M12451

NOVA SCOTIA ENERGY BOARD

IN THE MATTER OF: The ***PUBLIC UTILITIES ACT***

-and-

IN THE MATTER OF: **A GENERAL RATE APPLICATION by NOVA SCOTIA POWER INCORPORATED** for approval of certain revisions to its Rates, Charges and Regulations

<u>CLOSING SUBMISSIONS</u>
<u>OF THE CONSUMER ADVOCATE</u>

January 30, 2026

Introduction

These are the closing submissions of the Consumer Advocate following the hearing of Nova Scotia Power's General Rate Application (GRA). A key feature of the GRA is that it resulted from a Settlement Agreement between Nova Scotia Power and representatives of all customer groups receiving service from the Utility. The Consumer Advocate is a Party to the Settlement Agreement, and accordingly supports the outcomes of the GRA.

The GRA includes average rate increases across all customer classes of approximately 2.1% a year in each of the two test years, 2026 and 2027. The rate increases for the Residential Class are greater than the average at 3.8% and 4.1% a year, largely because of changes to the way Nova Scotia Power assigns the costs of providing electricity to the different rate classes. Those changes in the Cost of Service Model were implemented as part of this GRA following a review ordered by the predecessor Board in its decision in Nova Scotia Power's last General Rate Application: 2023 NSUARB 12, at paragraph 366 to 367.

The Consumer Advocate supports the outcomes of the GRA despite the variable impact it will have on rates to be paid by different rate classes. The GRA is the result of settlement discussions that brought significant reductions in the revenue Nova Scotia Power was proposing to generate from all rate classes through cuts to operating and maintenance costs and reduced depreciation rates.

The Settlement Agreement also included a commitment to review one of the main features of the Cost of Service Model that led to the higher rate increases for customers in the Residential Rate Class. This will take place in a Board proceeding that will be initiated by Nova Scotia Power through an application later this year.

As well, the Parties agreed to improvements in “riders” for the recovery of storm costs and the Demand Side Management Program that were to the benefit of all rate payers, which are also reflected in the GRA.

The measures in the Settlement Agreement coupled with discussions between Nova Scotia Power and the Province on the application of regulations for sulfur emissions and the securitization of Nova Scotia Power’s thermal assets achieved significant relaxation of the rate pressures Nova Scotia Power and its customers would have otherwise faced.

The Board Should Accept the Settlement Agreement

The GRA and the Settlement Agreement on which it is based are the product of months of consultation among Nova Scotia Power and its Customer Representatives, supported by expert consultants retained by the Parties.

Early in the process, Nova Scotia Power prepared a draft GRA that was the subject of multiple rounds of written interrogatories and several technical conferences.

Final negotiations brought agreement on changes to the draft GRA that became the basis of the GRA as filed.

All Parties made concessions in order to come to a joint position in support of the GRA, with the knowledge that the results of their work would be subject to close scrutiny by the Board and other Intervenors.

At the hearing of the GRA, the Settlement Agreement continued to have the support of all the customer groups that negotiated its terms. The Agreement was reviewed by six (6) expert consultants retained by Board Counsel to study particular elements of the GRA. These consultants provided expert evidence and testimony at the hearing. While they raised questions about specific parts of the GRA, none of the consultants recommended the outright rejection of the Settlement Agreement.

The broad support that has been shown for the Settlement Agreement is evidence that its terms are just and reasonable and in the public interest.

The Board’s Approach to Settlement Agreements

Although the Board was created by legislation passed in 2024, it has inherited much of the statutory framework and jurisprudence that guided the predecessor Board. The UARB had a well developed history of supporting the settlement of regulatory matters. Indeed, Nova Scotia Power’s last General Rate Application, filed in 2022, was resolved by a Settlement Agreement that was approved by the predecessor Board. In that Decision, the Board described its overall approach to settlements negotiated by Parties to a proceeding:

> [57] In its previous decisions, the Board has set out the principles it applies in its consideration of settlement agreements. Those principles bear repeating. In its

decision dated November 5, 2008, about a prior NS Power general rate application, the Board outlined its general approach to settlement agreements submitted to it for approval:

