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Delivered by E-mail

Crystal Henwood
Regulatory Affairs Officer/Clerk
Nova Scotia Energy Board
3rd Floor, 1601 Lower Water Street
PO Box 1692, Unit "M"
Halifax NS B3J 3S3

Dear Ms. Henwood:

Re: M12451 – NSPI – 2026-2027 General Rate Application (GRA)

These closing submissions are filed on behalf of the Industrial Group.

NSPI has filed the 2026-2027 GRA, seeking *average* rate increases of 1.8% and 2.4%, respectively. This application is grounded in a Consensus Agreement supported by all customer class representatives: the Consumer Advocate, the Small Business Advocate, the Industrial Group, Port Hawkesbury Paper ("PHP"), and the Municipal Electric Utilities.[1] The Consensus Agreement is the product of extensive consultations pre-dating the filing and spanning many months, and was informed by significant technical review, including an 18-month process regarding the Cost of Service Study ("COSS").[2]

The Industrial Group submits that the Consensus Agreement, which forms the foundation of the GRA, is reasonable, balanced, and in the public interest, and should be approved as filed. There are some requests for relief which appear to be outside the Consensus Agreement and accordingly, these submissions will address:

1. The Consensus Agreement;

2. The variations to PHP's Above-the-Line ("ATL") treatment and deferral account in concurrent Matter, M12661; and

3. The appropriate start date for any securitization-related deferral account.

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[1] N-27, NSPI (NSEB) RIR-1, Attachment 1.

[2] The COSS process was initiated through the separate Matter, M11475.

CONSENSUS AGREEMENT

1) The Board's Approach to Settlement Agreements

The Board has long encouraged collaborative, good-faith settlement processes as a means of narrowing issues, reducing regulatory burden, and improving outcomes for ratepayers. A settlement does not change the Board's overarching duties to ensure the prudent costs of a utility, and fair and reasonable rates for customers, but a settlement between all customer representatives offers strong support for a finding that the outcomes serve the public interest.[3]

The Board's general approach to reviewing and approving settlement agreements has been outlined in *Nova Scotia Power Inc. (Re)*, 2008 NSUARB 140 at paras 12-18, and more recently during the last GRA proceeding, *Nova Scotia Power Inc. (Re)*, 2023 NSUARB 12 at paras 57-61 and 71-74. Consistent with those decisions, the Board's primary consideration in assessing the Consensus Agreement is whether the proposed rates, and all other matters resolved within the settlement, result in rates that are just and reasonable, non-discriminatory, and in the public interest.[4]

In determining the reasonableness of a settlement agreement, the Board typically considers the following factors:

1. The context in which the settlement was reached, including the key considerations and interests of each customer representative;

2. Whether all customer representatives are signatories and were afforded a fair opportunity to test and evaluate the evidence; and

3. The breadth of the settlement in comparison to the issues raised in the full application.

It is worth reiterating the Board's observation in its 2008 GRA decision that a settlement amongst customer representatives is, in itself, a positive outcome:

> *[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.*[5]

The Board has repeatedly recognized the value of settlement negotiations within utility regulation. Settlements foster a collaborative approach to ratemaking, encourage parties to act reasonably, and reduce unnecessary disputes among participants.[6]

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3 *Nova Scotia Power Incorporated (Re),* 2007 NSUARB 8 at para 23.

4 *Nova Scotia Power Inc. (Re),* 2023 NSUARB 12, at para 71.

5 *Nova Scotia Power Inc. (Re),* 2008 NSUARB 140; followed in *Nova Scotia Power Inc. (Re),* 2023 NSUARB 12.

6 *Nova Scotia Power Inc. (Re),* 2023 NSUARB 12, at para 60-61.

2) 2026-2027 GRA Settlement Process

Unlike conventional processes, most of the testing of evidence by customer representatives and their expert consultants was completed before the September 2025 filing of the GRA. Reflecting this timing, the agreed-upon terms are already woven through NSPI's Direct Evidence in Exhibit N-3. As a result, much of the underlying process already forms part of the evidentiary record.

The Industrial Group acknowledges that the process followed was unusual for this jurisdiction. In proceeding in this fashion, what is missing from the public record are responses to information requests that would have originated from the signatories, along with their expert consultants' evidence, tested by other participants. The Industrial Group will take guidance from the Board whether the approach followed in this case is welcome in future.

