department are the direct result of the significant hiring of pole line technicians, planners, and wiring inspectors due to the increased customer work and reliability investment over the last few years and significant volumes forecast for 2026F. Additionally, due to the delays with vehicle delivery times resulting from supply chain challenges, more maintenance has been required on older vehicles to keep them on the road longer, so that the new field resources can use the vehicles until the new vehicles arrive.<sup>63</sup>

- Increased fleet fuel due to increased field resources and pricing increases (\$0.6 million).

- The above increases are partially offset by decreases in materials, personal equipment, and other goods and services for expenses that occurred in 2024A that are not expected to reoccur in 2026F, totalling \$0.4 million.

- **Storm** – The increase of approximately \$6.9 million from 2024A to 2026F is primarily attributable to the following:<sup>64</sup>

- Increased costs in labour (\$3.2 million), contracts (\$2.5 million), travel (\$0.7 million), and meals and entertainment (\$0.5 million). These increases are a result of the 2026 forecast being based on normalized five-year (2020-2024) average storm costs.<sup>65</sup>

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<sup>59</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-40.

<sup>60</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 44.

<sup>61</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 46.

<sup>62</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-43.

<sup>63</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-44.

<sup>64</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 48.

<sup>65</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-45 Attachment 1.

- **Administration** – The decrease of approximately \$6.1 million from 2024A to 2026F is primarily attributable to the following:<sup>66</sup>

- Decreased other goods and services costs due to a \$5 million reduction in 2026 per the GRA Settlement Agreement and 2024 expense related to mutual aid storm response that is offset in other revenue (\$5.1 million).
- Decreased labour costs as 2024 included expenses related to mutual storm response that is offset in other revenue (\$1.1 million).

#### 3.4.2.4 Customer Experience and Innovation

**Figure 8 – Customer Experience and Innovation operating cost detail - 2024A, 2025B, 2026F**

| (\$000s)                                        | 2024A         | 2025B | 2025B vs 2024A | % change | 2026F         | 2026F vs 2025B | % change | 2026F vs 2024A | % change   |
|-------------------------------------------------|---------------|-------|----------------|----------|---------------|----------------|----------|----------------|------------|
| Customer Service                                | 23,869        |       |                |          | 25,079        |                |          | 1,210          | 5%         |
| Grid Modernization and Customer Integration     | 7,870         |       |                |          | 10,198        |                |          | 2,328          | 30%        |
| Customer Solutions                              | 5,257         |       |                |          | 5,737         |                |          | 480            | 9%         |
| <b>Total Customer Experience and Innovation</b> | <b>36,996</b> |       |                |          | <b>41,014</b> |                |          | <b>4,018</b>   | <b>11%</b> |

Customer Experience and Innovation is forecast to increase approximately \$4.0 million from 2024A to 2026F. The primary drivers of the increase are increases in Customer Service and Grid Modernization and Customer Integration. The detailed variance explanation of the primary factors for the \$4.0 million increase from 2024A to 2026F have been provided by the Company and is detailed below:

- **Customer Service** – The increase of approximately \$1.2 million from 2024A to 2026F is primarily due to the following:<sup>67</sup>
  - Increased labour due to additional resources required to support customer growth and in customer-requested work, and salary escalation (\$2.2 million). Per NS Power, the number of new customers per year has increased since 2020. For example, in 2020, new residential customers totalled 5,334 and new commercial customers totalled 185. However, in 2024A, new residential customers totalled 8,188 and new commercial customers totalled 332.<sup>68</sup>
  - Increased commissions, which are part of net bad debt expense and driven by inflation (\$0.8 million).
  - Increased contract costs due to reallocation of telephony software costs from Information Technology (\$0.6 million).
  - Increased freight, postage and delivery costs due to increased Canada Post rates (\$0.4 million).
  - Other increases in recoveries, telephone, and royalties and appraisal costs (\$0.4 million).
  - The above increases are offset by a reduction through write-offs, which are part of bad debt expense and are driven by historical activity and forecast revenue (\$1.4 million). Per NS Power, the Company calculates total net bad debt, which is comprised of write-offs, commissions, and recoveries. Further, NS Power has sought to engage customers through the Company's customer care team. The Company noted that these increased interactions with customers have helped educate customers of energy usage and led to a significant reduction in customers being

<sup>66</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 50.

<sup>67</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 52.

<sup>68</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-48.

disconnected for non-payment in 2024 as they engaged with the customer care team to find solutions. Additionally, the Company stated that it expects this approach to continue to drive a benefit for customers and has forecast a reduction in net bad debt expense as percentage of sales as a result.<sup>69</sup>

- The above increases are also offset by decreased other goods and services costs due to the \$2 million reduction in 2026 per the GRA Settlement Agreement.

- **Grid Modernization and Customer Integration** – The increase of approximately \$2.3 million from 2024A to 2026F is primarily due to the following:<sup>70</sup>

- Increased labour due to additional resources in the Smart Meter Operations Centre, primarily to support data analytics, Customer Experience for expansion of customer-focused initiatives, increased requirements for Telecom and WAM support, and salary escalation (\$1.8 million). Per NS Power, increased labour requirements provide the following:<sup>71</sup>

- The increased requirements for the Smart Meter Operations Centre are for data analytics support. The incremental data analyst roles will leverage AMI, customer, and other data sources to troubleshoot power quality concerns at customer premises, provide operational reporting on Smart Meter Operations, respond to customer inquiries on billing and usage, and support the design and evaluation of customer programs.

- The incremental labour for Customer Experience supports the maintenance of the expanding portfolio of digital solutions such as Green Button, My Energy Insights, the customer-facing website, and the large complex customer portal planned for 2026F. In addition to the expanded digital channel support, the Customer Experience team is delivering a Customer First, role-specific training program to educate employees in delivering exceptional customer experience. The Customer Experience team is expanding its communication initiatives with customers via media campaigns and in-person engagements such as home shows to ensure customers have access to information and expertise in managing their energy needs.

- The incremental labour for Telecom support is for increased maintenance requirements for new and upgraded telecommunications equipment. New Remote Terminal Unit installations and new renewable generation interconnections are examples of initiatives that increase the volume of telecom assets that require regular maintenance.

- The incremental labour for WAM Support is for the maintenance of new business processes that are deployed on the WAM platform. Expansion of business processes include new requirements for maintaining system configurations and integrations, managing data quality, and supporting new end users.

- Increased contract costs due to increased requirements for the Customer Experience team for customer-focused initiatives (\$0.5 million).

<sup>69</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-50.

<sup>70</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 54.

<sup>71</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-69.

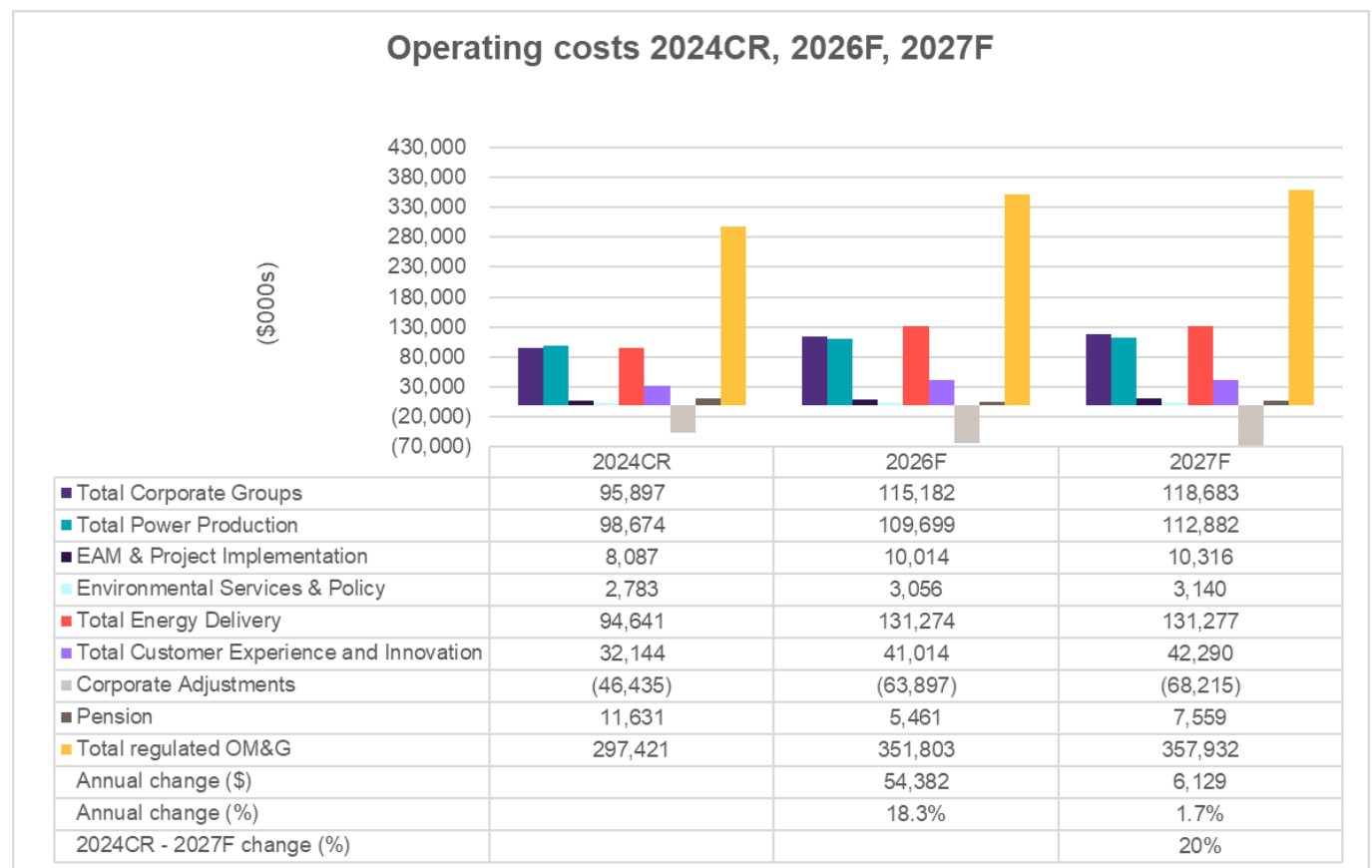
- **Customer Solutions** - The increase of approximately \$0.5 million from 2024A to 2026F is primarily due to the following:<sup>72</sup>
  - Increased labour due to the addition of two new roles to support customer education and promotion of energy utilization programs (\$0.5 million). Per the Company, 2024A had a reduced expense due to position vacancies.

### 3.5 Analysis – 2024CR, 2026F, 2027F

#### 3.5.1 Operating expenses – key variances at group level (2024CR, 2026-2027F)<sup>73</sup>

Based upon our review of the breakdown of expenses as outlined in the following table, the key variances between 2024CR, 2026 Forecast, and 2027 Forecast have been noted below, along with explanations provided by the Company:

**Figure 9 – Operating costs by groups - 2024CR and 2026-2027 Forecast**



<sup>72</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 56.

<sup>73</sup> The variance amounts and the analysis has been derived from N-6 – GRA Direct Evidence, Appendix 7C and calculations performed on N-6 – GRA Direct Evidence, Appendix 7D.

- 1 • **Corporate Groups** – Corporate Groups OM&G is forecasted to increase by approximately \$22.8 million

2 from 2024CR to 2027F. There is an increase from \$95.9 million in 2024CR to \$118.7 million in 2027F. This

3 is approximately a \$19.3 million increase from 2024CR to 2026 Forecast and \$3.5 million increase from

4 2026 Forecast to 2027 Forecast. The primary drivers of the increase from 2024CR to 2027 Forecast are

5 increases in Communications and Public Affairs (\$2.1 million), Corporate Human Resources (including

6 Safety) (\$3.6 million), Information Technology (\$12.0 million), and Regulatory Affairs (\$2.7 million). Please

7 refer to the table outlining Corporate Groups operating cost detail and the corresponding explanations of the

8 year-over-year change within this group under the Operating expense – key variances at detailed level

9 (2024CR and 2026-2027F) section below.
- 10 • **Power Production** – Power Production OM&G is forecasted to increase from \$98.7 million in 2024CR to

11 \$112.9 million in 2027. This is approximately a \$14.2 million increase from 2024CR to 2027F. There is an

12 approximate \$11.0 million increase from 2024CR to 2026 Forecast, and a \$3.2 million increase from 2026

13 Forecast to 2027 Forecast. The primary drivers of the increase from 2024CR to 2027 Forecast are increases

14 in expenses for Thermal Plants (\$10.9 million) and Tufts Cove and Combustion Turbines (\$5.0 million).

15 Please refer to the table outlining Power Production operating cost detail and the corresponding

16 explanations of the year-over-year change within this group under the Operating expense – key variances at

17 detailed level (2024CR and 2026-2027F) section below.
- 18 • **Enterprise Asset Management and Project Implementation** – EAM and project implementation OM&G is

19 forecasted to increase from \$8.1 million in 2024CR to \$10.3 million in 2027F. This is an increase of

20 approximately \$2.2 million. The Company has noted that this is primarily due to labour increases in 2026F

21 due to additional engineering and asset management personnel to support risk mitigation, expansion of the

22 EIT program for succession planning and salary escalation (\$1.7 million), and contract increases in 2026F

23 due to change in operational requirements and inflation (0.2 million).<sup>74</sup> Further increases in 2027F of \$0.3

24 million are mainly due to inflationary pressures.<sup>75</sup>
- 25 • **Environmental Services & Policy** – Environmental services and policy OM&G is forecasted to increase

26 from \$2.8 million in 2024CR to \$3.1 million in 2027F. This is an increase of approximately \$0.4 million. The

27 Company noted there is an approximate \$0.3 million increase from 2024CR to 2026 Forecast as a result of

28 increased corporate support due to environmental policy support from Emera Incorporated (“Emera”), and

29 increased labour due to salary escalation. A further increase of \$0.1 million from 2026 Forecast to 2027

30 Forecast is expected to occur as a result of further salary escalations.<sup>76</sup>
- 31 • **Energy Delivery** – Energy delivery OM&G is forecasted to increase from \$94.6 million in 2024C to \$131.3

32 million in 2027F. This is an increase of approximately \$36.6 million. This increase is attributable entirely to a

33 \$36.6 million increase from 2024C to 2026F. Please refer to the table outlining Energy Delivery operating

34 cost detail and the corresponding explanations of the year-over-year change within this group under the

35 Operating expenses – key variances at detailed level (2024CR and 2026-2027F) section below.
- 36 • **Customer Experience and Innovation** – Customer Experience and Innovation OM&G is forecasted to

37 increase from \$32.1 million in 2024CR to \$42.3 million in 2027F. This is an increase of approximately \$10.1

38 million. There is an approximate increase of \$8.9 million from 2024CR to 2026F, and an increase of \$1.3

39 million from 2026F to 2027F. Please refer to the table outlining Customer Experience and Innovation

40 operating cost detail and the corresponding explanations of the year-over-year change within this group

41 under the Operating expenses – key variances at detailed level (2024CR and 2026-2027F) section below.
- 42 • **Corporate Adjustments** – Corporate adjustments are forecast to increase from (\$46.4) million in 2024CR

43 to (\$68.2) million in 2027F. The 2026 Forecast includes corporate adjustments of (\$63.9) million, which is an

44 increased recovery of \$17.5 million from 2024CR. The 2027 Forecast includes corporate adjustments of

45 (\$68.2) million, which is an increased recovery of \$4.3 million from 2026 Forecast. Per the Company, this is

46 primarily due to increase in administrative overheads allocated to capital due to increased capital investment

<sup>74</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 38.

<sup>75</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 11.

<sup>76</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 36.

forecast.<sup>77</sup> Please refer to the table outlining Corporate Adjustments operating cost detail and the corresponding explanations of the year-over-year change within this group under the Operating expenses – key variances at detailed level (2024CR and 2026-2027F) section below.

- **Pension** – Per a letter from NS Power’s actuary, we confirmed that current service cost, including both payroll matching for DC and DB plans (labour expense), and current service cost of DB plans not included in labour (pension expense) for 2027F is \$24.1 million.<sup>78</sup> Per the Company, \$16.5 million is allocated to labour expense, and \$7.6 million is allocated to pension expense in 2027F.<sup>79</sup> Pension expense included in OM&G is forecast to reduce from \$11.6 million in 2024C to \$7.6 million in 2027F. This is a decrease of approximately \$4.0 million. Please refer to the table outlining Pension operating cost detail and the corresponding explanations of the year-on-year change within this group under the Operating expenses – key variances at detailed level (2024CR and 2026-2027F) section below.

### 3.5.2 Operating expenses – key variances at detailed level (2024CR, 2026-2027F)<sup>80</sup>

Based on our review of the breakdown of expense within each operating group, we have identified key variances between 2024CR, 2026 Forecast, and 2027 Forecast. The identified variances and explanations provided by the Company are detailed throughout this section.