> [12] The Board's *Regulatory Rules* facilitate settlement discussions. The Board welcomes and appreciates the efforts of parties to, in good faith, settle issues, even where, as sometimes happens, a settlement cannot be ultimately achieved.
>
> [13] Where, as here, the Agreement is supported by representatives of all of the customer classes, the Board can have confidence that the Agreement is in the public interest.
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> [14] Customers of NSPI and members of the public are, perhaps understandably, wary of the settlement process. Many of those customers and members of the public may not appreciate that by the time the hearing commences 80% of the rate hearing process has already happened. NSPI filed extensive evidence, as required by the Board, to support its rate request. Interested parties and Board Staff asked NSPI many hundreds of written questions (Information Requests), to which responses were filed.
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> [15] All of the parties who chose to do so filed evidence, including expert evidence. Written questions (Information Requests) have been asked of and answered by interested parties who filed evidence. NSPI filed reply evidence. As noted, all of this happened before the hearing was scheduled to begin so that the parties and the Board are well informed about the case in advance of any oral public hearing.
>
> [16] The public can rest assured that the Board Members hearing the matter have also thoroughly reviewed all of the material in advance of coming to a decision as to whether to approve the Agreement as being in the public interest.
>
> [17] Settlement agreements, while relatively new in regulatory matters before the Board, are common in the litigation process. Within the Board's adjudicative mandate, for example, assessment appeals, planning appeals and other matters are often settled. In the civil courts of Nova Scotia, a much higher percentage of cases are settled than go to trial.
>
> [18] That is not to say that the Board would hesitate to reject a settlement agreement it did not consider to be in the public interest, however, it should be understood that a properly supported settlement is a success of the regulatory process, not a failure.
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> Nova Scotia Power General Rate Application, 2023 NSUARB 12 at paragraph 57

In its 2023 Decision, the predecessor Board endorsed and adopted the following comments made in the written submissions of one of the Parties:

> 26.... It is in the public interest to approve settlement agreements in these circumstances in order to encourage a collaborative approach to ratemaking. Doing so provides incentive to parties to be reasonable and promotes the reduction of controversy in rate applications coming to the Board.
>
> Nova Scotia Power GRA, supra, paragraph 60

In the last GRA case, the Settlement Agreement came after the hearing of the Application had concluded. The timing and context of the Agreement was "unique" in the view of the Board and one its customer groups: Nova Scotia Power GRA, supra, paragraph 62

The timing of the Settlement Agreement in this case is also unique. It was reached before Nova Scotia Power made its application after an intense process of review and negotiation with the Parties.

The fact that the Settlement Agreement came before Nova Scotia Power filed the GRA should not in any way reduce the weight it should be accorded in this proceeding. All of the processes that ensure the careful study of rate proposals were present in this case.

After they received the draft GRA in April of 2025, the Customer Representatives, supported by their consultants, submitted hundreds of written requests for information to Nova Scotia Power in two rounds of interrogatories. Those exchanges were retained by Nova Scotia Power as part of the record of the negotiation of the Settlement Agreement.

When they had reviewed the responses to their interrogatories, the Customer Representatives and their consultants met with Nova Scotia Power to work through the evidence and ultimately negotiate a resolution.

The filing of the GRA with the Board triggered another round of inquiries into the plans of Nova Scotia Power.

The GRA and the detailed appendices in support of the Application consisted of thousands of pages on the Board record. The Board, and all Intervenors, had an opportunity to submit detailed Information Requests to Nova Scotia Power. The Board itself submitted over 150 Information Requests and the consultants retained by Board Counsel made their own Information Requests to the Utility. The Board counsel consultants then drafted their reports on different aspects of the GRA, which were received in evidence by the Board.

It was a rigorous process.

The Settlement Agreement was the result of an intensive review of the draft GRA by the representatives of all of Nova Scotia Power's customer groups. The GRA was then subjected to further review by the Board, consultants retained by Board counsel and other Intervenors.

The customer groups reached the Settlement Agreement with the full knowledge that some or all of the resulting GRA could be rejected by the Board. The Board's "ultimate duty is to ensure that the terms of the agreement are just, reasonable and in the public interest": Nova Scotia Power GRA, supra, paragraph 59.

The Consumer Advocate submits that in fulfilling its duty, there is no reason for the Board to accord the Settlement Agreement less weight than it would have had if the Agreement had been reached at another stage in the proceeding. The fact remains that the GRA is the product of settlement discussions and agreement amongst the signatory parties, and the Board should accord the same weight to that fact as it would if the agreement had been reached after the GRA was filed.

GRA Issues

The Consumer Advocate proposes to review the following issues that arise in the Settlement Agreement and the GRA:

- Proposed rates and the Cost of Service Study
- Depreciation
- Securitization
- Treatment of PHP

A. Proposed Rates and the Cost of Service Study

As already noted, the average rate increase for all rate classes as a result of the GRA is 2.1% in each of the two, test years. Objectively, these are modest increases at a level equal to or slightly below the rate of inflation.