In this case, however, despite that the review and criticisms were not completed on the public record in real time, the Industrial Group confirms that all representatives conducted an extensive examination and testing of NSPI's initial GRA proposal and had a full opportunity to share their positions, supported by expert assistance. Customer representatives issued significant document requests, tested the evidence presented, and engaged with NSPI and other participants in a reciprocal manner. Each party made concessions throughout these discussions, culminating in a mutually acceptable resolution of the outcomes of the GRA as represented by the terms set out in Schedule "A" of the Consensus Agreement.

Overall, the process was a genuine give-and-take negotiation that resulted in a balanced package of outcomes designed to serve the interests of all customer classes while enabling NSPI to maintain safe and reliable service – which is in the best interest of all Nova Scotians. The Consensus Agreement reflects genuine compromise, among NSPI and the signatories, and was executed with the overarching goal of setting fair and reasonable rates, for all.

3) Key Terms Achieved

During the negotiations, NSPI agreed to reductions in operating expenses for 2026 and 2027, as outlined in Schedule "B" of the Consensus Agreement and those reduced amounts were incorporated into the filed Application, within three operating areas: Energy Delivery, Customer Experience, and Corporate, albeit without any specific expenses identified. NSPI agreed to a $9 million reduction in OM&G in each year, for which it will endeavour to find those savings,[7] plus an additional $1 million reduction in GRA deferral amortization expenses.[8] While NSPI has been unable to identify exactly where these savings will be realized, NSPI has confirmed that at least some portion of those savings will come from labour costs.[9]

The Industrial Group observes that the Consensus Agreement explicitly specifies that it is without prejudice to any position that may be taken by any party in any future regulatory proceeding. For example, whether it is appropriate to defer and amortize GRA expenses is open to be argued in a future GRA.

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[7] Transcript, pages 976-979.

[8] N-27, NSPI (NSEB) RIR-1, Attachment 1, Appendix B, page 15/21.

[9] Transcript, page 975.

Another key term of the Consensus Agreement relates to depreciation. As agreed, NSPI reduced its proposed depreciation amounts by approximately $20 million per year. Rather than a "black-box" compromise – which was the outcome of the last depreciation study – these adjustments were made on a principled basis.[10] In other words, the value of reductions was the outcome of the adjustments requested and ultimately accepted, not simply a number to achieve a rate result. The changes arose from substantive, evidence-based positions advanced by customer representatives and their expert consultants. While there are differing methodological approaches to depreciation calculations, all participants agreed to accept the depreciation study as revised for the test years.

The Consensus Agreement also includes a specific term which is very important for the Industrial Group:

> *It is acknowledged that, subject to Board approvals, rate increases other than those identified herein may occur prior to the effective date of the next general rate application in the form of Board-approved riders. Recognizing the forecast impacts of the 2026 FAM AA/BA for the Large and Medium Industrial Classes, NS Power will support efforts in the 2026 FAM AA/BA proceeding to smooth or mitigate the overall impact of rate changes for the 2026-2027 test period.*

At the time of negotiations, the 2026 DSM Plan decision was pending, and the AA/BA filing was anticipated, with a material forecasted FAM balance.

While the GRA (and media reports) paint the picture of residential customers experiencing the largest rate increase in the test years, that will not be the case once the riders are accounted for. Undertaking U-15 illustrates that Large and Medium Industrial customers will experience significant rate impacts in a single year once riders are included.[11] For certain Large Industrial subclasses, the rate impact is forecasted to be almost a <u>20% increase</u> over one year – without even accounting for securitization recovery. This, undoubtedly, would be considered rate shock to Large Industrial customers.

NSPI has confirmed within the Consensus Agreement its commitment to work with parties that will be most detrimentally impacted by concurrent rate riders; these impacts formed a central consideration in negotiations and underscore the need to maintain the integrity of the Consensus Agreement.

A further term of importance to the Industrial Group relates to the amendments to the DSM Rider as set out in Appendix "C". The Board will recall the Industrial Group's prior submissions[12] that the rider, as drafted, did not reflect the practice whereby load variations are trued up annually but DSM Plan variations are trued up only at the end of the Plan period. The revisions to the Balance Adjustment and the introduction of a BA1 and BA2 now correctly reflect the practice. The second major issue of concern for the Industrial Group has been EfficiencyOne's so-called "mid-course adjustments" which has resulted in actual spending for the Medium and Large Industrial classes

[10] N-27, NSPI (NSEB) RIR-1, Attachment 1, Appendix A, page 14/21.