#### 3.5.2.1 Corporate Groups

**Figure 10 – Corporate Groups operating cost detail - 2024CR, 2026-2027F**

| (\$000s)                                          | 2024<br>Compliance<br>(restated) | 2026F          | 2026F<br>vs<br>2024C | %<br>change | 2027F          | 2027F<br>vs<br>2026F | %<br>change | 2027F<br>vs<br>2024C | %<br>change |
|---------------------------------------------------|----------------------------------|----------------|----------------------|-------------|----------------|----------------------|-------------|----------------------|-------------|
| Executive Management                              | 1,760                            | 1,922          | 162                  | 9%          | 1,983          | 61                   | 3%          | 223                  | 13%         |
| Corporate Office of Secretary and General Counsel | 17,201                           | 16,624         | (576)                | -3%         | 17,164         | 540                  | 3%          | (37)                 | 0%          |
| Corporate Finance                                 | 6,556                            | 7,077          | 521                  | 8%          | 7,248          | 171                  | 2%          | 692                  | 11%         |
| Communications and Public Affairs                 | 1,564                            | 3,606          | 2,042                | 131%        | 3,695          | 89                   | 2%          | 2,132                | 136%        |
| Corporate Human Resources (Including Safety)      | 8,184                            | 11,562         | 3,378                | 41%         | 11,773         | 210                  | 2%          | 3,588                | 44%         |
| Facilities, Procurement & Security                | 13,119                           | 13,570         | 451                  | 3%          | 13,919         | 349                  | 3%          | 801                  | 6%          |
| Information Technology                            | 40,493                           | 50,642         | 10,150               | 25%         | 52,494         | 1,851                | 4%          | 12,001               | 30%         |
| Eastern Clean Energy Initiative                   | -                                | 683            | 683                  | N/A         | 699            | 16                   | 2%          | 699                  | N/A         |
| Regulatory Affairs                                | 7,022                            | 9,495          | 2,474                | 35%         | 9,708          | 213                  | 2%          | 2,687                | 38%         |
| <b>Total corporate groups</b>                     | <b>95,897</b>                    | <b>115,182</b> | <b>19,285</b>        | <b>20%</b>  | <b>118,683</b> | <b>3,501</b>         | <b>3%</b>   | <b>22,786</b>        | <b>24%</b>  |

As discussed in the previous section, the primary drivers of the increased expense in Corporate Groups from 2024CR to 2027 Forecast are Communications and Public Affairs, Corporate Human Resources (Including Safety), Information Technology, and Regulatory Affairs. These increases within each sub-group are explained below by the Company:

- **Communications and Public Affairs** – The increase of approximately \$2.1 million from 2024CR to 2027F is primarily related to the \$2.0 million increase from 2024CR to 2026F. The \$2.0 million increase is largely attributable to the following:<sup>81</sup>
  - Increased labour costs due to staff complement changes (\$0.9 million). Per the Company, the staff complement change is due to the addition of Communication and External Engagement employees

<sup>77</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 58.

<sup>78</sup> N-16 – 2026-2027 GRA RB-02-16 Attachment 2.

<sup>79</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 36.

<sup>80</sup> The variance amounts and the analysis has been derived from N-6 – GRA Direct Evidence, Appendix 7C and calculations performed on N-6 – GRA Direct Evidence, Appendix 7D.

<sup>81</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 9.

that perform tasks that previously were not undertaken. This is a new department that is focused on increasing engagement with stakeholders and communities across the province to receive input and feedback, and to share more information on priorities, projects, and initiatives undertaken by the Company in response to customer and stakeholder feedback.<sup>82</sup>

- Increased consulting fees due to planned engagement for communications (\$0.7 million). Per the Company, the increase of \$0.7 million for consulting as compared to 2024CR is related to an increased focus on research and engagement with customers to improve the information and content that they receive from NS Power. The Company noted it engaged external consultants to further improve the ability to provide information that is sought after by customers and ensure NS Power is reaching customers in the most effective way possible. NS Power also noted that consulting expense in 2026F will include the development of increasingly customized and targeted content for customers and the continuation of customer feedback surveys to understand if these methods continue to be effective.<sup>83</sup>
- Increased advertising expenses due to reduced spending levels in 2024, as well as increased requirement forecast for communications with customers (\$0.3 million). Per NS Power, based on customer feedback, the Company paused some of its existing advertising and outreach efforts in 2024 while the Communications department worked with external consultants on a new strategy to reach customers with the information they were seeking. The Company noted that public messaging and customer outreach, charged as advertising expense, resumed later in 2024 under the new strategy. NS Power stated that reduced advertising expense in 2024 as compared to 2025-2027 budget was therefore primarily due to a greater focus on consulting engagements as part of the ongoing work to provide customers with the information that they want and to reach them as effectively as possible.<sup>84</sup>

- **Corporate Human Resources (Including Safety)** – The increase of approximately \$3.6 million from 2024CR to 2027F is primarily related to the \$3.4 million increase from 2024CR to 2026F. The \$3.4 million increase is largely attributable to the following:<sup>85</sup>

- Increased labour costs due to staffing level increases and salary escalation (\$2.3 million). Per the Company, the labour expense increase is related to overall company headcount in the 2026 GRA Forecast, requiring a larger Human Resource team to support the increased number of employees. Additionally, the Company noted that the Human Resource and Safety teams have grown by a total of 10 employees with additional resources such as more Safety Specialists, additional employees to support diversity, equity and inclusion programs and labour relations, and an increased number of Human Resource partners to support talent acquisition and new employees.<sup>86</sup>
- Increased corporate service support due to increased utilization of human resources services (\$0.4 million). Per the Company, Talent Management is handled by NS Power's parent company, Emera, and costs are allocated to NS Power in accordance with the Board-approved Affiliate Code of Conduct and Cost Allocation Manual. The Company noted that the centralization of these functions allows for cost savings, rather than using separate departments at each affiliate. The Company further noted that the increase is primarily due to increased staffing levels at NS Power, driving an increase in the utilization of Talent Management services from Emera and cost allocation to NS Power.<sup>87</sup>
- Increased consulting due to greater staffing levels across NS Power and expanded safety programs (\$0.3 million). Per the Company, this increase is driven by the overall increase to total headcount, which increases the support required by the Human Resource and Safety teams. The

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<sup>82</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-61.

<sup>83</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-61.

<sup>84</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-13.

<sup>85</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 12.

<sup>86</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-14.

<sup>87</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-16.

Company further explained that the primary driver of the increase is increased medical consulting expense. NS Power has determined that it is more economic to purchase these services from a third-party as opposed to performing the work internally.<sup>88</sup>

- Further labour increases due to salary escalation results in an additional increase of \$0.2 million from 2026F to 2027F.
- **Information Technology** – The increase of approximately \$12.0 million from 2024CR to 2027F is primarily related to the \$10.2 million increase from 2024CR to 2026F. The \$10.2 million increase is largely attributable to the following:<sup>89</sup>
  - Increased consulting fees due to support for the cyber security program, incremental expenses for continued improvements to Tableau and Power BI, and inflation (\$6.6 million). Per the Company, the increased consulting expense is due to the addition of the delivery and execution of the enhanced Operational Technology (“OT”) Cyber Program in addition to continuing the IT Cyber Program. The Company noted that this is an ongoing permanent increase to support managing cyber security risk within both IT and OT. The Company further noted that the incremental consulting expenses for continued improvements to Tableau and Power BI are a result of leveraging consultants for various tools used by NS Power business operations. NS Power stated that these costs are projected to continue annually as data analytics and business intelligence gained from these tools become more important to business operations going forward.<sup>90</sup>
  - Increased labour costs due to incremental employees to support operational initiatives including cyber security, replacement of end of life legacy technology to modern technology, introduction of new customer service, introduction of new technology services across the business and salary escalations (\$3.8 million). Per the Company, the number of positions estimated for such initiatives totals 24.<sup>91</sup>
  - Increased rental/maintenance equipment/software due to support for the cyber security program and inflation (\$3.2 million). Per the Company, rental and maintenance costs associated with the cyber security program will continue to increase every year as new vendor tools and capabilities are added to further secure the IT environment. The Company noted that capital investment from past years has implemented new security capabilities which have a cost to maintain as these tools and capabilities are operationalized.<sup>92</sup>
  - Increased subscription and software costs due to transition to cloud-based services and incremental costs for Microsoft EA renewal (\$1.6 million).
  - Increased contract expense due to IAM MSP and increased OnX MSP fees (\$1.4 million).
  - These increases are partially offset by non-regulated cost recovery increases due to high recoveries from affiliates (\$5.0 million).
- The additional increase of \$1.9 million from 2026F to 2027F is largely attributable to increased labour costs due to incremental headcount to support operational initiatives including cyber security, replacement of end of life legacy technology to modern technology, introduction of new customer services, introduction of new technology services across the business, and salary escalations (\$0.9 million). Per the Company, and as previously noted above, the number of positions estimated for such initiatives totals 24. Additionally, the

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<sup>88</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-62.

<sup>89</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 18.

<sup>90</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-20.

<sup>91</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-19.

<sup>92</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-21.

Company noted that \$1.7 million of the increase in 2027F is related to salary escalations, and \$1.8 million relates to the labour costs for the initiatives described.<sup>93</sup>

- A further increase from 2026F to 2027F is the result of increased rental/maintenance equipment/software due to increased support for the cyber security program and cost escalations, as noted above (\$0.8 million).
- **Regulatory Affairs** – The increase of approximately \$2.7 million from 2024CR to 2027F is primarily related to the \$2.5 million increase from 2024CR to 2026F. The \$2.5 million increase is largely attributable to the following:<sup>94</sup>
  - Increased consulting fees due to a greater volume and scope of regulatory engagements forecast (\$1.6 million). Per the Company, these costs relate to NS Power, the Consumer Advocate, the Small Business Advocate, and Board counsel expenses. The Company noted it has seen a significant increase in the consulting expense associated with the volume and scope of regulatory proceedings from what was expected at the time of the 2023-2024 GRA forecast. NS Power noted that it expects to see a similar level of consulting expense requirement in the test years as was incurred in 2024.<sup>95</sup> The Company further commented that while GRA pre-work began in 2024, the majority of incremental costs associated with the 2026-2027 GRA are expected to be incurred in 2025. Further, the Company noted that in addition, the incremental GRA expense is not reflected in the Regulatory Affairs operating expense as this expense is currently being deferred pending NS Power's proposal to expense the forecast incremental cost over the two-year test period. NS Power stated it has not included costs associated with a GRA in future year forecasts, consistent with the Company's proposal to amortize these costs over the test period. As a result, NS Power noted the increased Regulatory Affairs consulting expense as compared to the 2024 GRA Compliance budget is associated with the greater volume and scope of regulatory affairs activity in proceedings other than the GRA and Cost of Service Study ("COSS"). Furthermore, NS Power stated it is increasingly being relied upon to carry out specialized tariff and rate work and modelling for specific customers or industries. It is anticipated that such work will continue throughout the test period.<sup>96</sup>
  - Increased labour costs due to increased staffing levels related to a greater scope and volume of regulatory proceedings and salary escalations (\$0.5 million). Per the Company, increased labour in 2026F compared to 2024CR relates to increased staffing levels and more senior employees as compared to the compliance period.<sup>97</sup>
  - Increased external legal and audit fees due to the Board's monthly interim assessment (\$0.3 million).

In addition to the increase in the four areas mentioned above, further explanation of OM&G cost changes for NS Power's Corporate Groups is provided below by the Company:

- **Executive Management** – The increase of approximately \$0.2 million from 2024CR to 2027F is primarily due to the \$0.2 million increase from 2024CR to 2026F. The increase in 2026F is largely attributable to increased membership dues due to operating costs forecasted in consulting rather than membership dues (\$0.1 million), and increased labour due to salary escalations (\$0.1 million).<sup>98</sup>
- **Corporate Office of Secretary and General Counsel** – The decrease of approximately \$0.04 million from 2024CR to 2027F is primarily due to the \$0.6 million decrease from 2024CR to 2026F. The decrease in 2026F is largely attributable to decreased insurance due to lower premiums than expected at the time of the previous GRA (\$1 million), decreased external legal and audit fees due to timing of CRA litigation (\$0.3

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<sup>93</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-19.

<sup>94</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 16.

<sup>95</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-24.

<sup>96</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-63.

<sup>97</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-23.

<sup>98</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 4.

million), and decreased labour costs due to reduced allocation of costs for corporate secretary to Emera (\$0.2 million). These decreases are offset by increases in directors' fees and expenses due to the addition of a new independent director (\$0.2 million), and increases related to consulting, travel expense, and software due to ongoing CRA litigation which totals approximately \$0.5 million. The decrease in 2026F is offset by increases in 2027F, which relate to increased insurance due to increased premiums (\$0.4 million), and increased labour due to salary escalations (\$0.1 million).<sup>99</sup>

- **Corporate Finance** – The increase of approximately \$0.7 million from 2024CR to 2027F is primarily due to the \$0.5 million increase from 2024CR to 2026F. The \$0.5 million increase is largely attributable to increased external audit fees due to increased financial audit fees (\$0.5 million). There is a further increase of \$0.2 million in 2027F compared to 2026F, which is largely attributable to increased labour costs due to salary escalations.<sup>100</sup>
- **Facilities, Procurement and Security** – The increase of approximately \$0.8 million from 2024CR to 2027F relates partially to an increase from 2024CR to 2026 (\$0.5 million) and partially to an increase from 2026F to 2027F (\$0.3 million). The 2026F increase is primarily attributable to increased labour costs due to increased staffing levels and salary escalation (\$1.5 million) and increased cleaning costs due to an account change and increased pricing (\$0.9 million). These increases are offset by decreased short term interest due to discontinuing the allocation of carrying costs on materials inventory to the procurement cost centre, which is offset in corporate adjustments (\$1.6 million), decreased other goods and services costs due to forecast savings to be achieved through ongoing contract review (\$0.3 million), and decreased subscriptions and software due to operating costs that were forecasted in a different category previously (\$0.1 million). The 2027F increase over 2026F is primarily attributable to increased labour costs due to salary escalations (\$0.2 million), and increased contract costs due to inflation (\$0.1 million).<sup>101</sup>
- **Eastern Clean Energy Initiative** – The increase of approximately \$0.7 million from 2024CR to 2027F relates primarily to the increase from 2024CR to 2026 (\$0.7 million). The increase in 2026F is attributable to increased labour and consulting costs due to the addition of the Eastern Clean Energy Initiative department. Per NS Power, no expenses were included for the Eastern Clean Energy Initiative in 2024CR as at the time of the 2023-2024 GRA forecast, there were no anticipated operating costs associated with employees in the ECEI cost center. All costs associated with these employees were expected to be capital in nature over the 2023-2024 period.<sup>102</sup>

### 3.5.2.2 Power Production

**Figure 11 – Power Production operating cost detail - 2024CR, 2026-2027F**

| (\$000s)                          | 2024<br>Compliance<br>(restated) | 2026F          | 2026F<br>vs<br>2024C | %<br>change | 2027F          | 2027F<br>vs<br>2026F | %<br>change | 2027F<br>vs<br>2024C | %<br>change |
|-----------------------------------|----------------------------------|----------------|----------------------|-------------|----------------|----------------------|-------------|----------------------|-------------|
| Head Office                       | 3,561                            | 2,798          | (762)                | -21%        | 2,877          | 79                   | 3%          | (683)                | -19%        |
| Thermal Plants                    | 42,752                           | 52,239         | 9,487                | 22%         | 53,655         | 1,416                | 3%          | 10,903               | 26%         |
| Tufts Cove & Combustion Turbines  | 15,924                           | 20,321         | 4,397                | 28%         | 20,956         | 635                  | 3%          | 5,032                | 32%         |
| Solar, Hydro & Wind Energy        | 22,893                           | 20,230         | (2,662)              | -12%        | 21,026         | 796                  | 4%          | (1,867)              | -8%         |
| Biomass                           | 6,932                            | 7,073          | 141                  | 2%          | 7,146          | 73                   | 1%          | 214                  | 3%          |
| Energy, Fuels and Risk Management | 6,613                            | 7,037          | 424                  | 6%          | 7,221          | 184                  | 3%          | 609                  | 9%          |
| <b>Total Power Production</b>     | <b>98,674</b>                    | <b>109,699</b> | <b>11,025</b>        | <b>11%</b>  | <b>112,882</b> | <b>3,183</b>         | <b>3%</b>   | <b>14,208</b>        | <b>14%</b>  |

Power Production is forecast to increase approximately \$14.2 million from 2024CR to 2027F. The primary drivers of this increase are increases in Thermal Plants, and Tufts Cove and Combustion Turbines. The detailed variance

<sup>99</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 7.

<sup>100</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 8.

<sup>101</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 14.