However, the rate increases are not evenly distributed among the rate classes, and in fact some rate classes will receive rate decreases. As the following table, produced in the GRA shows, two of the rate classes, the Domestic or Residential class and the Small General Business class will be paying percentage increases considerably above the average:

Figure 2-1 – 2026-2027 Proposed Rate Impacts (Percentage Change)

Customer Class	2026	2027
Domestic Service		
Fuel	1.2	(0.4)
Non-Fuel	2.6	4.4
Total	3.8	4.1
Small General		
Fuel	2.7	(0.8)
Non-Fuel	1.0	4.8
Total	3.7	4.0
General		

Fuel	3.5	(3.2)
Non-Fuel	(3.6)	3.7
Total	(0.1)	0.5
Large General		
Fuel	3.8	(5.7)
Non-Fuel	(8.2)	2.5
Total	(4.4)	(3.2)
Small Industrial		
Fuel	4.7	(3.3)
Non-Fuel	(5.2)	3.5
Total	(0.4)	0.3
Medium Industrial		
Fuel	3.8	(6.7)
Non-Fuel	(10.3)	1.9
Total	(6.4)	(4.8)
Large Industrial Firm Transmission Service		
Fuel	4.1	(6.6)
Non-Fuel	(10.2)	2.4
Total	(6.2)	(4.3)
Large Industrial Firm Distribution Service		
Fuel	3.9	(6.3)
Non-Fuel	(9.3)	2.6
Total	(5.4)	(3.7)
Large Industrial Interruptible Transmission Service		
Fuel	4.9	(8.0)
Non-Fuel	(11.9)	2.6
Total	(7.0)	(5.4)
Large Industrial Interruptible Distribution Service		
Fuel	4.5	(7.5)
Non-Fuel	(11.8)	3.3
Total	(7.3)	(4.2)
Large Industrial Total		
Fuel	4.6	(7.6)
Non-Fuel	(11.5)	2.8
Total	(6.9)	(4.7)

Municipal Class		
Fuel	9.6	(0.4)
Non-Fuel	(7.9)	3.4
Total	1.7	3.0
Unmetered Class		
Fuel	(0.7)	2.8
Non-Fuel	8.6	4.6
Total	7.9	7.3
Total FAM Classes		
Fuel	2.3	(1.7)
Non-Fuel	(0.5)	4.1
Total	1.8	2.4

Figure 2-1, Exhibit N-3, 2026-2027 GRA, pages 16-17.

The imbalance in the rate increases for the different rate classes is primarily the result of changes to the Cost of Service Model adopted by Nova Scotia Power following a review in 2024 of the allocation of costs among rate classes.

In response to Board IR-131, Nova Scotia Power attributed the disproportionate increases assigned to the Residential class to three factors:

- The changes to its Cost of Service Methodology
- An increase in the contribution of the Residential class to demand peaks in the system
- Greater emphasis in assessing non-fuel cost distribution and retail services, which disadvantage the Residential class.

RIR (NSEB)131, Exhibit N-27

In response to questions from the Board Chair, Michael Willett, the Director of Regulatory Finance for Nova Scotia Power agreed that of those factors, the Cost of Service methodology employed by Nova Scotia Power was by far the most significant reason for the higher rate increases for the Residential class: Hearing Transcript, January 7, 2026, page 168, line 12 to page 170, line 5.

Nova Scotia Power continues to use the “Minimum System Method” to assess the contribution of the different rate classes to distribution costs in the system. In the view of some, including Board Counsel Consultant Caroline Palmer, using the Minimum System Method unfairly disadvantages the Residential class of customers. According to Ms. Palmer, the Minimum System Method inflates costs that are customer related and therefore more heavily allocated to the Residential class: Exhibit N-37, page 8, line 16 to Page 9 line 4.

In its response to undertaking U-5, Nova Scotia Power produced a table that showed that if another cost allocation method was employed instead of the Minimum System Method, namely the Basic Customer Method, the disproportionate rate increases for the Residential class of customers would largely be eliminated:

Customer Class	Proposed COSS Methodology Smoothed 2026	Proposed COSS Methodology Smoothed 2027	Modified COSS Methodology as per U-5 Smoothed 2026	Modified COSS Methodology as per U-5 Smoothed 2027	Variance Smoothed 2026	Variance Smoothed 2027
Domestic	**3.8**	**4.1**	**2.2**	**2.8**	**(1.6)**	**(1.3)**
Small General	**3.6**	**3.9**	**1.7**	**2.4**	**(1.9)**	**(1.4)**
General	**(0.2)**	**0.6**	**3.1**	**3.5**	**3.3**	**2.9**
Large General	**(4.5)**	**(3.1)**	**(2.2)**	**(1.3)**	**2.3**	**1.8**
Large General	**(0.5)**	**0.3**	**3.0**	**3.3**	**3.5**	**3.0**
Medium Industrial	**(6.5)**	**(4.8)**	**(3.1)**	**(2.2)**	**3.4**	**2.5**
Large Industrial	**(7.0)**	**(4.7)**	**(6.0)**	**(3.8)**	**0.9**	**0.9**
Municipal	**1.7**	**3.1**	**3.0**	**3.9**	**1.3**	**0.8**
Unmetered Classes	**7.9**	**7.2**	**2.9**	**3.1**	**(5.0)**	**(4.1)**
Total	**1.7**	**2.4**	**1.7**	**2.4**	**(0.0)**	**(0.0)**

Response to Undertaking U-5, Exhibit N-76.

The Consumer Advocate shares Ms. Palmer's concerns regarding the Minimum System Method, and through the Settlement Agreement, and resulting GRA, NS Power has agreed that the use of the Minimum System Method after the test years will be the subject of a separate proceeding before the Board that will be initiated later this year by an application from Nova Scotia Power. The Consumer Advocate continues to support that approach. As with any aspect of the GRA, it is up to the Board to determine if this is a sufficient response to the issue or if some other remedy is required to provide for rates that are "just and reasonable."

B. Depreciation

In the negotiation of the Settlement Agreement, Nova Scotia Power agreed to measures that reduced its depreciation and accretion expenses by approximately $20 million dollars a year in each of the two test years. This represented a significant reduction in its revenue requirement, and this outcome is reflected in the GRA.

At the hearing, Board Counsel presented evidence on the depreciation issue in the form of an expert report from Dustin Madsen of Emrydia Consulting. Mr. Madsen recommended that the Board reject the depreciation proposals in the GRA and substitute a different methodology for estimating the depreciation expenses. Mr. Madsen recommended that the Board order Nova Scotia Power to apply the Average Life Group ("ALG") method for calculating depreciation expenses for the Equal Life Group ("ELG") procedure that Nova Scotia Power employed: Exhibit N-34.

According to Mr. Madsen, the ELG procedure applied by Nova Scotia Power results in the overcollection of depreciation expenses in earlier years while the ALG method "is less aggressive on the front end and thus any over collection would be less significant": Exhibit N-34, page 23, lines 16-20.

Nova Scotia Power defends its reliance on the ELG method, arguing that over time, it results in a lower revenue requirement that would be paid by customers: Testimony of John Wiedmeyer, Hearing Transcript, January 8, 2026, page 359, lines 14 to 16.

Nova Scotia Power has employed the ELG for approximately 30 years and it is the basis of the depreciation analysis in the GRA.

The Board should not order any changes to the depreciation methodology without a thorough review in a subsequent proceeding. The Consumer Advocate submits Nova Scotia Power should be directed to undertake a review of depreciation methodology with stakeholders and return to the Board before the next GRA with a report on any changes it proposes to apply to its approach.

C. Securitization

A key feature of the GRA and the Settlement Agreement is the securitization of the thermal assets of the Utility, which it values at approximately $700 million dollars. Securitization would remove the net book value of these assets from Nova Scotia Power's rate base and significantly reduce its revenue requirement for the test years. The rates that are part of the GRA and the Settlement Agreement assume that, subject to Board approval, securitization would be in place by January 1, 2026: Exhibit N-1, page 52, line 28; Testimony of Blake Williams, Hearing Transcript, January 7, 2026, pages 208 to 210.

Throughout the hearing of the GRA, Nova Scotia Power witnesses stressed repeatedly that the level of the rate increases in the GRA and the Settlement Agreement depend on the removal of the thermal assets that are to be securitized from Nova Scotia Power's rate base: See, for example, Testimony of Craig Flemming, Hearing Transcript, January 7, 2026, page 324, line 7 to line 12; Testimony of Blake Williams, Hearing Transcript, January 13, 2026, page 1351, line 11 to line 15.

Securitization cannot be undertaken until the Province issues regulations that will facilitate the process. That has not happened yet.

During the hearing, Blake Williams, the Senior Director of Regulatory Affairs for Nova Scotia Power, testified that the Utility hoped to be in a position to apply to the Board for approval of securitization within the first half of 2026: Testimony of Blake Williams, Hearing Transcript, January 7, 2026, page 210, line 5 to line 11.

In the meantime, Nova Scotia Power is asking the Board to defer the depreciation and financing costs associated with the thermal assets, as of January 1, 2026, and add them to the balance to be securitized when securitization is in place: Testimony of Blake Williams, Hearing Transcript, January 9, 2026, pages 901 to 903.