[11] N-82, Response to Undertaking U-15, and N-82(i), U-15, Attachment 1.

[12] Matter M11912, 2025 DSM Cost Recovery Rider, IG submissions, dated December 3, 2024.

greatly exceeding the planned spending.[13] The end of term adjustment (the BA2) now recovers the financial mismatch over the period it accrued, rather than in a single year, ameliorating the anticipated rate impact and matching recovery with accruals.

Regarding Cost of Service ("COS") issues, the consultative process on COS began in January 2024, and the Board was kept apprised of progress in matter M11475. In its Stakeholder Engagement report of June 28, 2024, NSPI outlined the eight stakeholder sessions that had taken place to that point. It was about this time that Board consultant, Ms. Palmer of Synapse, first became involved when she joined Synapse, and she remained involved for about five months until the resolution sessions with Mr. Outhouse in October and November 2024.[14] As of its January 31, 2025 report in M11475, NSPI confirmed that it had hosted 15 engagement sessions, outlined the 152 data requests and modeling carried out and advised that a consensus had not yet been reached on all issues. An impediment was that revenue requirement forecasts for future years were not available to test alternatives.

As part of the GRA negotiations, the revenue requirements were available and with the additional information, the parties satisfied themselves on the COS in the 2026-2027 GRA subject to three specific items:

(a) use of the Minimum System methodology after the 2026-2027 test period will be subject to a future proceeding and determination by the Board, for which an application will be made in 2026 and in which parties are free to take any position they so choose;
(b) NSPI will collect and disclose the data outlining the extent to which PHP uses, relies upon and/or benefits from the High Voltage transmission system and in any proceeding to determine rates for PHP after the 2026-2027 test period, parties may make submissions regarding the extent to which PHP is to be responsible for any costs of the High Voltage transmission system; and
(c) the appropriate apportionment of assessment costs from the Maritime Link between generation and transmission will remain open to be addressed as parties see fit in any proceeding to determine rates after the 2026-2027 test period.

The items (a) – (c) reflect a specific item of interest to a party which was unable to be resolved at this stage, but which could be addressed at a future time – an outcome which satisfied all parties.

4) The Board Should Not Modify Individual Components of the Agreement

The Consensus Agreement reflects interconnected trade-offs across rate classes. Adjusting individual elements, particularly without a full evidentiary record of each party's positions and expert evidence, risks undermining the delicate balance reached among the parties.

For example, with respect to depreciation, NSPI uses the Equal Life Group ("ELG") methodology in its depreciation study. Board consultant, Mr. Madsen of Emrydia, recommended using the

[13] Matter M11630, Exhibit E-01, 2023 DSM Annual Progress Report, Attachment 1, pdf page 49 of 63. See also, the Board's 2025 DCRR decision, 2024 NSUARB 216, at para 52, acknowledging the IG's concerns on this issue.

[14] Transcript, pages 1268 and 1330. Ms. Palmer was not involved in the later negotiations that culminated in the Consensus Agreement and was not privy to the discussions or compromises made by each participant.

Average Life Group ("ALG") procedure, as well as specific life adjustments for major transmission and distribution accounts and improved reporting at least every five years.[15] The evidence is that both ALG and ELG are accepted methods.

NSPI Response to Undertaking U-7[16] provides NSPI's forecast credit metrics under both the ELG and ALG methodologies. The use of ELG results in a deterioration in NSPI's Forecast Cash Flow to Debt metric. Response to Undertaking U-8 shows the changes to depreciation expense if Mr. Madsen's recommended service lives are used, as compared to the amounts in NSPI's filed revenue requirement: a reduction of approximately $25.8 million in 2026 and $27.3 million in 2027.[17] The Industrial Group acknowledges Mr. Madsen's evidence. Each of the ELG and ALG methodologies has pros and cons and the choice of life curves is a matter of judgment. In the context of this application and these test years, the Industrial Group would urge the Board not to make this material change without consideration of the impact on NSPI's financial metrics.

