Undertaking U-16:

To advise why preferred share dividend amounts cannot be excluded from the regulated financial statements or why they're not being excluded.

Response U-16:

In the Board's decision in relation to NS Power's 2023-2024 General Rate Application (M10431), the Board stated:

> The Board agrees that since the Part VI.1 tax deductions and related transactions with Emera are unregulated activities, these items should be excluded from rate base and from the regulated financial statements of NS Power. The Board directs NS Power to exclude all Part VI.1 tax transactions and amounts from its regulated statements in the future, and to adjust for any amounts currently included in the regulated financial statements[1].

The Part VI.1 amounts included in the calculation of NS Power's 2026-2027 forecast income tax expense do not arise as a result of unregulated activities due to transactions between NS Power and Emera Inc. Instead, these amounts arise due to the financing arrangement for NS Power's Battery Energy Storage System (BESS) Project (Capital Item # C0045132) in which NS Power issued preferred shares to Wskijnu'k Mtmo'taqnuow Agency Limited (WMA) in exchange for their equity investment in this project.

As the Part VI.1 tax amounts included in NS Power's forecast 2026-2027 income tax expense are related to the financing arrangement of a Board-approved capital item and not unregulated activities, the Company submits that these amounts are appropriate to be included in the calculation of NS Power's 2026-2027 test period revenue requirement.

[1] M10431 Board Decision, Page 144, Para 379