Despite its importance to the rate increases being proposed in the Settlement Agreement and the GRA, the achievement of securitization appears to be very much in question.

On January 21, 2026, shortly after the hearing concluded, Energy Minister and Premier Tim Houston stated publicly that he has "major concerns" with securitization as it has been proposed.

He said the value of the thermal assets has been set at too high a level, resulting in the possibility of inflated returns to Nova Scotia Power if they are securitized: CBC News Report, January 21, 2026.

It is not clear whether securitization has merely been delayed or, if, in fact it is now unlikely to occur. The regulatory amendments necessary to facilitate securitization will not happen without the support of the Province.

Nova Scotia Power proposes to amend the GRA and return its thermal assets to its rate base if it determines that securitization will not be possible: Exhibit N-3, page 53.

This will have a material impact on the rates customers will be asked to pay. The Consumer Advocate reserves its position on any application to amend the GRA as a result of the failure of securitization.

D. Port Hawkesbury Paper

The Cost of Service study that underpins the Settlement Agreement and the resulting GRA includes Port Hawkesbury Paper ("PHP") as an above-the-line customer based on forecasts of receiving Board approval for a new PHP tariff in time to implement the tariff on January 1, 2026: Attachment 1, RIR (NSEB) 1, page 11 of 21.

As an above-the-line customer, PHP will assume significant costs that are otherwise allocated to other rate classes.

Nova Scotia Power's application for the new, above-the-line tariff for PHP (M12661), was not filed until December 29, 2025, and is in the early stages of review.

PHP's treatment as an above-the-line customer in the Settlement Agreement is subject to certain parameters. In its application, M12661, Nova Scotia Power states that there is already a disagreement with PHP over one of those parameters, PHP's "firm demand load" under a new tariff. The Settlement Agreement sets PHP's firm, plus interruptible load, at a forecast of 65-MW. This position is also reflected in the application filed in M12661. However, as indicated in the application, PHP is taking the position that "the three coincident peak demand determinants applicable to PHP should be set at the firm demand level of 8-MW": Application of Nova Scotia Power, M12661, December 29, 2025, page 6, line 9 to 19.

This dispute has implications for all rate classes. If PHP's position was accepted, there would be a significant reduction in PHP's allocated costs under the Cost of Service model which would be transferred to the other rate classes.

The Settlement Agreement contemplates that the PHP above-the-line tariff would be subject to Board review and approval and also provides that all parties are free to take whatever position they choose on the terms of the new tariff:

> f) In the PHP ADC and tariff processes that will be brought forward for approval by the Board later this year, it remains open for all Parties to take any position they so choose, including whether each of the PHP ADC and tariff filing(s) is inconsistent with the load characteristics and basic tariff structure as set out above.
>
> Attachment 1, RIR (NSEB)1, page 12 of 21

The Settlement Agreement also provides for the possibility of PHP determining that “the PHP ADC and tariff processes outcome is not satisfactory”: Attachment 1, RIR (NSEB) 1, supra.

In the event that were to occur, or if the Board otherwise did not approve the above-the-line tariff, it is possible that PHP could remain a below-the-line customer, subject to the ELIADC tariff for all of 2026. This would also result in the allocation of additional costs to the other rate classes.

In its response to Undertaking U-2, Nova Scotia Power estimates that if PHP remains below-the-line for all of 2026, approximately $18 million dollars will accumulate in a deferral account and be charged to other customers: Undertaking U-2, Exhibit N-74.

It is clear that significant questions remain about the status of PHP, including, most notably, PHP’s own position with regards to the application filed in M12661.These unanswered questions bear directly on the terms of the Settlement Agreement and the resulting GRA.

Conclusion

As has been noted several times in these submissions, the Consumer Advocate supports the outcomes of the GRA, which are based on the Settlement Agreement to which the Consumer Advocate is a party. However, it must be acknowledged that the implementation of two of the key features that underlie the Settlement Agreement, the securitization of Nova Scotia Power’s thermal assets and the inclusion of Port Hawkesbury Paper as an above-the-line customer of the Utility, remain uncertain. If either one fails, or takes a form different from the terms set out in the Settlement Agreement, important assumptions supporting Nova Scotia Power’s revenue requirements for the test years may have to be revisited. This, in turn, could impact the rates for which Nova Scotia Power will seek approval.

The Consumer Advocate reserves its position on its response to any changes or impact that may arise as a result of the resolution of those questions.

The Consumer Advocate thanks the Board for the opportunity to make these closing submissions.

Yours truly,
PINK LARKIN

David Roberts,
Consumer Advocate