A determination on whether to adopt the ELG or ALG methodology is better deferred until NSPI has the benefit of more actual aged data and the updated Integrated Resource Plan ("**IRP**") is finalized. Mr. Madsen expressed concern about the use of simulated retirement data in the depreciation study. NSPI's consultant, Mr. Weidmayer of Gannett Fleming, confirmed that the reliability of NSPI's underlying data will improve with the passage of time.[18] As additional years of actual aged data is available, NSPI will be able to rely more heavily on observed historical retirements rather than simulated estimates. If another review of the depreciation study is undertaken in 2028 or 2029, NSPI will have up to 20 years of actual data for most of its accounts,[19] which will enhance the ability to test which methodology is most appropriate. In addition, the updated IRP currently being completed by IESO–NS, will provide important system-planning context and further inform the appropriate depreciation approach. Together, these developments make the methodological issue more appropriately addressed in the next depreciation study review or GRA proceeding, whichever occurs first.

On COS, Board Counsel consultant, Ms. Palmer of Synapse, raised concerns with NSPI's use of the Minimum System method and suggested the Board consider the Basic Customer method instead (albeit she was not opposed to the Consensus Agreement). While this issue is important, it should not be determined within this GRA for several reasons:

1. The evidentiary record is incomplete. No party, including the Industrial Group, the Consumer Advocate, the Small Business Advocate, or PHP, presented expert evidence on the methodological implications of adopting the Basic Customer approach.

2. NSPI has not quantified the load-carrying capacity adjustment. This data is required to evaluate Synapse's proposed alternative approach.

3. Full modeling and rate impact analysis have not been adequately completed.

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15 N-34 Evidence of Dustin Madsen, Emrydia.

16 N-78, Response to Undertaking U-7.

17 N-79, Response to Undertaking U-8.

18 Transcript, page 243.

19 Transcript, page 244-245.

4. The Consensus Agreement expressly defers the issue to a 2026 proceeding, where all parties may file evidence and be fully heard.

5. Ms. Palmer, herself, stated that she did not oppose the settlement and recognized that the methodology should be addressed in the subsequent filing.[20]

Synapse's evidence on the Basic Customer method was shown on cross-examination to be narrow, lacking both a jurisdictional scan and Nova Scotia–specific analysis. Ms. Palmer confirmed that her evidence was limited to her 21-page report,[21] that she performed no calculations on class impacts,[22] and that she conducted no review of Nova Scotia-specific engineering factors such as minimum clearances, equipment standards, load density, or temperature effects.[23] She also relied on non-Nova Scotia assumptions in proposing a 1.5 kW credit, acknowledging she was "not sure exactly" how that figure had been derived.[24]

The record further shows that the Basic Customer approach is scarcely used in Canada—Manitoba being the only example, and even there it is now under review,[25] with evidence filed outlining significant flaws in the method.[26] Those criticisms include that even the smallest customer drives meaningful distribution costs, and that ignoring minimum system requirements distorts cost causation.[27] While Ms. Palmer characterizes the minimum-system method as flawed, it remains recognized in the NARUC Cost Allocation Manual.[28]

Further, as noted above, other parties compromised on other methodological issues during the settlement negotiations.[29] PHP had proposed changes to the High Voltage transmission system accounting, and NSPI committed to collecting the requisite data to better understand the cost causation for PHP's service. Additionally, the Industrial Group proposed changes to the treatment of the Maritime Link between being a generation and transmission asset, which will be examined following the test period. The Consumer Advocate, who represents the residential class was satisfied with the proposed process to review distribution classification in another separate

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20 N-37, Synapse Evidence, at page 18, lines 2-6; Also as confirmed by Ms. Palmer during the hearing, at Transcript page 1276-1277.

21 Transcript, page 1267.

22 Transcript, pages 1304-1305.

23 Transcript, pages 1306-1306.

24 Transcript, page 1288.

25 See: 2026-2028 Manitoba Hydro General Rate Application, accessible at: https://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/2026-2028-mh-gra.html;

26 See: 2026-2028 Manitoba Hydro General Rate Application, Intervenor evidence accessible at: https://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/26-28-mh-gra-int-ex.html.

27 See : 2026-2028 Manitoba Hydro General Rate Application, GSS-GSM-05, M. Davies Intervenor Evidence, pages 29-30/46.

28 National Association of Regulatory Utility Commissioners (NARUC), Electric Utility Cost Allocation Manual, January 1992, page 90: https://mi-psc.my.site.com/sfc/servlet.shepherd/version/download/068t0000003FkuCAAS.

29 N-27, NSPI (NSEB) RIR-1, Attachment 1, page 10.

proceeding. Addressing just one of the methodological issues discussed results in an asymmetrical review of the many aspects of the COSS and compromises reached by each party.