<sup>102</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-22.

explanation of the primary factors for the \$14.2 million increase from 2024CR to 2027F have been provided by the Company and are detailed below:

- **Thermal Plants** – The increase of approximately \$10.9 million from 2024CR to 2027F relates primarily to the increase from 2024CR to 2026 (\$9.5 million). The \$9.5 million increase in 2026F is attributable to the following:<sup>103</sup>
  - Increased labour, contracts, materials, chemicals, water, gases, and lubricant costs, totalling \$8.9 million. This increase is due to the change in Trenton Unit 5 and Lingan Unit 2 retirement assumptions and increased running hours. Per the Company, the retirement assumption for Lingan 2 changed in Q2 2024 following the completion of the 2024 Load Forecast (which had an increase of 108 MW in the forecast firm peak for 2024) and concurrent with the development of the 2024 10-Year System Outlook. The Company noted the resource and capacity assessment developed for the 2024 10-Year System Outlook identified that due to the change in the load forecast it was necessary to extend the use of Lingan 2 until replacement firm capacity procured by the NSIESO came online. The Company further noted that an updated retirement date of 2027 for Lingan 2 was provided in the 2024 10-Year System Outlook, which was submitted to the Board on June 27, 2024. The change in the forecast retirement date for Trenton 5 to 2027 was a finding of the 2023 Evergreen IRP. It was first reflected in the 2023 10-Year System Outlook and is shown in subsequent reports. The decommissioning timeline for Trenton 5 was further updated in the 2024 Decarbonization Deferral Account - 2024 Annual Report. The update in the 2024 Deferred Decarbonization Asset ("DDA") report reflects the need to maintain units available until reliable operation of replacement generation has been established and that decommissioning activities are not expected to begin until after 2029. The Company commented that the change in forecast costs reflect the change in mission of Trenton Unit 5 and Lingan Unit 2. NS Power stated that operating costs will be required while the units remain available for dispatch which is forecast until at least 2027 for Lingan Unit 2 and 2029 for Trenton Unit 5. The Company also noted that to maintain the safe operation of these units there are sustaining capital requirements aligned with their projected retirement dates.<sup>104</sup>
- A further increase of \$1.4 million from 2026F to 2027F is the result of increased labour costs due to salary escalation (\$1.1 million), further increases in contract expense due to inflation, and unit shutdown requirements, which are partially offset by reduced running hours for Trenton Unit 5 (\$0.3 million).
- **Tufts Cove and Combustion Turbines** – The increase of approximately \$5.0 million from 2024CR to 2027 relates primarily to the increase from 2024CR to 2026F (\$4.4 million). The \$4.4 million increase in 2026F is attributable to the following:<sup>105</sup>
  - Increased labour costs due to increased headcount in engineering, operations, and maintenance due to increased running hours, increased shutdown requirements, expanded capital program and salary escalation (\$2.1 million). Per the Company, the sustaining capital investment at Tufts Cove and the Combustion Turbines requires additional engineers, project managers, and maintenance resources to support the expanded capital program, which is aligned with the 2025 10-Year System Outlook. Additionally, the Company stated that as per the 10-Year System Outlook, the unit utilization forecast for Tufts Cove shows continued high utilization of the facility resulting in more maintenance and less opportunity to reduce operational staffing. Finally, NS Power noted that a Planner and Gas Turbine Operator has been added to the Combustion Turbine team to meet increasing demand to run the units to incorporate a greater volume of intermittent renewable generation on the system.<sup>106</sup>
  - Increased materials, water, chemical and contract expenses due to increased pricing, usage, and shutdown requirements, totalling \$1.8 million. Per the Company, NS Power's 2023-2024 GRA

<sup>103</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 24.

<sup>104</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-26.

<sup>105</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 26.

<sup>106</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-28.

budget was prepared in 2021. At the time of that forecast, the Company stated it assumed an inflationary rate of 2.7 percent in 2022, 1.9 percent in 2023 and 2.0 percent for 2024 when forecasting test period operating expenses. The Company noted that the actual inflationary rate significantly exceeded that forecast. Additionally, NS Power noted that per the Bank of Canada inflation calculator, the increase in inflation over the 2021 to 2024 period was 4.6 percent on an annual basis. In some cases, NS Power stated that materials and contract expenses required for operations have significantly exceeded the inflationary rate. Tufts Cove Unit 2 and Unit 3 can burn natural gas or heavy fuel oil ("HFO") depending on fuel cost or other considerations, such as emission requirements. The Company noted that due to natural gas price volatility, Tufts Cove has burned more HFO, which increases water for atomizing steam. The Combustion Turbines are flexible units and there is increasing demand to run these units to incorporate a greater volume of intermittent renewable generation on the system. The LM6000 combustion turbines at Tufts Cove utilize water for NOx reduction and Sprint for engine efficiency during warmer temperatures. In addition, water costs in Halifax Regional Municipality ("HRM") have significantly exceeded the assumed inflationary rates noted above. Additionally, the Company commented that the Tufts Cove Unit 4 and 5 Air House project was completed to reduce noise and improve air quality for the engine, thereby extending the asset life, and as such there is increased materials cost for the filters for the air house.<sup>107</sup>

- A further increase of \$0.6 million from 2026F to 2027F is attributable to increased labour due to a forecast reduction in labour allocated to capital and salary escalation (\$0.4 million), and increased contract costs due to increased inspection requirements and cost escalations (\$0.2 million).

In addition to the increase in the two areas mentioned above, further explanation of OM&G cost changes for NS Power's Power Production is provided below by the Company:

- **Head Office** – The decrease of approximately \$0.7 million from 2024CR to 2027F relates primarily to the decrease of \$0.8 million from 2024CR to 2026F. The \$0.8 million decrease in 2026F is attributable to the following:<sup>108</sup>
  - Decreased contract costs due to reduced OM&G ash hauling requirements due to NS Power's proposal to transfer these costs to fuel and purchase power expense in this GRA (\$0.8 million). Per the Company, ash hauling contracts transferred to fuel and purchased power expense in 2027F is \$1.3 million. NS Power also noted that there are ash hauling contracts for each of the thermal plants that include transportation, as well as maintenance of the ash management sites.<sup>109</sup>
- The above decrease is partially offset by an increase of \$0.1 million from 2026F to 2027F. The \$0.1 million increase is primarily attributable to increased labour costs due to salary escalation (\$0.1 million).
- **Solar, Hydro and Wind Energy** – The decrease of approximately \$1.9 million from 2024CR to 2027F relates primarily to the decrease of \$2.7 million from 2024CR to 2026F. The \$2.7 million decrease in 2026F is attributable to the following:<sup>110</sup>
  - Decreased contract and other good and service costs as 2024CR included OM&G costs associated with a wind farm that was forecast to be constructed under NS Power's Eastern Clean Energy Initiative that did not occur (\$5.4 million). Per NS Power, the wind farm acquisition was not pursued, as revised evaluation model assumptions during the due diligence process indicated that proceeding would not be in the best interest of customers. Additionally, the Company provided a breakdown for costs pertaining to the proposed acquisition, which was included in 2024C, which include contracts (\$1.3 million), property tax (\$0.2 million), land lease (\$0.1 million), and insurance (\$0.1 million), for a total of \$1.7 million. The Company also noted that the proposed wind farm to be

<sup>107</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-29.

<sup>108</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 22.

<sup>109</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-25.

<sup>110</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 28.

constructed under the Eastern Clean Energy Initiative was \$3.4 million for other goods and services in 2024C.<sup>111</sup>

- The above decrease is partially offset by increased consulting costs due to environmental requirements and transfer of Dam Safety consulting requirements from enterprise asset management and project implementation (\$1.3 million), and increased labour due to additional operational requirements and salary escalation (\$1.1 million).

- An increase of \$0.8 million from 2026F to 2027F is the result of increased contract costs due to increased inspection requirements at Wreck Cove and inflation (\$0.5 million), and increased labour costs due to salary escalation (\$0.2 million).

- **Biomass** – The increase of approximately \$0.2 million from 2024CR to 2027F primarily relates to a \$0.1 million increase in 2026F, attributable to increased labour costs due to salary escalation and shared resources with Point Tupper Generating Station (\$0.5 million). The increase is offset by decreased material and contracts costs due to reduced shutdown requirements, totalling \$0.3 million. A further increase of \$0.1 million from 2026F to 2027F related to increased labour costs due to salary escalation (\$0.1 million).<sup>112</sup>

- **Energy, Fuels and Risk Management** – the increase of approximately \$0.6 million from 2024CR to 2027F primarily relates to the increase of \$0.4 million from 2024CR to 2026F. The \$0.4 million increase is 2026F is attributable to increased labour costs due to position changes and salary escalation (\$0.4 million), and increased subscription and information software costs due to pricing increases (\$0.4 million). These increases are partially offset by a decrease in shared service allocation due to reduction in cost for Emera's energy training and risk management system (\$0.4 million). A further increase of \$0.2 million from 2026F to 2027F is attributable to a further increase in labour costs due to position changes and salary escalations.<sup>113</sup>

### 3.5.2.3 Energy Delivery

**Figure 12 – Energy Delivery operating cost detail - 2024CR, 2026-2027F**

| (\$000s)                     | 2024<br>Compliance<br>(restated) | 2026F          | 2026F<br>vs<br>2024C | %<br>change | 2027F          | 2027F<br>vs<br>2026F | %<br>change | 2027F<br>vs<br>2024C | %<br>change |
|------------------------------|----------------------------------|----------------|----------------------|-------------|----------------|----------------------|-------------|----------------------|-------------|
| Regional Operations          | 25,527                           | 40,135         | 14,607               | 57%         | 42,093         | 1,958                | 5%          | 16,565               | 65%         |
| Control Center               | 7,577                            | 12,706         | 5,129                | 68%         | 8,522          | (4,184)              | -33%        | 945                  | 12%         |
| Energy Delivery Services     | 14,065                           | 17,694         | 3,629                | 26%         | 18,459         | 765                  | 4%          | 4,395                | 31%         |
| Reliability Implementation   | 10,982                           | 13,442         | 2,460                | 22%         | 13,749         | 308                  | 2%          | 2,768                | 25%         |
| T & D Contractor Management  | 16,201                           | 30,787         | 14,585               | 90%         | 31,494         | 708                  | 2%          | 15,293               | 94%         |
| Storm                        | 17,663                           | 19,647         | 1,984                | 11%         | 20,109         | 462                  | 2%          | 2,446                | 14%         |
| Administration               | 2,626                            | (3,136)        | (5,762)              | -219%       | (3,150)        | (14)                 | 0%          | (5,776)              | -220%       |
| <b>Total Energy Delivery</b> | <b>94,641</b>                    | <b>131,274</b> | <b>36,633</b>        | <b>39%</b>  | <b>131,277</b> | <b>4</b>             | <b>0%</b>   | <b>36,636</b>        | <b>39%</b>  |

Energy Delivery is forecast to increase approximately \$36.6 million from 2024CR to 2027F. The primary drivers of this increase are increases in Regional Operations and T&D Contractor Management. The detailed variance explanation of the primary factors for the \$36.7 million increase from 2024CR to 2027F has been provided by the Company and is detailed below:

<sup>111</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-30.

<sup>112</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 30.

<sup>113</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 32.

- 1     • **Regional Operations** – The increase of approximately \$16.6 million from 2024CR to 2027F primarily relates  
2     to the increase of \$14.6 million from 2024CR to 2026F. The \$14.6 million increase in 2026F is attributable to  
3     the following:<sup>114</sup>
  - 4         ○ Increased labour and contract costs due to customer growth, increased customer-requested work,  
5         and salary escalation (totalling \$12.0 million). Per the Company, increased labour costs in Regional  
6         Operations in the 2026 Forecast compared to the 2024CR are primarily due to additional resources  
7         required to complete customer requested work. NS Power noted that the population growth in Nova  
8         Scotia has exceeded recent historical rates with 1-year average growth rates averaging 2.2 percent  
9         in 2021-2024 as compared to 0.5 percent in the preceding decade of 2011-2020 increased  
10        customer-requested work, which has increased by over 40 percent over the 2021- 2024 period.  
11        The Company stated that there were 27,000 wiring permits, 44,000 electrical inspections, 4,400  
12        renovations, and 8,400 new customer connection requests in 2024 alone. Also, NS Power  
13        commented that additional resources are required for execution of the \$1.3 billion Five-Year  
14        Reliability Plan and additional substations construction due to load growth. NS Power stated that  
15        these additional labour costs were determined through a review of all field work that Regional  
16        Operations performed from 2020-2024.<sup>115</sup>
  - 17        ○ Increased other goods and services costs due to operating and maintenance costs associated with  
18        grid scale batteries (\$1 million). Per the Company, NS Power is in the process of installing three  
19        grid-scale batteries that are expected to go into service in 2025 and 2026. The Company noted that  
20        forecast required operating costs to maintain these assets are \$1.0 million and \$1.2 million in  
21        2026F and 2027F, respectively.<sup>116</sup>
  - 22        ○ Increased personal equipment and tools and equipment due to additional headcount and  
23        reclassification from the materials account (totalling \$0.9 million).
- 24     • A further increase of \$2.0 million from 2026F to 2027F is primarily the result of increased labour costs due to  
25     further customer growth, increased customer-requested work and salary escalations (\$1.3 million).
- 26     • **T & D Contractor Management** – The increase of approximately \$15.3 million from 2024CR to 2027F is  
27     primarily related to the increase of \$14.6 million from 2024CR to 2026F. The \$14.6 million increase in 2026F  
28     is attributable to the following:<sup>117</sup>
  - 29        ○ Increased contract costs due to increased maintenance on larger fleet and gaining fleet vehicles,  
30        increased utility services costs and inflation (\$8.1 million). Per NS Power, the increased costs for  
31        the fleet department are the direct result of the significant hiring of pole line technicians, planners,  
32        and wiring inspectors due to the increased customer work and reliability investment over the last  
33        few years and significant volumes forecast for 2026. Additionally, due to the delays with vehicle  
34        delivery times due to supply chain challenges, more maintenance has been required on older  
35        vehicles to keep them on the road longer, so that the new field resources can use the vehicles until  
36        the new vehicles arrive.<sup>118</sup>
  - 37        ○ Increased labour costs due to increased utility service demand, increased garage mechanic and  
38        fleet coordination staffing, reorganization of meter shop from energy delivery services in 2024, and  
39        salary escalations (\$2.8 million). Per NS Power, the increase in staffing for this team was to support  
40        the two additional line contractors that were certified by the Department of Labour, Skills and  
41        Immigration: K-Line Construction and Locke's Electrical, as well as the increase in resources that

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<sup>114</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 38.

<sup>115</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-34.

<sup>116</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-35.

<sup>117</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 46.

<sup>118</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-44.

Connect Atlantic Utility Services brought in to assist with the 40 percent increase in customer work and the execution of the Five-Year Reliability Plan.<sup>119</sup>

- Increased fleet fuel expense due to increased field employees requiring vehicles and pricing increases (\$2.3 million).

- A further increase of \$0.7 million from 2026F to 2027F is the result of increases in contract costs and fleet fuel due to inflation (totalling \$0.4 million) and increased labour due to salary escalations (\$0.3 million).

In addition to the increase in the two areas mentioned above, further explanation of OM&G cost changes for NS Power's Energy Delivery is provided below by the Company:

- **Control Centre** – The increase of approximately \$0.9 million from 2024CR to 2027 is related to an increase of \$5.1 million from 2024CR to 2026F, which is offset by a decrease of \$4.2 million from 2026F to 2027F. The increase of \$5.1 million in 2026F is primarily due to the following:<sup>120</sup>

- Increased labour costs due to additional employees for operational requirements (\$3.8 million). Per the Company, the additional labour expense in the Control Centre for 2026F is due to additional resources that are required to facilitate the significant increase in Independent Power Producer ("IPP") interconnection requests, as well as the resources that were needed as an outcome of the FAM Audit Dispatch Study. These resources are required in the Nova Scotia Power System Operator ("NSPSO") immediately and may be transferred to the NSIESO as part of the Phase 2 transition in 2027. Additionally, the Company noted that the function of Outage Dispatch was added to the Distribution Control Centre ("DCC") and resources from the former Resource Management Centre ("RMC") accepted these roles, resulting in a transfer of operating labour from the RMC to the Control Centre. Finally, NS Power stated that labour for select resources who currently support capital projects under the Renewable and Decarbonization portfolio will be transitioning to operating labour from capital as these projects go into service and operational support models are established.<sup>121</sup>
- Increased consulting costs for engineering related to planning, operator training services, and the addition of consulting related to interconnection studies (\$1.0 million). Per the Company, the additional consulting expense in the Control Centre for 2026 was included for additional resources that are required to facilitate the significant increase in IPP interconnection requests, large load interconnection requests, operating guideline updates, Open Access Transmission Tariff ("OATT"), administration and development of tariffs impacting the Control Centre, and change management to assist with the planning for the transition of Control Centre operations to an independent system operator. NS Power noted that these consulting services are required in the NSPSO immediately and may be transferred to the NSIESO as part of the Phase 1 transition in 2026 and Phase 2 transition in 2027.<sup>122</sup>

- The decrease of \$4.2 million from 2026F to 2027F is attributable to decreased labour due to employees forecast to be transferred to NSIESO (\$4.1 million).