Response to Undertaking U-5 provides the rates resulting from this single proposed change.[30] The residential class would see a reduction of 1.6% in 2026 (smoothed rates) relative to what has been applied for but each of General, Large General and Medium Industrial would increase approximately 3.5%. A similar (but smaller) rate impact would apply to these classes if a 1.5 kW per customer credit were applied to the NCP demand used for determining the Minimum System demand allocators.[31]

The Board has been clear that rate impacts cannot be assessed in isolation. All-in customer bill effects, including base rates, the FAM AA/BA rider, and the DSM rider, should be considered together.[32] The full scope of rates and riders were considered by the customer representatives and informed the Consensus Agreement.

If the Board were to modify aspects of the COSS allocation methodology, it would have a disproportionate impact on certain rate classes. Modifications would benefit residential classes, who are experiencing a higher base rate increase in the GRA but significantly burden other classes, including the General rate class and the Medium and Large Industrial classes, which will have an overall higher rate increase for 2026 once the riders are considered.

Given the incomplete record, introducing methodological changes at this time would be premature and could lead to unintended rate consequences. The parties intentionally carved out the Minimum System issue for a separate, dedicated proceeding in 2026 to allow appropriate time for expert analysis, proper collection of data, evaluation of alternative methods, and a complete evidentiary process.

PHP ATL TARIFF AND DEFERRAL ACCOUNT

1) The PHP Tariff Application Differs from the Settled Terms

The wording in the Consensus Agreement in relation to “PHP Treatment” is the lengthiest section and was intentionally drafted. At the time of the negotiation and the filed GRA, there was no applied-for PHP successor rate. Multiple scenarios were run with PHP below-the-line and ATL. Ultimately, NSPI applied for a COS model which was prepared on the basis of certain load and demand characteristics of PHP under an ATL rate. The COS embeds fuel cost savings and PHP’s contribution to fixed costs but does not quantify the value of “active demand control” (“**ADC**”) which was contemplated to be negotiated between PHP and NSPI and brought forward, along with a tariff to be effective January 1, 2026.

In the absence of an applied-for successor tariff, clause (f) broadly preserves all rights for all parties at the time of any tariff application:

> *(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*

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30 N-76 Response to Undertaking U-5, and Attachments 1-4.

31 N-77, Response to Undertaking U-6, and Attachments 1-7.

32 *Nova Scotia Power Incorporated’s (Re),* 2010 NSUARB 219 at para164.

> *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.*

Clause (g) outlines that NSPI may request a deferral account – the need for which is driven by the decision to assume PHP would be ATL for the entirety of 2026:

> *(g) NS Power may seek Board approval for a deferral account to account for any NS Power revenue variances that may arise in 2026 or 2027 from the following scenarios, which costs would be collected/refunded from/to above the line customers: (a) where a Board decision on the PHP tariff, including the Active Demand Control Rider, differs from the above the line PHP tariff assumptions included in the 2026-2027 GRA; (b) where, for any reason, the PHP tariff is not available for PHP to take service under it as of January 1,2026; and/or (c) PHP determines the PHP ADC and tariff processes outcome is not satisfactory.*

The Consensus Agreement was reached based on certain assumptions underpinning 2026-2027 rates as embedded in the COS, with the PHP Deferral Account being intended to capture only specific variances ordered by the Board. For the purposes of this proceeding, the only issue is the proper scope and parameters of the PHP Deferral Account.

The GRA reflects the agreed-upon boundaries of the PHP Deferral Account, limited to three scenarios: (1) the Board's decision on the PHP tariff or ADC rider differ from what is included in the GRA; (2) the timing of the tariff does not correspond with the assumed January 1, 2026 effective date; and (3) PHP decides not to go ATL at all.

The Industrial Group observes that the Consensus Agreement was signed on August 29, 2025. Notwithstanding that the COSS is based on a "forecast of receiving Board approvals for a new PHP tariff in time to implement for January 1, 2026" (clause (a)), NSPI did not file its application for approval of an Extra Large Industrial Dispatchable ("ELID") tariff for PHP until four months later, on December 29, 2025 (M12661). If not converted to an oral hearing, the Board's timetable provides for final Reply Submissions by NSPI on August 17, 2026. The Industrial Group observes that NSPI and PHP controlled the timing of the ELID application, but the deferral would apply if "for any reason" the PHP tariff is not available as of January 1, 2026. The Industrial Group acknowledges the stated language and reserves the right to argue that the actual costs to be included in any deferral account will need to meet a prudence standard at the appropriate time.

With respect to the scope of the PHP deferral, in the ELID application, M12661, NSPI appears to seek expanded risk mitigation parameters beyond these agreed terms. The requested Deferral Account is described as "including but not limited to...", and references variances beyond those agreed to in the Consensus Agreement.[33]

The Industrial Group seeks direction from the Board confirming the defined and limited scope of any deferral account. The PHP Deferral Account cannot, and should not, cover any and all variables relating to PHP's service as an ATL customer.

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[33] Matter M12661, N-1, ELID Application, pages 14-15.

The anticipated deferral amount for 2026 is significant. Response to Undertaking U-2 confirms that if PHP remains on ELIADC for all of 2026, (assuming interim approval retroactive to January 1, 2026) the deferral would total approximately $18.2 million, plus a $5.7 million fuel balance to be captured in the FAM.[34] These forecasts do not currently account for potential changes in PHP's load, nor does it account for delays in the Goose Harbour Wind Project.

During the hearing, the Industrial Group questioned NSPI regarding the apparent differences between the description of the PHP Deferral in the GRA Consensus Agreement and in the ELID proceeding.[35] Although NSPI confirmed it was not seeking to expand the scope of the deferral in the ELID proceeding,[36] the evidence suggests otherwise. Mr. Williams initially testified that the deferral would cover "any and all differences" from the GRA assumptions,[37] before later narrowing this characterization that it did not necessarily include "any and all" non-fuel costs more broadly.[38] Nonetheless, NSPI has stated it does not want to close to door to something it may not be "seeing or foreseeing" as a result of the tariff application.[39]

NSPI has also confirmed the PHP Deferral would account for Goose Harbour Lake Wind Project services, costs, and revenues depending on the tariff under which PHP ultimately takes service.[40] This variable was not explicitly agreed to by customer representatives. Its inclusion in the PHP Deferral Account scope represents a departure from the agreed upon terms.

The Industrial Group remains concerned that the PHP Deferral Account, as currently framed, could capture "any and all" variables related to whether and when PHP goes ATL, creating unnecessary uncertainty and potentially significant impacts for other customers. Without clear boundaries, ratepayers face the risk of an open-ended deferral mechanism that captures costs and revenues beyond what was agreed-to or reasonable.

The Industrial Group respectfully requests that the Board direct that the PHP Deferral Account be scoped as described in the GRA and Consensus Terms [41] and further requests confirmation that the PHP Deferral Account does not extend to risks associated with delays in the Goose Harbour Wind Farm or non-fuel cost changes arising from shifts in PHP's load.

SECURITIZATION OF THERMAL ASSETS

1) Support for proposed Securitization

The Industrial Group has consistently supported securitization of NSPI's thermal assets, now contained within the Decarbonization Deferral Account ("**DDA**"). The evidence filed to date confirms that this proposed treatment will yield substantial savings for ratepayers: currently

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[34] N-74, Response to Undertaking U-2.

[35] M12661, N-1, Application for PHP ATL Tariff, page 14.

[36] Transcript, pages 592-593.

[37] Transcript, pages 576-577.

[38] Transcript, pages 590-591.

[39] Transcript, pages 591-592.

[40] Transcript, page 695.

[41] N-3, GRA Direct Evidence, page 80, lines 5-10.

estimated at approximately $85 million over 2026–2027,[42] even accounting for delays in implementing the securitization framework.[43]

In the GRA negotiation process, securitization received unanimous support from customer representatives as the preferred solution for financing the DDA assets. These are costs that the Board has previously found to be prudently incurred by NSPI, but which can no longer be feasibly depreciated under traditional methods considering the Province's legislated decarbonization objectives.

Not only have customer representatives viewed securitization favourably, but recent credit rating reports from S&P and DBRS Morningstar, also highlight the value of securitization mechanisms more broadly.[44] Additionally, NSPI's consultant, Concentric, in discussing business risks, confirmed that the proposed thermal asset securitization "will improve NS Power's credit metrics, provide a benefit to customers through lower rates, and finally facilitate progress towards the Province's energy transition."[45]

While the Premier and Minister of Energy has recently expressed concerns publicly regarding the securitization plan and the need to reassess the coal plants' net book value, the Province's official position included within this proceeding as of May 6, 2025, appears supportive. On that date, Deputy Minister Karen Gatien wrote to NSPI confirming that the Department of Energy was committed to continued engagement with stakeholders to develop an approach that would allow the Board to issue a financing order under s 35G of the *Public Utilities Act*.[46] The Deputy Minister further acknowledged that securitization would result in reduced electricity costs for Nova Scotians.