- **Energy Delivery Services** – The increase of approximately \$4.4 million from 2024CR to 2027F is primarily attributable to the increase of \$3.6 million from 2024CR to 2026F. The \$3.6 million increase in 2026 is largely the result of the following:<sup>123</sup>

- Increased labour costs due to increased staffing and salary escalations, partially offset by reduced meter reader requirements as a result of implementation of AMI Opt-out fee, and reorganization of

<sup>119</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-43.

<sup>120</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 40.

<sup>121</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-36.

<sup>122</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-37.

<sup>123</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 42.

meter shop T&D Contractor Management (\$2.9 million). Per the Company, wiring inspection services increased by \$3.1 million from 2024CR to 2026F, primarily due to significantly increased demand for electrical inspections performed on behalf of the provincial Department of Labour, Skills and Immigration because of increased residential and commercial building construction, electrical renovation and upgrade activities on customers' properties. NS Power stated it completed 44,000 electrical inspections in 2024 alone. In order to facilitate this significant increase in electrical inspections, NS Power noted that additional wiring inspectors were recruited. An increase in employees from 43 in the restated 2024 GRA Compliance forecast to 53 positions in 2024 actuals was required. The Company noted that this has also resulted in increased fleet fuel, materials and personal protection equipment expenses associated with the additional employees.<sup>124</sup>

- A further increase of \$0.8 million from 2026F to 2027F is the result of increased labour costs due to the addition of a planning engineer, and salary escalations (\$0.6 million), and increased internet communications due to continued rollout of satellite internet across Nova Scotia (\$0.1 million). Per the Company, total forecast satellite internet costs included in Energy Delivery Services OM&G forecast in the 2027 Forecast period is approximately \$0.4 million. NS Power noted that satellite internet is required by the Company due to inconsistent cellular coverage across the province, and safe and effective dispatch of work requires real-time updates to work orders and field resource schedules. The Company further noted that to provide real-time data transfer to resources in the field, satellite internet connectivity is required in the trucks of regional planners, wiring inspectors and other Energy Delivery personnel.<sup>125</sup>
- **Reliability Implementation** – The increase of approximately \$2.8 million from 2024CR to 2027F is primarily attributable to the increase of \$2.5 million from 2024CR to 2026F. The \$2.5 million increase in 2026F is largely the result of the following:<sup>126</sup>
  - Increased labour costs due to the creation of the Reliability Implementation department since the filing of the 2023-2024 GRA, which resulted in the centralization of resources focused on improving system reliability (\$2.1 million). All teams within were expanded, with the most significant impact on operating expense due to additional staff on the Standards & Community Engagement team for proactive engagement with customers required to improve customer consultation, centralized reliability planning, and execution of NS Power's Five-Year Reliability Plan. The Company noted that the reliability team is comprised of 59 employees, who support both the operational and capital portfolio and this labour is forecast between capital investment and operating expenses in the 2026-2027 GRA forecasts.<sup>127</sup>
  - Increased consulting costs due to increased requirements and reallocation from contracts for the Standards and Community Engagement team (\$0.4 million). Per the Company, these costs include consulting for distribution standards and engineering services, and membership fees for the National Electric Energy Testing, Research and Applications Centre ("NEETRAC") and Canadian Standards Association. NS Power noted that these fees are required for the ongoing development of updated distribution line standards.<sup>128</sup>
- **Storm** – The increase of approximately \$2.4 million from 2024CR to 2027F is primarily attributable to the increase of \$2.0 million from 2024CR to 2026F. The \$2.0 million increase in 2026F is largely due to increased contract expense as 2026 Forecast is based on normalized five year (2020 – 2024) average actual storm costs (\$2.2 million).<sup>129</sup> A further increase of \$0.5 million from 2026F to 2027F is the result of increased contract and labour costs due to inflation (\$0.4 million).<sup>130</sup>

<sup>124</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-38.

<sup>125</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-40.

<sup>126</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 44.

<sup>127</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-41.

<sup>128</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-42.

<sup>129</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-45 Attachment 1.

<sup>130</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 48.

- **Administration** – The decrease of approximately \$5.8 million from 2024CR to 2027F is primarily the result of the decrease of \$5.8 million from 2024CR to 2026F. The decrease of \$5.8 million in 2026F is attributable to the following:
  - Decreased other goods and services costs primarily due to a \$5 million reduction in 2026F per the GRA Settlement Agreement and forecast operating expenses of grid scale batteries included in 2024 GRA budget (\$6.5 million).
  - The above decrease is partially offset by increased labour costs due to five additional employees being hired to support continued growth in Energy Delivery, and salary escalation (\$0.5 million). Per NS Power, these additional five roles are required to provide the appropriate level of oversight and support for the additional Energy Delivery operational resources required to meet demand driven by population growth in Nova Scotia, execution of the \$1.3 billion Five-Year Reliability Plan, additional substations construction due to load growth, and additional customer electrical renovation due to residential and commercial electrification.<sup>131</sup>

### 3.5.2.4 Customer Experience and Innovation

**Figure 13 – Customer Experience and Innovation operating cost detail - 2024CR, 2026-2027F**

| (\$000s)                                        | 2024<br>Compliance<br>(restated) | 2026F         | 2026F<br>vs<br>2024C | %<br>change | 2027F         | 2027F<br>vs<br>2026F | %<br>change | 2027F<br>vs<br>2024C | %<br>change |
|-------------------------------------------------|----------------------------------|---------------|----------------------|-------------|---------------|----------------------|-------------|----------------------|-------------|
| Customer Service                                | 21,106                           | 25,079        | 3,974                | 19%         | 25,821        | 741                  | 3%          | 4,715                | 22%         |
| Grid Modernization and Customer Integration     | 6,085                            | 10,198        | 4,113                | 68%         | 10,578        | 380                  | 4%          | 4,493                | 74%         |
| Customer Solutions                              | 4,953                            | 5,737         | 784                  | 16%         | 5,892         | 155                  | 3%          | 939                  | 19%         |
| <b>Total Customer Experience and Innovation</b> | <b>32,144</b>                    | <b>41,014</b> | <b>8,870</b>         | <b>28%</b>  | <b>42,290</b> | <b>1,276</b>         | <b>3%</b>   | <b>10,146</b>        | <b>32%</b>  |

Customer Experience and Innovation is forecast to increase approximately \$10.1 million from 2024CR to 2027F. The primary drivers of the increase are increases in Customer Service and Grid Modernization and Customer Integration. The detailed variance explanation of the primary factors for the \$10.1 million increase from 2024CR to 2027F have been provided by the Company and is detailed below:

- **Customer Service** – The increase of approximately \$4.7 million from 2024CR to 2027F primarily relates to the increase of \$4.0 million from 2024CR to 2026F. The \$4.0 million increase in 2026F is attributable to the following:<sup>132</sup>
  - Increased labour due to additional resources required to support customer growth and customer-requested work, and salary escalation (\$5.0 million). As noted previously, per NS Power, the number of new customers per year has increased since 2020. For example, in 2020, new residential customers totalled 5,334 and new commercial customers totalled 185. However, in 2024, new residential customers totalled 8,188 and new commercial customers totalled 332.<sup>133</sup>
  - Increased net bad debt expense, which include recoveries and are driven by historical activity and forecast revenue (\$1.1 million).
  - Increased contract costs due to costs associated with a new software system and reallocation of rental expenses to contracts (\$0.7 million).
  - Increased commissions, which are part of net bad debt expense, and driven by historical activity and forecast revenue (\$0.6 million).

<sup>131</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-46.

<sup>132</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 52.

<sup>133</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-48.

- 1     • The above increases are partially offset by decreased other goods and services costs due to the \$2 million  
 2       reduction in 2026 per the GRA Settlement Agreement.
  
- 3     • The above increases are also offset by reduction through write-offs, which are part of bad debt expense and  
 4       are driven by historical activity and forecast revenue (\$1.3 million). As previously noted, per NS Power, the  
 5       Company calculates total net bad debt, which is comprised of write-offs, commissions, and recoveries.  
 6       Further, NS Power has sought to engage customers through the Company's customer care team. The  
 7       Company noted that these increased interactions with customers have helped educate customers of energy  
 8       usage and led to a significant reduction in customers being disconnected for non-payment in 2024 as they  
 9       engaged with the customer care team to find solutions. Additionally, the Company stated that it expects this  
 10      approach to continue to drive a benefit for customers and has forecast a reduction in net bad debt expense  
 11      as percentage of sales as a result.<sup>134</sup>
  
- 12    • A further increase of \$0.7 million from 2026F to 2027F is the result of increased labour costs due to salary  
 13      escalation (\$0.5 million) and increased write-offs due to inflation (\$0.1 million).
  
- 14    • **Grid Modernization and Customer Integration** – The increase of approximately \$4.5 million from 2024CR  
 15      to 2027F primarily relates to the increase of \$4.1 million from 2024CR to 2026F. The \$4.1 million increase in  
 16      2026F is attributable to the following:<sup>135</sup>
  - 17       ○ Increased labour due to the addition of the WAM support team and data analytics resources,  
 18          additional resources on the Customer Experience and Telecom teams, and salary escalation (\$3.0  
 19          million). As noted in an earlier section, per NS Power, increased labour requirements provide the  
 20          following:<sup>136</sup>
    - 21           ▪ The increased requirements for the Smart Meter Operations Centre are for data analytics  
 22              support. The incremental data analyst roles will leverage AMI, customer, and other data  
 23              sources to troubleshoot power quality concerns at customer premises, provide operational  
 24              reporting on Smart Meter Operations, respond to customer inquiries on billing and usage,  
 25              and support the design and evaluation of customer programs.
    - 26           ▪ The incremental labour for Customer Experience supports the maintenance of the  
 27              expanding portfolio of digital solutions such as Green Button, My Energy Insights, the  
 28              customer-facing website, and the large complex customer portal planned for 2026F. In  
 29              addition to the expanded digital channel support, the Customer Experience team is  
 30              delivering a Customer First, role-specific training program to educate employees in  
 31              delivering exceptional customer experience. The Customer Experience team is expanding  
 32              its communication initiatives with customers via media campaigns and in-person  
 33              engagements such as home shows to ensure customers have access to information and  
 34              expertise in managing their energy needs.
    - 35           ▪ The incremental labour for Telecom support is for increased maintenance requirements  
 36              for new and upgraded telecommunications equipment. New Remote Terminal Unit  
 37              installations and new renewable generation interconnections are examples of initiatives  
 38              that increase the volume of telecom assets that require regular maintenance.
    - 39           ▪ The incremental labour for WAM Support is for the maintenance of new business  
 40              processes that are deployed on the WAM platform. Expansion of business processes  
 41              include new requirements for maintaining system configurations and integrations,  
 42              managing data quality, and supporting new end users.

<sup>134</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-50.

<sup>135</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 54.

<sup>136</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-69.

- Increased contract costs due to increased requirements for the Customer Experience, Smart Meter Operations Centre ("SMOC"), Telecom and Customer Engineering & Innovation teams (\$1.0 million).
- A further increase of \$0.4 million from 2026F to 2027F is the result of increased labour costs due to a full year of labour costs for employees added in 2026F and an additional resource required for Customer Experience for customer-focused initiatives, and salary escalation (\$0.4 million).
- **Customer Solutions** - The increase of approximately \$1.0 million from 2024CR to 2027F primarily relates to the increase of \$0.8 million from 2024CR to 2026F. The \$0.8 million increase in 2026F is attributable to increased labour due to additional resources required to support large customer management and changes in energy utilization programs, and salary escalation (\$0.7 million). A further increase of \$0.2 million from 2026F to 2027F is the result of increased labour costs due to salary escalation (\$0.1 million).<sup>137</sup>

### 3.5.2.5 Corporate Adjustments

**Figure 14 – Corporate Adjustments operating cost detail - 2024CR, 2026-2027F**

| (\$000s)              | 2024<br>Compliance<br>(restated) | 2026F    | 2026F<br>vs<br>2024C | %<br>change | 2027F    | 2027F<br>vs<br>2026F | %<br>change | 2027F<br>vs<br>2024C | %<br>change |
|-----------------------|----------------------------------|----------|----------------------|-------------|----------|----------------------|-------------|----------------------|-------------|
| Corporate Adjustments | (46,435)                         | (63,897) | (17,461)             | 38%         | (68,215) | (4,318)              | 7%          | (21,780)             | 47%         |

Corporate Adjustments have an increased recovery of approximately \$21.8 million from 2024CR to 2027F, which is largely attributable to increased recoveries of \$17.5 million from 2024CR to 2026F. The increased recoveries of \$17.5 million in 2026F are attributable to the following:<sup>138</sup>

- Increased recovery for administrative overheads due to the profile of capital investment (\$10.6 million). Per the Company, NS Power has forecast an increase of \$14.4 million in administrative overheads compared to the 2023CR, which results in lower operating costs included in revenue and increased capital investment.<sup>139</sup>
- Increased recovery for vehicle allocated costs due to increased capital investment in transmission and distribution assets (\$3.9 million). Per the Company, in the creation of the forecast, NS Power allocates vehicle overhead costs, such as fuel, maintenance, insurance and licensing costs between forecast capital and operating activity. NS Power noted the forecast for vehicle overhead costs to be allocated to capital in 2026 is lower than the actual 2024 Vehicle administrative overheads which was calculated by applying the vehicle AO rate for 2024 to eligible capital labour in the PowerPlan system.<sup>140</sup>
- Decreased labour costs due to an addition of a vacancy adjustment and payroll accrual timing (\$3.0 million). Per the Company, a vacancy adjustment of \$5.7 million in 2026F reflects the assumption that all positions included in the 2026-2027 GRA budget will not be filled at all times. NS Power noted that the vacancy adjusts for unplanned staffing turnover and is in addition to forecasting staffing vacancies that are included in the operating and corporate groups forecast.<sup>141</sup>
- Decreased other goods and services costs due to a \$2 million reduction per the GRA settlement agreement. As noted in an earlier section of our report, per NS Power, the parties to the GRA

<sup>137</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 56.

<sup>138</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7C page 58.

<sup>139</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-57.

<sup>140</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-56.

<sup>141</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-54.

Settlement Agreement agreed to the operation and maintenance expense amounts included in the draft GRA, subject to the reductions, as outlined in Appendix B of the Settlement Agreement.<sup>142,143</sup>

- The above recoveries and decreased costs are partially offset by increased short-term interest costs, which are due to discontinuing the allocation of carrying costs on materials inventory to the procurement cost centre (\$1.6 million).

- A further recovery of \$4.3 million from 2026F to 2027F is attributable to increased recovery for administrative overheads due to the profile of capital investment (\$4.4 million). Per the Company, NS Power has forecast a further increase in administrative overheads and reduction to OM&G in the amount of \$4.8 million in 2027F as compared to 2026F. NS Power noted that it identifies the eligible overhead expenses and allocates these between capital and operating per the methodology outlined in Accounting Policies 6230 and 6235. NS Power added that the increase in administrative overheads is primarily due to customer and system growth, as well as increased investment to execute the Company's five-year reliability plan resulting in increased overhead costs allocated to capital.<sup>144</sup>

### 3.5.2.6 Pension

Total Pension expense (recovery) components forecast in the 2024 GRA Compliance budget and for the 2026-2027 test period are shown in the table below:

**Figure 15 – Pension Expense (Recovery) components - 2024C vs 2026-2027F<sup>145</sup>**

| (\$ millions)<br>Telus Health                          | Line item                    | 2024C        | 2026F        | 2027F        |
|--------------------------------------------------------|------------------------------|--------------|--------------|--------------|
| Payroll matching for DC and DB plans                   | OM&G (labour expense)        | 11.7         | 16.2         | 16.5         |
| Current service cost of DB plan not included in labour | OM&G (pension expense)       | 11.6         | 5.5          | 7.6          |
| Less: supplementary executive retirement plan          | OM&G (corporate adjustments) | (0.1)        | -            | -            |
| Non-current service pension recovery                   | Interest and other expenses  | (31.6)       | (23.8)       | (24.5)       |
| <b>Total February 2025 estimate</b>                    |                              | <b>(8.4)</b> | <b>(2.1)</b> | <b>(0.4)</b> |

*Note: Totals may show minor variances due to rounding.*

Pension expense figures were provided by NS Power's actuary, Telus Health (formerly Lifeworks). Per a letter from Telus Health, we confirmed that current service cost, including both payroll matching DC and defined benefit DB plans (labour expense), and current service cost of DB plans not included in labour (pension expense) are \$21.7 million and \$24.1 million in 2026F and 2027F, respectively.<sup>146</sup> Per the Company, \$16.2 million is allocated to labour expense, and \$5.5 million is allocated to pension expense in 2026F. Additionally, in 2027F, \$16.5 million is allocated to labour expense, and \$7.6 million is allocated to pension expense.<sup>147</sup>

Pension expense decreased approximately \$4.0 million from 2024C to 2027F. This is due to changes in the actual estimate of benefit costs. Per NS Power, the 2024C pension expense was based upon an extrapolation of accounting valuation results as of December 31, 2020, including a discount rate of 2.59 percent per year for past service and 2.85 percent per year for future service. NS Power's actuarial estimate of benefit costs is based upon an extrapolation of accounting valuation results as of December 31, 2024, including a discount rate of 4.63 percent per year for past service and 4.70 percent per year for future services.<sup>148</sup>

<sup>142</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-47.

<sup>143</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-1 Attachment 1.

<sup>144</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-57.

<sup>145</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 36.

<sup>146</sup> N-16 – 2026-2027 GRA RB-02-16 Attachment 2.

<sup>147</sup> N-6 – 2026-2027 GRA Direct Evidence Appendix 7A page 36.

<sup>148</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-58.

### 3.6 Operating expenses – benchmarking

In 2024, NS Power engaged ScottMadden to review NS Power's operating costs through a benchmarking study. The study focuses on the period of 2019-2023. The purpose of the benchmarking study is to provide useful directional-based insights around OM&G and capital costs, allowing NS Power to better understand its overall performance compared to peers.<sup>149</sup>

According to the Company, comparing electric utilities in different Canadian and American jurisdictions can be difficult and has its limitations, because of the differences in company structure, ownership, customer base, asset base, operating geographies, and size. The benchmarking study illustrates that NS Power performs favourably in most areas as compared to peer group utilities.<sup>150</sup> Per NS Power, ScottMadden inadvertently made a data entry error in the "Customers" column of the peer panel table that it reviewed with NS Power. The Company continued that because of these errors, ScottMadden incorrectly excluded from the original benchmarking report five companies that did meet the screening criteria. The five companies have been added to the updated benchmarking report, along with the exclusion of seven companies that were incorrectly included in the original benchmarking report. Per the Company, ScottMadden's findings do not have any substantive change in the updated benchmarking report.<sup>151</sup>

A summary of the updated results of the study, dated October 30, 2025, are presented below:<sup>152</sup>

- Per the ScottMadden study, overall, NS Power's OM&G costs compare favourably to the peer group, i.e., NS Power is in the first quartile for most metrics despite low usage per customer compared to peers. ScottMadden's findings included the following:
  - NS Power's Transmission OM&G costs are in the first quartile in the peer group on a per Retail Megawatt-hour ("MWh") Sold and, per Kilometre of Transmission Line basis.
  - NS Power's Distribution OM&G costs are first quartile in the peer group on a per Retail Customer and per Retail MWh Sold basis, and at the first/second quartile line in the peer group on a per Kilometre of Distribution Line basis. ScottMadden noted that NS Power widened its positive gap in the Distribution OM&G metrics through 2021, but this gap has since closed as NS Power's Distribution OM&G expenses grew faster than its peers since 2021. Further, ScottMadden stated that NS Power had increased storm expenses in 2023, and Distribution OM&G expense increased in 2023 due to customer growth, increased investment in reliability and significant growth in customer requested work.
  - NS Power's Production OM&G per MWh Generated at an enterprise-level and at the plant-level compares favourably to peers, among the lowest compared to peers for all metrics.
  - NS Power's Customer Accounts OM&G per Retail Customer and per Retail MWh Sold are in the first quartile and at the first/second quartile line, respectively, compared to the peer group and have increased at a slower rate than peers.
  - Administrative and General costs as a whole are also favourable compared to the peer group. The study states that Administrative and General OM&G costs typically include the salaries, bonuses, and other consideration for services of officers, executives, and other employees of the utility properly chargeable to utility operations and not chargeable directly to a particular operating function (e.g., production, transmission, distribution, etc.), office supplies, outside services, property insurance, injuries and damages, regulatory commission expenses, rents and general plant maintenance.

<sup>149</sup> N-14 – 2026-2027 GRA OP-03 Attachment 1, page 1.

<sup>150</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 34.

<sup>151</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-72.

<sup>152</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-72.

- NS Power's Capital Employed per Retail Customer is below the median and lowest among all peers.
  - NS Power's Finance & Accounting function performed well on three of the four metrics analysed compared to the peer median benchmarks, the exception being invoices processed per FTE which is below the industry group median.
  - NS Power's number of employees per human resource FTE compares favourably against the industry group median. However, NS Power has a longer time to fill positions compared to the industry group median, but with an improving trend.
  - NS Power's Supply Chain Operating Expenses as a percent of revenue are lower than the industry group median benchmarks, and this ratio improved during the time period analysed. However, NS Power's Supply Chain function has a lower proportion of strategic positions than the industry group median. Additionally, NS Power takes longer to issue a PO from time of requisition than the industry group median.
  - NS Power's IT is more costly than the industry group median on a per \$1,000 Revenue basis, but less costly on a per Business Entity FTE basis. Additionally, NS Power's IT Function FTEs serve fewer end users than the industry group median and there are more NSPI IT FTEs per \$1B revenue than the industry group median. Lastly, NS Power allocates a similar percentage of IT costs to capital compared to the industry group median.
- Based on the above from ScottMadden's benchmarking study, NS Power has demonstrated a favourable trend in operating costs using comparators such as operating costs per dollar of revenue, per customer, per pole kilometer, and per MWh over the period.

### 3.7 Conclusion

**We have reviewed the operating expenses included in NS Power's 2024 Actuals, 2024CR, 2025 Budget, 2026 Forecast, and 2027 Forecast. Our procedures included performing analytical procedures with respect to financial information in the Company's records, investigating variances, and reviewing the methodology and assumptions used in the OM&G forecast for reasonableness. We also reviewed the benchmarking study against the Company's peers, as completed by ScottMadden. Overall, operating costs are forecast to be approximately \$351.8 million in 2026F and \$357.9 million in 2027F. These amounts are largely driven by Corporate Groups (\$115.2 million and \$118.7 million in 2026F and 2027F, respectively), Power Production (\$109.7 million and \$112.9 million in 2026F and 2027F, respectively), and Energy Delivery (\$131.3 million and \$131.3 million in 2026F and 2027, respectively). The noted amounts are partially offset by Corporate Adjustments of \$63.9 million in 2026F and \$68.2 million in 2027F. Based on our review, nothing has come to our attention to indicate that the 2026 and 2027 Forecast for operating expenses are unreasonable on an overall basis.**

## 4. Regulatory amortization expense

### 4.1 Scope

Nova Scotia Power has a number of regulatory amortizations which have a direct impact on the overall revenue requirement for each year. Regulatory amortization is the process in which Nova Scotia Power recovers certain costs over a defined period, as approved or directed by the Board. These deferred charges are considered regulatory assets as they represent amounts that NS Power will be able to recover in the future. Regulatory amortizations help stabilize electricity rates and avoid large sudden increases in customer rates. The regulatory amortizations included in the forecast years include previously approved deferrals as well as those proposed in this GRA.

### 4.2 Procedures

Our procedures with respect to the regulatory amortizations include the following:

- Reviewed the methodology of proposed regulatory amortization for reasonableness and determined if this was consistent with previously approved practices and/or industry practice;
- Reviewed the regulatory amortizations previously approved to ensure they are in accordance with decisions outlined by the Board; and,
- Reconciled the regulatory amortizations to the Company's audited financial statements.

### 4.3 Analysis

The amortization of regulatory deferrals is summarized in the table below:

Figure 16 – Regulatory amortizations <sup>153</sup>

| (\$ millions)                                      | 2024C      | 2024A      | 2025F | 2026F      | 2027F      |
|----------------------------------------------------|------------|------------|-------|------------|------------|
| Non-standard Meters                                | 2.6        | 2.4        |       | 2.4        | -          |
| Hurricane Fiona Cost Recovery                      | -          | 1.7        |       | 3.4        | 3.4        |
| Deferred Decarbonization Asset                     | 4.5        | -          |       | -          | -          |
| Total previously approved regulatory amortizations | 7.1        | 4.1        |       | 5.8        | 3.4        |
| Annapolis Tidal Retired Assets                     | -          | -          |       | -          | 2.6        |
| Roseway Decommissioning                            | -          | -          |       | 1.0        | 1.0        |
| Smart Grid NS                                      | -          | -          |       | 0.3        | 0.3        |
| GRA Deferral                                       | -          | -          |       | 1.0        | 1.0        |
| Total proposed regulatory amortizations            | -          | -          |       | 2.3        | 4.9        |
| <b>Total regulatory amortizations</b>              | <b>7.1</b> | <b>4.1</b> |       | <b>8.1</b> | <b>8.3</b> |

- Non-standard Meters:** In Matter M08349, the Board permitted NS Power to recover the undepreciated costs of existing meters relating to the AMI project on a straight-line basis over five years. NS Power will complete the expense of the unrecovered cost of meters replaced under the AMI project from 2022-2026, and the net book value of these meters will be fully recovered by 2027.<sup>154</sup>
- Hurricane Fiona Cost Recovery:** NS Power retired assets damaged by Hurricane Fiona and has deferred recovery of storm restoration costs which results in amortization of approximately \$10 million of

<sup>153</sup> N-11( C )-(ii) 2026-2027 GRA DA-03 Attachment 1 - Excel – Confidential.

<sup>154</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 47

undepreciated capital costs and \$24.6 million of OM&G restoration costs. Amortization of these costs began in July 2024 and will be amortized over a total period of ten years.<sup>155</sup>

- **Deferred Decarbonization Asset:** In Matter M11220, the Board approved the creation of the DDA for the recovery of unrecovered costs related to generation assets to be retired by 2030 to meet decarbonization legislation. NS Power is proposing to securitize the net book value of the assets within the scope of the DDA as of December 31, 2025, which will significantly reduce the amount to be recovered through regulatory amortization of the DDA in the future.<sup>156</sup>
- **Annapolis Tidal Retired Assets:** NS Power has forecast the retirement of the Annapolis Tidal plant in January 2027. We agreed the unrecovered net book value of the facility to a supporting schedule, provided by the Company, and confirmed the unrecovered net book value balance in 2027F is \$25.8 million.<sup>157, 158, 159</sup> Amortization of the unrecovered net book value of this facility will be over a ten-year period. As such, \$2.6 million of regulatory amortization has been included in the 2027F revenue requirement.<sup>160</sup> This request is part of this GRA, and as such the Board shall issue a decision on this matter.
- **Roseway Decommissioning:** In Matter M11556, NS Power applied for the decommissioning of the Roseway Dam and is seeking to amortize the costs associated with the decommissioning for a period of five-years, starting in 2026.<sup>161</sup> We agreed the unrecovered net book value of the Roseway Dam to a supporting schedule, provided by the Company and confirmed the unrecovered net book value balance in 2026F is \$4.8 million.<sup>162, 163, 164</sup> As such, \$1.0 million of regulatory amortization has been included in the 2026F and 2027F revenue requirement.<sup>165</sup> The Board issued a decision letter for Matter N11556 whereby the Board agreed with NS Power that a five-year amortization period is a reasonable approach. Further, the Board approved the deferral of project costs until NS Power could include the regulatory amortization for recovery in this GRA, which is within the calendar year of the Board decision letter.<sup>166</sup>
- **Smart Grid NS:** In Matter M12178, NS Power applied to amortize the unrecovered net book value of certain assets in the Smart Grid Nova Scotia Asset Disposition Application on April 4, 2025 over five years.<sup>167</sup> We agreed the unrecovered net book value of the asset to a supporting schedule, provided by the Company, and confirmed that the unrecovered net book value balance in 2026F is \$1.7 million.<sup>168, 169, 170</sup> As such, \$0.3 million of regulatory amortization has been included in 2026F and 2027F revenue requirement.<sup>171</sup> As of the date of this report, this Matter is still before the Board.
- **GRA and COSS Deferral:** In the Board's 2023-2024 GRA Decision, the NSEB approved the Company's request to defer and create regulatory assets for costs including the COSS, Line Loss Study, and Climate Change Adaptation Plan. In addition to these costs, NS Power is seeking Board approval to include other GRA-related costs of this deferral in rates. These costs consist of NS Power, Intervenor, and NSEB costs

<sup>155</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 47.

<sup>156</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 48.

<sup>157</sup> N-12 –2026-2027 GRA FO-13.

<sup>158</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-68.

<sup>159</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 58.

<sup>160</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 47.

<sup>161</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 47.

<sup>162</sup> N-12 –2026-2027 GRA FO-13.

<sup>163</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-68.

<sup>164</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 58.

<sup>165</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-68.

<sup>166</sup> M11556 – Nova Scotia Power Inc. – CI C0050414 – HYD - Roseway Asset Decommissioning Application - Board Decision Letter – May 29, 2025.

<sup>167</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 47.

<sup>168</sup> N-12 –2026-2027 GRA FO-13.

<sup>169</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-68.

<sup>170</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 58.

<sup>171</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-68.

required to provide representation and expert opinions, assist in preparation of/for the GRA, and otherwise participate in these proceedings.

- NS Power has estimated costs at \$4.0 million, but these are challenging to predict due to limited recent history with general rate application spending. NS Power does not plan to refund any GRA and COSS amortizations exceeding actual expenses, nor will it charge more if expenses surpass forecasts, which introduces risk for ratepayers because the actual costs are uncertain. However, after reaching an agreement with customer representatives on this GRA, the forecast was lowered to \$2.0 million. This adjustment helps protect against regulatory amortization being too high if actual costs end up lower than forecasted.<sup>172</sup>
- These costs are to be recovered over the two-year test period. We note that it is common practice for such costs to be recovered over the test year period.

## 4.4 Conclusion

We have reviewed the regulatory amortizations included in NS Power's 2024 Actuals and 2025 Budget, as well as 2024 Compliance, 2026 Forecast and 2027 Forecast. Our procedures included reviewing the methodology of proposed regulatory amortization to determine reasonableness and consistency with previously approved practices. We also reviewed previously approved regulatory amortizations to ensure they are in accordance with Board decisions. Overall, regulatory amortizations are forecast to be approximately \$8.1 million in 2026F and \$8.3 million in 2027F. These amounts are largely driven by the non-standard meters (\$2.4 million in 2026F), the Hurricane Fiona Cost Recovery (\$3.4 million in both 2026F and 2027F), and the Annapolis Tidal Retired Assets (\$2.6 million in 2027F). Based on our review, nothing has come to our attention that would indicate regulatory amortizations included in the GRA are unreasonable.

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<sup>172</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-69

## 5. Taxes including income taxes and grants in lieu of property taxes

### 5.1 Scope

Taxes include corporate income tax expense and grants in lieu of property taxes. Included in revenue requirement are the following amounts related to tax expense:

*Figure 17 – Breakdown of taxes (2024-2027)<sup>173</sup>*

| (\$ millions)                    | Proposed Rates |             |       |             |             |
|----------------------------------|----------------|-------------|-------|-------------|-------------|
|                                  | 2024C          | 2024A       | 2025F | 2026F       | 2027F       |
| Grants in lieu of property taxes | 44.3           | 47.6        |       | 50.5        | 51.5        |
| Corporate income tax             | (0.1)          | (33.1)      |       | (20.7)      | 4.6         |
| <b>Total taxes</b>               | <b>44.2</b>    | <b>14.5</b> |       | <b>29.7</b> | <b>56.1</b> |

### 5.2 Procedures

Our procedures with respect to income tax expense include the following:

- Recalculated income taxes based on substantively enacted corporate income tax rates for Federal and Provincial jurisdictions.
- Assessed the reasonableness based on forecast income and substantively enacted rates.
- Conducted a review of NS Power's deferred income tax regulatory asset and liability and its interconnection with test year revenue requirement.

### 5.3 Analysis

#### 5.3.1 Grants in lieu of property taxes

In accordance with the Financial Measures (2003) Act, NS Power is required to increase grants in lieu of property tax payments by the average annual CPI for Canada for the previous calendar year. The amounts mentioned in the above table are based on a forecast from the Conference Board of Canada in October 2024, that included escalation rates of 2.2%, 2.0%, and 2.0% for 2025, 2026 and 2027, respectively.<sup>174</sup> We noted that the increase in grants in lieu of property taxes does not tie exactly to the escalation rates. We understand that this is an immaterial timing difference due to the timing of payments.

#### 5.3.2 Income tax expense

As detailed in the following table, the Company's total corporate income tax expense increases over the period such that a recovery of \$20.7 million is forecasted for 2026 with an income tax expense of \$4.6 million forecasted for 2027.

<sup>173</sup> N-12 – 2026-2027 GRA FO-01.

<sup>174</sup> N-12 – 2026-2027 GRA FO-08.