The Industrial Group agrees; securitization represents a balanced solution that lowers electricity costs for ratepayers, while ensuring NSPI can recover its prudently incurred costs.

The Industrial Group remains hopeful that the Province will proclaim s 35G of the *Public Utilities Act*[47] and enact the necessary regulations, to allow securitization to proceed. The Industrial Group also sees value in the Board confirming the potential benefits of securitization to ratepayers, recognizing that a more detailed review will occur when the formal securitization application is filed.

Importantly, the Board has explicit statutory authority to issue recommendations to the Attorney General regarding legislation and regulation within the *Public Utilities Act* where it protects the interests of the public and the utility:

> *21 (1) Whenever any public utility or person shall propose any change in any law relating directly or indirectly to the property or operations of any public utility, the*

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42 N-26 NSPI (MPA) RIR -7, with confidential calculations at Attachment 1.

43 Transcript, pages 618-620.

44 N-27, NSPI (NSEB) RIR- 102, Attachment 1.

45 N27, NSPI (NSEB) RIR- 123 (a).

46 N-7, Appendix 8F, Letter from the Province of NS, page 651.

47 As amended by the *Energy Reform (2024) Act*, SNS 2024, c.2, assented to April 5, 2024.

> *proposed change may be submitted to the Board, which may take evidence and give public hearing thereon, and the Board may recommend such bills as will, in its judgement, protect the interests of the public and such public utility, and transmit the same to the Attorney General.*

The Industrial Group respects the distinct roles of the Regulator and the Legislature; section 21 empowers the Board not to *direct* any course of action, but to *recommend* measures, that in its judgment, protect the interests of the public. Such a recommendation would be grounded in a finding that securitization is indeed in the public interest and will safeguard the interests of both ratepayers and the utility. The Industrial Group respectfully submits that it does.

2) Securitization Deferral Account

In its December 22, 2025 correspondence, NSPI proposed establishing a securitization deferral account effective January 1, 2026. This proposal was not part of the Consensus Agreement.

NSPI testified that it cannot proceed with securitization until the necessary regulations are in place, after which it would file the required application with the Board. Regarding timing, NSPI described the end of Q1 2026 as “ambitious,” though possible if regulations were finalized promptly, and stated that securitization was “more likely” to occur in Q2 2026.[48] Considering recent comments from the Premier/Minister of Energy, it is uncertain whether these timelines remain achievable.

The Industrial Group does not oppose a deferral account to address unanticipated delays in implementing the securitization mechanism. However, any such account should not take effect before new rates come into force. It should only operate on a prospective basis when new rates are effective until such time as enabling regulations and Board approvals are in place.

A prospective deferral account appropriately balances the need to track legitimate costs arising from securitization delays against the long-standing principle that deferral accounts should not be created retroactively. It also prevents any potential double recovery of amounts already embedded in rates for depreciation of the DDA assets. Finally, by limiting the deferral period to when the section of the *Public Utilities Act* and enabling regulations are in force, this incents NSPI to apply for recovery of securitization debt through a rider or otherwise, without delay.

CONCLUSION

The Industrial Group respectfully requests that the Board:

1. Endorse and approve the Consensus Agreement as drafted, recognizing it as a principled and balanced framework reached through substantial negotiation and informed review.

2. Decline to modify individual components, including COSS allocations, as such modifications would disrupt the negotiated balance and risk disproportionate impacts on certain customer classes.

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[48] Transcript, pages 901-903.

3. Consider the full all-in bill impacts on ratepayers, including base rates and riders such as FAM AA/BA and DSM, particularly the material impacts of approximately 20% on certain Large Industrial customers as reflected in Response to Undertaking U-15.

4. Establish clear, specific parameters for the PHP Deferral Account to prevent it from capturing an overly broad range of variables.

5. Declare that securitization is in the public interest and will protect the interests of both ratepayers and the utility and make a recommendation for the necessary proclamation and regulatory instruments to be passed to facilitate this framework.

6. Decline to approve a retroactive securitization deferral account effective January 1, 2026, and instead establish such an account prospectively at the time rates are set.

Thank you for the opportunity to submit these comments.

Yours truly,

Nancy G. Rubin

Brianne Rudderham

BER/NGR/cj

cc Participants