1 **Figure 18 – Corporate income tax expense<sup>175</sup>**

| (\$ millions)                                                      | Proposed Rates |               |       |               |              | Notes      |
|--------------------------------------------------------------------|----------------|---------------|-------|---------------|--------------|------------|
|                                                                    | 2024C          | 2024A         | 2025F | 2026F         | 2027F        |            |
| <b>Net income before tax (accounting)</b>                          | <b>202.0</b>   | <b>146.4</b>  |       | <b>180.3</b>  | <b>216.6</b> |            |
| Net income for tax purposes before CCA                             | 214.0          | 654.9         |       | 215.7         | 255.9        | [1]        |
| Less: CCA                                                          | (390.2)        | (189.2)       |       | (265.5)       | (246.7)      |            |
| <b>Net income for tax purposes</b>                                 | <b>(176.2)</b> | <b>465.7</b>  |       | <b>(49.8)</b> | <b>9.2</b>   | <b>[2]</b> |
| Less: Part VI.1 deduction                                          | -              | -             |       | (0.9)         | (1.2)        | [3]        |
| Less: Net-capital losses                                           | -              | (0.4)         |       | -             | -            |            |
| Less: Non-capital losses                                           | -              | (465.3)       |       | -             | (8.0)        |            |
| <b>Taxable income</b>                                              | <b>(176.2)</b> | <b>(0.0)</b>  |       | <b>(50.7)</b> | <b>0.0</b>   |            |
| Federal income tax (15%)                                           | (26.4)         | (0.0)         |       | (7.6)         | 0.0          |            |
| Provincial tax (14%)                                               | (24.7)         | (0.0)         |       | (7.1)         | -            |            |
| Part VI.1 tax                                                      | -              | -             |       | 0.2           | 0.4          | [3]        |
| <b>Current income tax expense before adjustments</b>               | <b>(51.1)</b>  | <b>(0.0)</b>  |       | <b>(14.4)</b> | <b>0.4</b>   |            |
| <b>Effective income tax rate - CIT / TI (%)</b>                    | <b>29%</b>     | <b>N/A</b>    |       | <b>29%</b>    | <b>N/A</b>   |            |
| Add: Deferred income taxes on regulatory deferrals                 | 30.5           | (128.7)       |       | (2.8)         | 2.5          | [4]        |
| Add: Other                                                         | 0.0            | -             |       | -             | -            |            |
| Add: Deferred income taxes on loss carryforward                    | (30.6)         | 95.7          |       | -             | 1.7          | [4]        |
| Add: Reclassification of CIT to/from DIT                           | 51.1           | -             |       | 14.7          | -            | [4]        |
| Add: Current income tax recovery - Investment Tax Credits          | -              | -             |       | (18.2)        | -            | [4]        |
| <b>Total corporate income tax expense</b>                          | <b>(0.1)</b>   | <b>(33.0)</b> |       | <b>(20.7)</b> | <b>4.6</b>   |            |
| <b>Effective income tax rate - total tax / NI before taxes (%)</b> | <b>0%</b>      | <b>-23%</b>   |       | <b>-11%</b>   | <b>2%</b>    | <b>[5]</b> |

3 *Note: The income tax figure presented above is after adjustment for non-regulated expenses.*

4 **[1] Net income for tax purposes before CCA** – The discrepancy between net income before tax (accounting) and  
5 net income for tax purposes before CCA is due to the adjustment of the following items: income taxes, depreciation  
6 and accretion, accounting amortization of financing costs, pension expense/recovery, regulatory amortization, fuel  
7 adjustment mechanism, other regulatory deferrals, interest capitalized for accounting, financing cost deductions,  
8 pension funding, regulatory amortization, fuel adjustment mechanism, FAM, Fuel Cost Recovery ("FCR"), and Fuel  
9 Cost Deferral ("FCD") adjustment interest, capitalized overhead, costs capitalized for accounting, capitalized pension  
10 costs, and other adjustments.<sup>176</sup>

11 **[2] Net income for tax purposes** - We understand that in June 2024 Parliament tabled Bill C-59 which includes the  
12 excessive interest and financing expenses limitation ("EIFEL") regime which applies to limit a company's net interest  
13 and financing expense deduction to no more than 30 percent of earnings before interest, income taxes, depreciation,  
14 and amortization for tax purposes. In August 2024 the Canadian federal government released an updated version of  
15 the EIFEL rules that includes exemptions for regulated utilities.<sup>177</sup> As such, NS Power has assumed exemption from  
16 EIFEL as the Company believes there is a high potential for the exemption to be granted. In the case that the  
17 exemption is not granted, NS Power has proposed to recover these costs through a deferral (estimated at \$7.0  
18 million). In the absence of the deferral, the expense should be included in the forecast revenue requirement.<sup>178</sup>

19 **[3] Part VI taxes** - We also noted the inclusion of Part VI.1 taxes as a deduction to arrive at taxable income and Part  
20 VI.1 taxes as an increase to arrive at current income tax expense before adjustments. We requested detail from the  
21 Company on why Part VI.1 taxes would be included in regulated income taxes when directed by the Board in the  
22 GRA decision to exclude them. Per NS Power, the Part VI.1 tax deductions and Part VI.1 taxes in the 2025 bridge  
23 year and 2026 and 2027 test years relate to NS Power's preferred share dividends, and do not relate to Part VI.1 tax

<sup>175</sup> N-13 – 2026-2027 GRA OE-10-11.

<sup>176</sup> N-13 – 2026-2027 GRA OE-10-11.

<sup>177</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 74.

<sup>178</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-126.

and tax deductions transferred from Emera Inc., which were specially directed by the Board in the GRA decision to be excluded.<sup>179</sup>

**[4] Above the line adjustments** - The above-the-line adjustments to total corporate income tax expense primarily relates to the deferred income taxes, reclassification of current income tax to/from deferred income tax, and current income tax recovery – investment tax credits, all of which are explained below.

Per the Company, deferred income taxes primarily relate to the FAM deferral and loss carry-forwards arising as a result of fuel under-recoveries. The deferred income taxes associated with the FAM deferral regulatory balance are recorded in the statement of earnings so that any over or under-recovery does not give rise to incremental tax expense (recovery). If deferred tax expense (recovery) was not recorded on the temporary differences related to the FAM deferral, there would be a net tax expense (recovery), such that the after-tax impact of the FAM deferral would not be earnings neutral. As such, deferred tax expense (recovery) is recorded on the FAM regulatory balance to ensure there is no impact to NS Power's earnings.<sup>180</sup>

In 2026, the average deferred income tax asset balance in rate base is forecast to be \$25.3 million, an increase of \$27.2 million from 2024 Compliance budget. In 2027, the average deferred income tax asset in rate base is forecast to be \$24.6 million, which is a decrease of \$0.7 million from 2026 forecast. Per NS Power, the change in these balances is primarily due to an increase in the net operating loss carry forward related to regulatory deferrals in 2025, and the utilization of prior year net operating loss carry forwards in 2027.<sup>181</sup> The Company also confirmed that there are no deferred tax assets related to net operating loss carry forwards created by Part VI.1 tax deductions included in deferred income taxes within rate base.<sup>182</sup>

Per the Company, the adjustments for deferred income taxes on loss carry forward, reclassification of current income tax to/from deferred income tax, and current income tax recovery – investment tax credits, are calculated for the 2026 and 2027 test years as follows:

- **Deferred income taxes on loss carry forward** – prior year non-capital losses utilized x 29 percent statutory income tax rate x proportion of prior year non-capital losses related to regulatory deferrals.
- **Reclassification of CIT to/from DIT (with regulatory offset)** – current year non-capital loss x 29 percent statutory income tax rate x proportion of current year non-capital losses related to other regulatory assets/liabilities (i.e., not related to regulatory deferrals). The benefit of non-capital losses related to other regulatory assets/liabilities is offset to a regulatory deferred income tax liability.
- **Current income tax recovery - investment tax credits** – eligible costs related to NS Power's Battery Energy Storage System project x 30 percent investment tax credit ("ITC") rate.<sup>183</sup>

**[5] Effective income tax rate** - The Company's effective income tax rate (current income tax / taxable income) is comparable to the statutory income tax rate in effect at the time of the Application for the proposed forecast. Based upon our analysis, income tax expense for 2025-2027 forecast appears consistent with substantively enacted corporate income tax rates and forecast net income.

We note that the effective income tax rate (total tax / net income before taxes) for both proposed 2026 and 2027, calculated at (11%) and 2%, respectively, does not align with the Company's statutory rate of 29%. Per NS Power, in accordance with NS Power's Board-approved accounting policy 5900 – Income Taxes, NS Power does not record deferred income taxes through the statement of income unless specifically directed by the Board. The Company further stated that investment tax credits are recognized as a reduction to income tax expense in the year earned,

<sup>179</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-63.

<sup>180</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 57-58.

<sup>181</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 58.

<sup>182</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-64.

<sup>183</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-65.

and therefore the effective corporate income tax rate for NS Power's proposed 2026 and 2027 test years do not align with the statutory income tax rate of 29%.<sup>184</sup>

## 5.4 Conclusion

We have reviewed taxes including income taxes and grants in lieu of property taxes included in NS Power's 2024 Actuals and 2025 Budget, as well as 2024C, 2026 Forecast, and 2027 Forecast. Our procedures included recalculating income taxes based on substantively enacted corporate income tax rates for Federal and Provincial jurisdictions, and assessing the reasonableness based on forecast income and substantively enacted rates. We also conducted a review of NS Power's deferred income tax regulatory asset and liability and its interconnection with test year revenue requirement. Overall, taxes are forecast to be approximately \$29.7 million in 2026F and \$56.1 million in 2027F. These amounts are largely driven by grants in lieu of property taxes (\$50.5 million in 2026F and \$51.5 million in 2027F), which are partially increased (offset) by corporate income tax (\$20.7 million in 2026F and \$4.6 million in 2027F). Based on our review, nothing has come to our attention to indicate that the 2026 and 2027 Forecast for taxes including income taxes and grants in lieu of property taxes are unreasonable.

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<sup>184</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-62.

## 6. Interest and other expenses

### 6.1 Scope

Interest expense includes interest and other expenses and AFUDC, FAM, and DSM rider deferral interest. Included in revenue requirement are the following amounts related to interest expense:

*Figure 19 – Interest expense<sup>185, 186</sup>*

| (\$ millions)                                                                   | 2024C       | 2024A        | 2025F | 2026F        | 2027F        |
|---------------------------------------------------------------------------------|-------------|--------------|-------|--------------|--------------|
| Interest and other expenses                                                     | 127.2       | 170.1        |       | 143.9        | 146.8        |
| AFUDC, FAM and DSM rider deferral interest                                      | (37.6)      | (33.5)       |       | (25.4)       | (16.8)       |
| <b>Total interest and other expenses<br/>(including AFUDC and FAM interest)</b> | <b>89.6</b> | <b>136.6</b> |       | <b>118.5</b> | <b>130.0</b> |

### 6.2 Procedures

Our procedures with respect to interest and other expenses include the following:

- Recalculated interest and other expenses based upon supporting documentation.
- Assessed the reasonableness of all expenses included within the interest account.

### 6.3 Analysis

#### 6.3.1 Interest and other expense

The following table summarizes the components of the total interest and other expenses:

*Figure 20 – Interest and other expenses<sup>187</sup>*

| (\$ millions)                              | 2026F        | 2027F        |
|--------------------------------------------|--------------|--------------|
| Interest on long-term debt                 | 153.8        | 155.2        |
| Interest on short-term borrowings          | 10.2         | 11.6         |
| Other financing charges & adjustments      | 1.4          | 1.8          |
| Amortization of deferred financing charges | 2.4          | 2.6          |
| <b>Total regulated financing cost</b>      | <b>167.7</b> | <b>171.3</b> |
| Non-current service pension income         | (23.8)       | (24.5)       |
| <b>Total interest and other expenses</b>   | <b>143.9</b> | <b>146.8</b> |

Interest expense is primarily related to outstanding debt volumes at forecast interest rates. The majority of NS Power's debt is fixed in nature, and the interest rate is known. Non-current service pension income is calculated by NS Power's actuary.<sup>188</sup>

<sup>185</sup> N-12 – 2026-2027 GRA FO-01.

<sup>186</sup> N-12 – 2026-2027 GRA FO-11.

<sup>187</sup> N-12 – 2026-2027 GRA FO-11.

<sup>188</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-61.

We recalculated interest and other expense based on supporting documentation and found no exceptions. We also agreed the non-current service pension income to the Telus Health actuary calculation.

### 6.3.2 AFUDC, FAM, and DSM rider deferral

The following table summarizes the components of AFUDC, FAM, and DSM rider deferral interest:

*Figure 21 – AFUDC, FAM, and DSM rider deferral interest<sup>189</sup>*

| (\$ millions)                                           | 2026F         | 2027F         |
|---------------------------------------------------------|---------------|---------------|
| AFUDC                                                   | (13.7)        | (18.1)        |
| FAM interest                                            | 1.0           | 1.3           |
| DSM rider interest                                      | -             | -             |
| Deferred interest on assets to be securitized           | (12.6)        | -             |
| Renewable to retail deferral                            | (0.1)         | (0.1)         |
| <b>Total AFUDC, FAM and DSM rider deferral interest</b> | <b>(25.4)</b> | <b>(16.9)</b> |

*Note: Totals may show minor variances due to rounding.*

- AFUDC** - Per the Company, AFUDC is calculated in accordance with NS Power's Board-approved accounting policy 6240- Allowance for Funds Used During Construction. The Company further explained that AFUDC is calculated by applying NS Power's Board-approved weighted average cost of capital ("WACC") to eligible construction work-in-progress balances on a monthly basis. AFUDC is calculated by NS Power's capital management software system, PowerPlan.<sup>190</sup>
- FAM interest** – FAM interest is calculated based on the FAM balance each month multiplied by NS Power's Board-approved WACC. Per the Company, discussions with the FAM Small Working group revealed that as Output Based Pricing System ("OBPS") costs are accrued each month and payment does not occur typically until October of the following year, the interest impact of the OBPS accrual is to be removed from FAM until the invoice has been paid.<sup>191</sup> We note that the impact of this has not been quantified in NS Power's response on this topic. However, we do not believe the impact is substantial.
- Deferred interest on assets to be securitized** – Per the Company, NS Power has forecast the securitization of the unrecovered net book value of thermal assets as of December 31, 2025 in two tranches. The first tranche of \$500 million is forecast to occur in December 2025, with the remaining amount of approximately \$204 million to be securitized in December 2026. The deferred financing costs are calculated as the portion of unrecovered net book value for assets within the scope of the DDA as of December 31, 2025, that have not yet been securitized multiplied by NS Power's WACC, multiplied by 11 months, as NS Power forecasts to securitize these assets in December 2026.<sup>192</sup>

We recalculated the FAM interest, DSM rider interest and deferred interest on assets to be securitized and noted no exceptions.

## 6.4 Conclusion

**We have reviewed interest and other expenses included in NS Power's 2024 Actuals and 2025 Budget, as well as 2024C, 2026 Forecast, and 2027 Forecast. Our procedures included recalculating interest and other expenses based on supporting documentation and assessing the reasonableness of all expenses included within the interest account. Overall, interest and other expenses are forecast to be approximately \$118.5**

<sup>189</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-91.

<sup>190</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-75.

<sup>191</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-77.

<sup>192</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-74.

1 million in 2026F and \$130.0 million in 2027F. These amounts are largely driven by interest and other  
2 expenses (\$143.9 million in 2026F and \$146.8 million in 2027F), which is partially offset by AFUDC, FAM, and  
3 DSM rider deferral interest ((\$25.4 million) in 2026F and (\$16.8 million) in 2027F). We note that the primary  
4 reason for the \$11.5 million increase in interest and other expenses from 2026F to 2027F is related to the  
5 \$12.6 million of deferred interest on assets to be securitized in 2026F. The remaining unrecovered net book  
6 value of thermal assets is forecast to be securitized in December 2026, and therefore are not included in  
7 2027F. Based on our review, nothing has come to our attention to indicate that the 2026 and 2027 Forecasts  
8 for interest and other expenses are unreasonable on an overall basis.

## 7. Rate base

### 7.1 Scope

Rate base represents the investment made by NS Power in assets required to provide service to customers. Included in rate base are physical assets such as power plants, wind turbines, power lines, vehicles, buildings and inventories of fuel and other supplies. It also includes financial assets such as working capital and regulatory assets, net of regulatory liabilities.<sup>193</sup> Rate base is a core component in the determination of NS Power's revenue requirement, as it represents the financing costs related to the Company's investments.

### 7.2 Procedures

Our procedures with respect to rate base involved verifying the calculation of average rate base. We assessed the reasonableness of the data used in the calculation of rate base, including the methodology used by the Company. In particular, our procedures included the following:

- Agreed all carry-forward data to supporting documentation, including prior year audited financial statements and internal accounting records, where applicable;
- Agreed forecast data (capital expenditures, depreciation, etc.) to supporting documentation to ensure it is internally consistent with pre-filed evidence and other areas of the forecast;
- Checked the clerical accuracy of the continuity of the rate base as forecast for 2026 & 2027;
- Recalculated the forecast rate base for 2026 & 2027; and
- Agreed the methodology used in the calculation of the average rate base to the Board's approved methodology and relevant Matters to ensure it is in accordance with established policy and procedure.

### 7.3 Analysis

#### 7.3.1 Average rate base

The tables presented below demonstrate the average rate base for the 2026 and 2027 periods under both existing and proposed rates:

**Figure 22 – Average rate base 2026-2027**<sup>194, 195</sup>

| (\$ millions)                            | 2026<br>Existing | Impact        | 2026<br>Proposed | 2027<br>Existing | Impact        | 2027<br>Proposed | Notes |
|------------------------------------------|------------------|---------------|------------------|------------------|---------------|------------------|-------|
| Average capital assets                   | 4,957.8          | -             | 4,957.8          | 5,301.3          | -             | 5,301.3          | [1]   |
| Average deferred charges and credits     | 83.3             | (12.7)        | 70.6             | 106.8            | (37.5)        | 69.3             | [2]   |
| Long-term income tax receivable          | 93.3             | -             | 93.3             | 97.4             | -             | 97.4             | [3]   |
| Average materials and supplies inventory | 298.4            | -             | 298.4            | 294.5            | -             | 294.5            | [4]   |
| Average cash working capital allowance   | 162.6            | (0.0)         | 162.6            | 126.1            | (0.0)         | 126.1            | [5]   |
| <b>Average rate base</b>                 | <b>5,595.4</b>   | <b>(12.7)</b> | <b>5,582.7</b>   | <b>5,926.1</b>   | <b>(37.5)</b> | <b>5,888.6</b>   |       |

<sup>193</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 49.

<sup>194</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 50, figure 9-1.

<sup>195</sup> N-16 – 2026-2027 GRA RB-02-16.

**[1] Average capital assets** - Average capital assets reflect NS Power's forecast average net book value of property, plant, and equipment plus construction work in progress over the 2026-2027 test period. The Company makes capital additions to utility assets in accordance with the NSEB capital approval processes outside the GRA. Average capital assets have increased from the 2024 compliance budget due to investments in sustaining and transformational projects. These include improving reliability and customer experience, incorporating more renewable energy, complying with regulations, supporting a growing customer base, and enhancing technology to support grid modernization. While NS Power's average capital assets will continue to increase over the 2026-2027 test period as the Company makes both sustaining and transformational capital investments, there is no change in average capital assets in 2026F or 2027F between existing and proposed rates.<sup>196</sup> Detailed analysis is provided below in our report.

**[2] Average deferred charges and credits** - NS Power's method for calculating deferred charges and credits conforms to the General Rate Applications since 2007 in which the Company included all components of the deferred charges and credits in the rate base calculation. Deferred charges, held in approved deferral accounts, represent amounts that NS Power has paid to operate the utility, but which have not yet been expensed. These amounts have not been reflected in customer rates. Impact on average deferred charges for 2026F and 2027F are \$12.7 million and \$37.5 million, respectively, which are a result of differences between proposed and existing balances for the FAM and income tax deferrals. Detailed analysis is provided below in our report.

**[3] Long-term income tax receivable** - NS Power and the CRA remain in a dispute with respect to the timing of certain tax deductions. According to NS Power, the ultimate permissibility of the tax deductions is not in dispute; rather, it is the timing of those deductions that is at issue. NS Power must prepay a certain portion of the amount in dispute, as required by CRA. On November 29, 2019, NS Power filed a Notice of Appeal with the Tax Court of Canada with respect to this dispute. If NS Power is successful in defending its position, all payments including applicable interest will be refunded. If NS Power is unsuccessful in defending any portion of its position, the resulting taxes and applicable interest will be deducted from amounts previously paid, with the difference, if any, either owed to or refunded from, the CRA. The related tax deductions will be available in subsequent years. Long-term income taxes receivable is increasing over the 2026-2027 GRA test period primarily due to net interest accrued in connection with prior year reassessments and payments made in relation to the timing of certain tax deductions in dispute with the CRA.<sup>197</sup> Detailed analysis is provided below in our report.

**[4] Average materials and supplies inventory** - NS Power has based its fuel and supplies inventory on the projected monthly average for 2026-2027, consistent with the methods used in the 2022-2024 General Rate Application. The inventory consists mainly of coal, biomass, oil, thermal plant materials inventories, and materials inventory required to support maintenance and investment activity on generation facilities and the transmission and distribution system. The average materials and supply inventory included in the 2026F rate base forecast is \$298.4 million, and \$294.5 million in 2027F.<sup>198</sup> There is no change in average materials and supplies inventory in 2026F or 2027F between existing and proposed rates. Detailed analysis is provided below in our report.

**[5] Average cash working capital allowance** - Cash working capital allowance represents the average amount of capital required above and beyond investments in plant and other separately identified rate base items. These investments bridge the gap between the time expenditures are made and payment in the form of revenue is received. This allowance is determined using a lead/lag study, which analyzes cash flows arising from NS Power's billing, payment, and collection procedures, with the goal of determining the average amount of outstanding working capital.<sup>199</sup> There is no change in average cash working capital allowance in 2026F or 2027F between existing and proposed rates. Detailed analysis is provided below in our report.

### 7.3.2 Average capital assets

The following table provides the average capital assets used in the calculation of average rate base for the 2026 and 2027 Forecast years:

<sup>196</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 51-52.

<sup>197</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 54.

<sup>198</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 53.

<sup>199</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 53.

1 **Figure 23 – Total average capital assets used in rate base<sup>200</sup>**

| (\$ millions)                                                      |       | Proposed       |                | 2026F       | 2027F        |       |
|--------------------------------------------------------------------|-------|----------------|----------------|-------------|--------------|-------|
|                                                                    | 2025F | 2026F          | 2027F          | vs<br>2025F | vs<br>2026F  | Notes |
| <b>Net regulated plant in service</b>                              |       |                |                |             |              |       |
| Net regulated plant in service, beginning balance                  |       | 4,654.2        | 4,895.3        |             | 241.1        |       |
| Add: asset additions                                               |       | 671.3          | 556.1          |             | (115.2)      | [1]   |
| Less: depreciation & accretion expense                             |       | (282.4)        | (300.8)        |             | (18.4)       | [2]   |
| Add: salvage and cost of removal                                   |       | 35.3           | 29.3           |             | (6.0)        | [3]   |
| Reclassified to COR and ARO liabilities                            |       | 21.1           | 30.1           |             | 9.0          | [4]   |
| Deferred financing costs on assets to be securitized               |       | 12.6           | -              |             | (12.6)       | [5]   |
| Securitization proceeds                                            |       | (216.7)        | -              |             | 216.7        | [5]   |
| Transfer to regulated asset (Roseway, SmartGrid NS, and Annapolis) |       | -              | (25.8)         |             | (25.8)       | [6]   |
| Non-regulated adjustments                                          |       | (0.1)          | 1.8            |             | 1.9          |       |
| <b>Net regulated plant in service, ending balance</b>              |       | <b>4,895.3</b> | <b>5,186.0</b> |             | <b>290.7</b> |       |
| <b>Construction work in progress</b>                               |       |                |                |             |              |       |
| Construction work in progress, beginning balance                   |       | 163.3          | 202.9          |             | 39.6         |       |
| Add: capital spending including AFUDC                              |       | 748.0          | 692.1          |             | (55.9)       | [7]   |
| Less: asset additions                                              |       | (671.3)        | (556.1)        |             | 115.2        | [1]   |
| Reclassified to ARO                                                |       | (0.2)          | (0.0)          |             | 0.1          |       |
| Less: salvage and cost of removal                                  |       | (35.3)         | (29.3)         |             | 6.0          | [3]   |
| Non-regulated adjustments                                          |       | (1.6)          | 8.8            |             | 10.4         |       |
| <b>Construction work in progress, ending balance</b>               |       | <b>202.9</b>   | <b>318.3</b>   |             | <b>115.4</b> |       |
| <b>Total</b>                                                       |       | <b>5,098.2</b> | <b>5,504.3</b> |             | <b>406.1</b> |       |
| <b>Total average capital assets</b>                                |       |                | <b>5,301.3</b> |             |              |       |

3 **[1] Asset additions** – Additions to plant in service were agreed to plant, property and equipment continuity  
4 schedules provided by NS Power, and we noted no errors.

5 **[2] Depreciation and accretion expense** – This balance agrees to depreciation and accretion expense included in  
6 revenue requirement (refer to revenue requirement section for detail). Depreciation and accretion expense is outside  
7 the scope of our work, and therefore we cannot comment further on the accuracy of the expense.

8 **[3] Salvage and cost of removal** – Salvage and cost of removal were agreed and reconciled to schedules provided  
9 by NS Power, and we noted no errors.<sup>201,202,203</sup>

10 **[4] Reclassified to cost of removal (“COR”) and asset retirement obligations (“ARO”) liabilities** – Reclassified  
11 to COR and ARO liabilities were agreed and reconciled to schedules provided by NS Power, and we noted no  
12 errors.<sup>204,205,206</sup>

13 **[5] Deferred financing costs on assets to be securitized/securitization proceeds** – NS Power has forecast the  
14 securitization of the unrecovered net book value of thermal assets as of December 31, 2025, in two tranches. The  
15 first tranche of \$500 million is forecast to occur in December 2025, with the remaining amount of approximately \$204  
16 million (\$216.7 million less \$12.6 million per table above) to be securitized in December 2026. NS Power further  
17 noted that the deferred financing costs are calculated as the portion of unrecovered net book value for assets within  
18 the scope of the DDA as of December 31, 2025, that have not yet been securitized, multiplied by NS Power's WACC,  
19 multiplied by 11 months, as NS Power forecasts to securitize these assets in December 2026. \$12.6 million in

<sup>200</sup> N-12 –2026-2027 GRA FO-12.

<sup>201</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-72.

<sup>202</sup> N-16 –2026-2027 GRA RB-01.

<sup>203</sup> N-12 –2026-2027 GRA FO-12.

<sup>204</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-72.

<sup>205</sup> N-16 –2026-2027 GRA RB-01.

<sup>206</sup> N-12 –2026-2027 GRA FO-12.

deferred financing costs was agreed to supporting schedules, provided by NS Power, and we noted no errors. NS Power has requested the inclusion of these deferred financing costs in rate base as part of this 2026-2027 GRA.<sup>207</sup>

**[6] Transfer to regulated assets (Roseway, Annapolis, and Smartgrid NS)** – NS Power stated that the \$2.1 million transferred to regulated assets in 2025F consists of the transfer of \$1.7 million of unrecovered Smart Grid Nova Scotia assets and \$0.4 million of the unrecovered Roseway ARC asset.<sup>208</sup> Additionally, NS power stated that the balance further increases in January 2027 related to the retirement of the Annapolis Tidal assets, with a forecast amortization period of 10 years.<sup>209</sup>

**[7] Capital spending including AFUDC** – Per NS Power, AFUDC is calculated in accordance with NS Power's Board-approved accounting policy 6240-Allowance for Funds Used During Construction. AFUDC is calculated by applying NS Power's Board-approved WACC to eligible construction work-in-progress balances on a monthly basis. These calculations are completed by NS Power's capital management software system, PowerPlan.<sup>210</sup>

### 7.3.3 Average deferred charges and credits

We conducted an examination of each of the regulatory deferral accounts proposed in this Application. The following table provides the regulatory deferred charges and credits included in rate base for existing and proposed in years 2026-2027.

**Figure 24 – Average deferred charges and credits: proposed versus existing<sup>211,212</sup>**

| (\$ millions)                                         | 2026<br>Existing | Impact        | 2026<br>Proposed | 2027<br>Existing | Impact        | 2027<br>Proposed | Notes |
|-------------------------------------------------------|------------------|---------------|------------------|------------------|---------------|------------------|-------|
| Financing charges                                     | 22.3             | -             | 22.3             | 20.5             | -             | 20.5             |       |
| Pension charges                                       | 156.9            | -             | 156.9            | 184.0            | -             | 184.0            |       |
| FAM deferral                                          | 8.9              | (14.1)        | (5.2)            | 32.7             | (38.2)        | (5.5)            | [1]   |
| Storm rider deferral                                  | (0.0)            | -             | (0.0)            | (0.0)            | -             | (0.0)            |       |
| DSM rider deferral                                    | 0.7              | -             | 0.7              | 0.4              | -             | 0.4              |       |
| DSM deferral                                          | 0.0              | -             | 0.0              | 0.0              | -             | 0.0              |       |
| Other general charges                                 | 29.6             | -             | 29.6             | 20.9             | -             | 20.9             | [2]   |
| Retired assets (Roseway, Annapolis, and SmartGrid NS) | 5.8              | -             | 5.8              | 16.1             | -             | 16.1             | [3]   |
| Deferred decarbonization asset                        | -                | -             | -                | -                | -             | -                |       |
| Cost of removal liability                             | 10.6             | -             | 10.6             | (7.3)            | -             | (7.3)            |       |
| Asset retirement obligation                           | (146.0)          | -             | (146.0)          | (153.7)          | -             | (153.7)          | [4]   |
| Deferred income taxes                                 | 23.9             | 1.4           | 25.3             | 23.9             | 0.7           | 24.6             | [5]   |
| Other deferred credits                                | (29.4)           | -             | (29.4)           | (30.9)           | -             | (30.9)           | [6]   |
| <b>Total average deferred charges and credits</b>     | <b>83.3</b>      | <b>(12.7)</b> | <b>70.6</b>      | <b>106.8</b>     | <b>(37.5)</b> | <b>69.3</b>      |       |

**[1] FAM deferral** – Changes to the FAM deferral balance between existing and proposed are primarily a result of differences in fuel costs recovered under existing rates compared to those proposed in this GRA.<sup>213</sup>

**[2] Other general charges** – Other general charges include long-term receivables related to NS Power financing, heat pump and hot water heater sales and unrecovered net book value of assets retired as a result of Hurricane Fiona storm restoration, accounting right-of-use lease assets with the offset of the long-term lease liabilities, financial instruments, renewable-to-retail deferred asset, GRA and COSS regulatory asset, and Townsend St. mortgage

<sup>207</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-74.

<sup>208</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-80.

<sup>209</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 58.

<sup>210</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-75.

<sup>211</sup> N-16 – 2026-2027 GRA RB-02-16.

<sup>212</sup> N-12 – 2026-2027 GRA FO-12.

<sup>213</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-77.

balance.<sup>214</sup> The following table provides the breakdown of the other general charges included in rate base for 2026F and 2027F:

**Figure 25 – Other general charges<sup>215</sup>**

| (\$ millions)                                           | 2025F  | Proposed    |             |
|---------------------------------------------------------|--------|-------------|-------------|
|                                                         |        | 2026F       | 2027F       |
| Long-term equipment financing receivable                | 17.8   | 11.6        | 6.9         |
| Right of use lease asset                                | 19.0   | 18.4        | 17.7        |
| Long-term lease liability - operating lease             | (20.7) | (20.3)      | (20.0)      |
| Hurricane Fiona unrecovered assets                      | 7.9    | 7.0         | 6.1         |
| Financial instruments                                   | 3.5    | 3.5         | 3.5         |
| Renewable to retail                                     | 1.5    | 1.6         | 1.7         |
| GRA and COSS deferral                                   | 4.0    | 2.0         | -           |
| Townsend St. mortgage                                   | 1.0    | 0.9         | 0.8         |
| Total other general charges                             | 34.0   | 24.7        | 16.7        |
| <b>Average included in deferred charges and credits</b> |        | <b>29.4</b> | <b>20.7</b> |

*Note: Totals may show minor variances due to rounding.*

**[3] Retired assets** – The retired assets average balance increases in 2026F due to the forecast addition at the end of 2025 of \$4.8 million related to the unrecovered decommissioning costs associated with the Roseway Hydro System, with a forecast amortization over five years, and \$1.7 million related to the unrecovered net book value of certain retired Smart Grid Nova Scotia assets, also with a forecast amortization over five years. The amortization amount on these assets totals \$1.3 million in 2026F. The balance further increases due to the forecast addition of \$25.8 million in January 2027 related to the retirement of the Annapolis Tidal assets, with a forecast amortization period of 10 years. This is partially offset by amortization of \$3.9 million.<sup>216</sup>

**[4] Asset retirement obligation** – The following table is a summary of asset retirement obligations for 2025 Forecast and Proposed 2026-2027 Forecast:

**Figure 26 – Asset retirement obligations<sup>217, 218</sup>**

|                                   |       | Proposed |         |
|-----------------------------------|-------|----------|---------|
| (\$000s)                          | 2025F | 2026F    | 2027F   |
| Generation                        |       |          |         |
| Steam                             |       | 83,440   | 87,863  |
| Gas turbine                       |       | 6,404    | 6,742   |
| LM6000                            |       | 1,430    | 1,506   |
| Wind turbine                      |       | 16,933   | 17,835  |
| Hydro                             |       | 41,468   | 43,655  |
| Total generation                  |       | 149,675  | 157,601 |
| Transmission and distribution     |       | 33       | -       |
| Total ARO                         |       | 149,708  | 157,601 |
| Average ARO included in rate base |       |          | 153,655 |

<sup>214</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-79.

<sup>215</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-79.

<sup>216</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 58.

<sup>217</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-83.

<sup>218</sup> N-11- 2026-2027 GRA DA-04 Attachment 1.

The average ARO included in rate base is \$146.0 million and \$153.7 million in 2026 Forecast and 2027 Forecast, respectively. AROs are included as a reduction to rate base, included as a component of regulatory deferred charges and represents the legal obligation that is associated with the retirement of the Company's plant assets.<sup>219</sup>

**[5] Deferred income taxes** – Per the Company, deferred income taxes primarily relate to the FAM deferral and loss carry-forwards arising as a result of fuel under-recoveries. The deferred income taxes associated with the FAM deferral regulatory balance are recorded in the statement of earnings so that any over or under-recovery does not give rise to incremental tax expense (recovery). If deferred tax expense (recovery) was not recorded in the temporary differences related to the FAM deferral, there would be a net tax expense (recovery), such that the after-tax impact of the FAM deferral would not be earnings neutral. As such, deferred tax expense (recovery) is recorded in the FAM regulatory balance to ensure there is no impact to NS Power's earnings.<sup>220</sup> Changes between existing and proposed balances are influenced by changes to the FAM deferral discussed above.

**[6] Other deferred credits** – Other deferred credits include other long-term liabilities and long-term accrued interest.<sup>221</sup> The following table provides the breakdown of the other deferred credits included in rate base for 2026F and 2027F:

**Figure 27 – Other deferred credits<sup>222</sup>**

|                                                         |       | Proposed |               |
|---------------------------------------------------------|-------|----------|---------------|
| (\$ millions)                                           | 2025F | 2026F    | 2027F         |
| Long-term liabilities - other                           |       | (16.8)   | (16.8)        |
| Long-term accrued interest                              |       | (13.3)   | (14.9)        |
| Total other deferred credits                            |       | (30.1)   | (31.7)        |
| <b>Average included in deferred charges and credits</b> |       |          | <b>(30.9)</b> |

### 7.3.4 Long-term income tax receivable

The following table provides the average long-term income tax receivable used in the calculation of average rate base for the forecast years 2026-2027:

**Figure 28 – Long-term income tax receivable<sup>223</sup>**

|                                                   |       | Proposed    |             |
|---------------------------------------------------|-------|-------------|-------------|
| (\$ millions)                                     | 2025F | 2026F       | 2027F       |
| Long-term income tax receivable - opening balance |       |             |             |
| Forecast interest                                 |       |             |             |
| Long-term income tax receivable - closing balance |       | 95.3        | 99.5        |
| <b>Average long-term income tax receivable</b>    |       | <b>93.3</b> | <b>97.4</b> |

The average long-term income tax receivable included in rate base is \$93.3 million and \$97.4 million in 2026 Forecast and 2027 Forecast, respectively. Per NS Power, long-term income taxes receivable is increasing over the 2026-2027 GRA test period primarily due to net interest accrued in connection with prior year reassessments and payments made in relation to the timing of certain tax deductions in dispute with the CRA.<sup>224</sup>

<sup>219</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 57.

<sup>220</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 57-58.

<sup>221</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-79.

<sup>222</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-79.

<sup>223</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-84.

<sup>224</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 54.

According to the Company, since NS Power filed its Notice of Appeal on November 29, 2019<sup>225</sup>, the Tax Court of Canada has experienced a significant backlog as a result of lack of resources (including Judges) and Covid-19 closures. The Company further noted that this backlog, coupled with the fact that the parties are currently waiting for decisions in discovery motions that were heard in January 2025, are the reason for the delay in having the appeal heard. The outcome of the discovery motions will impact the process and timing of the balance of the litigation. NS Power stated that no hearing date has been set for the litigation, and it is currently unknown when the matter is likely to resolve.<sup>226</sup>

The Company noted that if the dispute with CRA is resolved during the test years, any refund received would result in NS Power collecting the cash and removing the long-term income tax receivable from its balance sheet. The Company further stated that to the extent that NS Power has a portion of the disputed tax benefits denied, the denied income tax benefits and related interest are expected to be recovered from customers. The related tax benefits would be available to reduce income tax expense and the cost of service for customers in future periods.<sup>227</sup>

### 7.3.5 Average materials and supplies inventory

The following table provides the average materials and supplies inventory used in the calculation of average rate base for the forecast years 2026-2027:

**Figure 29 – Average materials and supplies inventory<sup>228</sup>**

| (\$ millions)                                     |  | Proposed |              | 2026F<br>vs<br>2025F | 2027F<br>vs<br>2026F |
|---------------------------------------------------|--|----------|--------------|----------------------|----------------------|
|                                                   |  | 2025F    | 2026F        |                      |                      |
| Fuel                                              |  |          | 187.0        | 169.7                | (17.3)               |
| Materials                                         |  |          | 115.0        | 117.3                | 2.3                  |
| <b>Total allowance for materials and supplies</b> |  |          | <b>302.0</b> | <b>287.0</b>         | <b>(15.0)</b>        |
| <b>Average materials and supplies inventory</b>   |  |          | <b>298.4</b> | <b>294.5</b>         |                      |

The average materials and supply inventory included in rate base is \$298.4 million and \$294.5 million in 2026 Forecast and 2027 Forecast, respectively. NS Power has based its fuel and supplies inventory on the projected monthly average for 2026-2027, consistent with the methods used in the 2022-2024 General Rate Application. The Company noted that inventory consists mainly of coal, biomass, oil, thermal plant materials inventories, and materials inventory required to support maintenance and investment activity on generation facilities and the transmission and distribution system.<sup>229</sup>

Per the Company, the increase of approximately \$131.1 million in materials and supplies inventory from 2024 Compliance (\$170.9 million) to 2026 Forecast (\$302.0 million) is primarily due to an increased forecast for fuels inventory of \$87 million. The Company noted that this is due to an increased volume of solid fuel inventory as result of the SO<sub>2</sub> emissions relief that was effective April 2025. In addition, NS Power also noted that there has been an increase in materials inventory of \$44 million due to inflationary pressures and ongoing supply chain challenges. The Company further stated that most North American utilities require significant investment due to a number of factors, including increased electrification, grid modernization and decarbonization. In addition, due to recently introduced tariffs, NS Power and other Canadian utilities are attempting to source more materials from Canadian suppliers. All of these factors are contributing to a high demand environment as compared to available supply, especially for items such as transformers. Per the Company, this is driving higher materials pricing and the need for NS Power to carry a

<sup>225</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 54.

<sup>226</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-60.

<sup>227</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-84.

<sup>228</sup> N-12 –2026-2027 GRA FO-13.

<sup>229</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 53.

greater stock of materials inventory in order to meet customer requirements and respond to large-scale weather events.<sup>230</sup>

Total allowance for materials and supplies increased by approximately [REDACTED] from 2025 Forecast to 2026 Proposed Forecast. Per the Company, the increase in forecast materials and supplies from 2025 Forecast to 2026 GRA Forecast is primarily due to forecast inflationary increases in the cost of materials.<sup>231</sup> Additionally, the Company noted that average fuel inventory, which is predominately comprised of coal, is expected to increase from the 2025 Forecast to the 2026 Proposed Forecast as result of the SO<sub>2</sub> emissions relief that was effective April 2025. The Company further stated that as a result of SO<sub>2</sub> emissions relief, NS Power is forecasting more coal generation during the winter months, thus increasing the required coal inventory on hand for 2026 as compared to 2025.<sup>232</sup>

Total allowance for materials and supplies is forecasted to decrease by approximately \$15.0 million from 2026 Forecast to 2027 Forecast. The Company noted that the average inventory is decreasing in the 2027 Forecast compared to the 2026 Forecast as a result of the Goose Harbour Lake wind project forecast to become operational in late 2026 and four additional wind projects expected to become operational in early 2027. NS Power commented that the energy that is forecast to be supplied from these additional wind projects is forecast to reduce the amount of generation from coal in 2027, thus reducing the volume of coal inventory required.<sup>233</sup>

### 7.3.6 Average cash working capital allowance

The following table provides the average cash working capital allowance used in the calculation of average rate base for the forecast years 2026-2027:

**Figure 30 – Average cash working capital<sup>234, 235</sup>**

|                                     |             | Proposed     |              | 2026F       | 2027F         |
|-------------------------------------|-------------|--------------|--------------|-------------|---------------|
|                                     | 2024        |              |              | vs          | vs            |
| (\$ millions)                       | Compliance  | 2026F        | 2027F        | 2024C       | 2026F         |
| Allowance for working capital       | 79.1        | 137.5        | 114.7        | 58.4        | (22.8)        |
| <b>Average cash working capital</b> | <b>71.6</b> | <b>162.6</b> | <b>126.1</b> | <b>91.0</b> | <b>(36.5)</b> |

As outlined in the Application, cash working capital allowance represents the average amount of capital required above and beyond investments in plant and other separately identified rate base items. Per the Company, these investments bridge the gap between the time expenditures are made and payment in the form of revenue is received. This allowance is determined using a lead/lag study, which analyzes cash flows arising from NS Power's billing, payment, and collection procedures, with the goal of determining the average amount of outstanding working capital.<sup>236</sup> The lead/lag study was prepared by ScottMadden and is dated April 2025. In its report, ScottMadden noted that the lead-lag study was based on financial data from January 1, 2023 through December 31, 2023.<sup>237</sup>

The average cash working capital included in rate base is \$162.6 million and \$126.1 million in 2026 Forecast and 2027 Forecast, respectively. We note that there is an increase in 2026 Forecast of approximately \$91.0 million over 2024 Compliance. Per the Company, the increase in working capital requirement in 2026 Forecast is driven by the investment tax credit NS Power is expected to receive. The Company continued that the investment tax credit has

<sup>230</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-85.

<sup>231</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-87.

<sup>232</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-86.

<sup>233</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-86.

<sup>234</sup> N-16 – 2026-2027 GRA RB-02-16.

<sup>235</sup> N-12 – 2026-2027 GRA FO-15.

<sup>236</sup> N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025, page 53.

<sup>237</sup> N-17 – 2026-2027 GRA SR-04 Attachment 1 page 4 of 26.

been included as a tax offset at the end of 2027 Forecast, which is driving the higher cash working capital requirement in 2026 Forecast.<sup>238</sup>

Overall, the lead-lag methodology used by NS Power appears appropriate. During our review, NS Power noted that there has been no change to the methodology used in calculating the working capital allowance for the 2026-2027 GRA compared to the 2022-2024 GRA.<sup>239</sup>

NS Power provided the calculations supporting the cash working capital allowance for the 2026-2027 Forecast years proposed in this GRA. We agreed the lag days for each component of cash working capital to the aforementioned lag study and recalculated cash working capital requirements for each of the proposed years based on data from the regulated statement of earnings. We found no errors in our recalculation of the cash working capital allowance for 2026 and 2027 Forecast.

## 7.4 Conclusion

**We have reviewed the components included in average rate base for the test years. Our procedures included agreeing all carry-forward data and forecast data to supporting documentation, checking the clerical accuracy of the continuity of the rate base in forecast for 2026 and 2027, recalculating the forecast rate base for 2026 and 2027, and agreeing the methodology used in the calculation of the average rate base to the NSEB approved methodology and relevant Matters. Overall, average rate base is forecast to be approximately \$5.58 billion and \$5.89 billion in 2026 Forecast and 2027 Forecast, respectively. These amounts are largely driven by average capital assets of \$4.96 billion and \$5.30 billion in 2026F and 2027F, respectively. Based on our review, nothing has come to our attention to indicate that the 2026 and 2027 Forecasts for average rate base are unreasonable on an overall basis.**

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<sup>238</sup> N-27 (C) – NSPI Responses to NSEB Information Requests – IR-98.

<sup>239</sup> N-23 (C) – NSPI Responses to GT Information Requests – IR-90.

## Appendix A - Glossary of terms

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| Abbreviation                                               | Term                                                               |
|------------------------------------------------------------|--------------------------------------------------------------------|
| <b>2024 Compliance (restated), 2024CR</b>                  | 2024 restated GRA Compliance Filing                                |
| <b>2024A</b>                                               | 2024 Actuals                                                       |
| <b>2024C</b>                                               | 2024 Compliance                                                    |
| <b>2025B</b>                                               | 2025 Budget                                                        |
| <b>2026F</b>                                               | 2026 Forecast                                                      |
| <b>2027F</b>                                               | 2027 Forecast                                                      |
| <b>AFUDC</b>                                               | Allowance for funds used during construction                       |
| <b>AMI</b>                                                 | Advanced metering infrastructure                                   |
| <b>AO</b>                                                  | Administrative overhead                                            |
| <b>Application, 2026-2027 GRA</b>                          | M12451 2026-2027 General Rate Application                          |
| <b>ARO</b>                                                 | Asset retirement obligations                                       |
| <b>Board, NSEB</b>                                         | Nova Scotia Energy Board                                           |
| <b>COR</b>                                                 | Cost of removal                                                    |
| <b>COSS</b>                                                | Cost of Service Study                                              |
| <b>CPI</b>                                                 | Consumer price index                                               |
| <b>CRA</b>                                                 | Canada Revenue Agency                                              |
| <b>DB</b>                                                  | Defined benefit                                                    |
| <b>DC</b>                                                  | Defined contribution                                               |
| <b>DCC</b>                                                 | Distribution Control Centre                                        |
| <b>DDA</b>                                                 | Deferred Decarbonization Asset                                     |
| <b>DSM</b>                                                 | Demand side management                                             |
| <b>EA</b>                                                  | Enterprise Agreement                                               |
| <b>EAM</b>                                                 | Enterprise Asset Management                                        |
| <b>ECEI</b>                                                | Eastern Clean Energy Initiative                                    |
| <b>EIFEL</b>                                               | Excessive interest and financing expenses limitation               |
| <b>EIT</b>                                                 | Engineers-in-training                                              |
| <b>Emera</b>                                               | Emera Incorporated                                                 |
| <b>FAM</b>                                                 | Fuel Adjustment Mechanism                                          |
| <b>FCD</b>                                                 | Fuel Cost Deferral                                                 |
| <b>FCR</b>                                                 | Fuel Cost Recovery                                                 |
| <b>FTEs</b>                                                | Full time equivalents                                              |
| <b>GRA, the Application</b>                                | M12451 2026-2027 General Rate Application                          |
| <b>HFO</b>                                                 | Heavy fuel oil                                                     |
| <b>HRM</b>                                                 | Halifax Regional Municipality                                      |
| <b>IAM</b>                                                 | Identity and access management                                     |
| <b>IPP</b>                                                 | Independent Power Producer                                         |
| <b>IT</b>                                                  | Information Technology                                             |
| <b>ITC</b>                                                 | Investment Tax Credit                                              |
| <b>Last GRA, M10431 2022-2024 General Rate Application</b> | 2023-2024 GRA forecast                                             |
| <b>MSP</b>                                                 | Managed service provider                                           |
| <b>MWh</b>                                                 | Megawatt-hour                                                      |
| <b>NEETRAC</b>                                             | National Electric Energy Testing, Research and Applications Centre |
| <b>NSIESO</b>                                              | Nova Scotia Independent Energy System Operator                     |

|                                             |                                          |
|---------------------------------------------|------------------------------------------|
| <b>NSPSO</b>                                | Nova Scotia Power System Operator        |
| <b>OATT</b>                                 | Open Access Transmission Tariff          |
| <b>OBPS</b>                                 | Output Based Pricing System              |
| <b>OM&amp;G</b>                             | Operating, maintenance and general costs |
| <b>OT</b>                                   | Operational Technology                   |
| <b>RMC</b>                                  | Resource Management Centre               |
| <b>SMOC</b>                                 | Smart Meter Operations Center            |
| <b>T&amp;D</b>                              | Transmission and Distribution            |
| <b>The Company, NS Power, NSPI</b>          | Nova Scotia Power Incorporated           |
| <b>WACC</b>                                 | Weighted average cost of capital         |
| <b>WAM</b>                                  | Work and Asset Management                |
| <b>We, us, our, or Doane Grant Thornton</b> | Doane Grant Thornton LLP                 |

## Appendix B – Documents referenced

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| #  | Document                                                               |
|----|------------------------------------------------------------------------|
| 1  | N-3 – M12451: 2026-2027 General Rate Application, September 18, 2025   |
| 2  | N-6 – 2026-2027 GRA Direct Evidence Appendix 7A                        |
| 3  | N-6 – 2026-2027 GRA Direct Evidence Appendix 7C                        |
| 4  | N-6 – 2026-2027 GRA Direct Evidence Appendix 7D                        |
| 5  | N-11( C )-(ii) 2026-2027 GRA DA-03 Attachment 1 - Excel - Confidential |
| 6  | N-11- 2026-2027 GRA DA-04 Attachment 1                                 |
| 7  | N-12 – 2026-2027 GRA FO-01                                             |
| 8  | N-12 – 2026-2027 GRA FO-08                                             |
| 9  | N-12 – 2026-2027 GRA FO-11                                             |
| 10 | N-12 –2026-2027 GRA FO-12                                              |
| 11 | N-12 –2026-2027 GRA FO-13                                              |
| 12 | N-12 –2026-2027 GRA FO-15                                              |
| 13 | N-13 – 2026-2027 GRA OE-10-11                                          |
| 14 | N-14 – 2026-2027 GRA OP-03 Attachment 1                                |
| 15 | N-16 –2026-2027 GRA RB-01                                              |
| 16 | N-16 – 2026-2027 GRA RB-02-16                                          |
| 17 | N-16 – 2026-2027 GRA RB-02-16 Attachment 2                             |
| 18 | N-17 –2026-2027 GRA SR-04 Attachment 1                                 |
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