
Nova Scotia Energy Board

IN THE MATTER OF *The Public Utilities Act*, R.S.N.S. 1989, c.380, as
amended

- and -

IN THE MATTER OF an Application by Nova Scotia Power Incorporated for
Approval of Certain Revisions to its Rates, Charges, and Regulations

M12451

2026-2027 General Rate Application

NS Power
Closing Submission

NON-CONFIDENTIAL

January 30, 2026

2026-2027 General Rate Application Closing Statement
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1.0 INTRODUCTION AND OVERVIEW

In this proceeding, Nova Scotia Power (NS Power, Company) seeks approval from the Nova Scotia Energy Board (NSEB or Board) of its revenue requirements and associated rate adjustments for the 2026 and 2027 test years, effective January 1, 2026, or upon a later date as determined by the Board, and January 1, 2027, respectively. The proposed revenue requirement translates to average annual rate increases of 1.8 percent in 2026 and 2.4 percent in 2027. Under the proposed rates, Domestic (residential) customers would see increases of 3.8 percent in 2026 and 4.1 percent in 2027. At the same time, the proposal results in rate decreases in both years for Large Industrial, Medium Industrial, and Large General customers, including hospitals and universities.

NS Power's efforts to engage all major customer advocacy groups in consensus building discussions in advance of filing this General Rate Application (GRA) resulted in a comprehensive Settlement Agreement, filed with the Board as Attachment 1 to NS Power's response to NSEB IR-1,¹ reflecting the outcome of an extensive and collaborative process. The Settlement Agreement is supported by the Consumer Advocate, the Small Business Advocate, the Industrial Group, the Municipal Electric Utilities, and Port Hawkesbury Paper (PHP) (altogether the "Parties"). The agreement is grounded in a thorough and collaborative Cost of Service Study that was developed through a process that commenced in December 2023, of technical conferences, data requests, jurisdictional scans, modeling exercises, and negotiations. That input, and the outcomes agreed upon in the Settlement Agreement, were incorporated into the GRA filing and the resulting relief sought. In these circumstances, the Settlement Agreement, and accordingly the outcomes sought in this GRA, represent a balanced resolution of the issues and support a finding that the proposed outcomes are just, and reasonable.

To restate, NS Power respectfully requests that the Board issue an Order approving the following:

¹ Exhibit N-27, NSEB IR-1 Attachment 1, (PDF page 10).

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- 1 (1) The 2026 and 2027 revenue requirements as described in Section 11 of the GRA Evidence,
2 including the relevant depreciation rates as presented at Appendix 8G, to enable NS Power
3 to recover the prudent and reasonable costs of providing service to customers and to meet
4 its financial obligations.
5
- 6 (2) As described in Section 5, the BCF amounts attributable to FAM customers be set at \$927.3
7 million for 2026 and \$850.9 million for 2027, which represent the smoothed amounts.
8
- 9 (3) The amendments to the FAM Plan of Administration as described in Section 6 and
10 Appendix 6A and set out in Appendix 6B.
11
- 12 (4) As set out in Section 5, the change to the language in the introduction to Appendix Q (the
13 Hedging Plan) of the Fuel Manual so that it is generic and not tied to specific years or rate
14 periods. This change is administrative and does not affect the substantive content of NS
15 Power's Hedging Plan or specific hedging targets.
16
- 17 (5) As set out in Section 8, inclusion of GRA-related costs in the deferral and regulatory asset
18 previously approved by the Board in its 2023-2024 GRA Decision for Cost of Service
19 Study (COSS), Line Loss Study, and Climate Change Adaptation Plan costs. In the event
20 the Board is not prepared to approve these GRA-related costs, the Company submits that
21 these costs would need to be added to the Revenue Requirement proposed as part of a
22 compliance filing with the associated cost recovery.
23
- 24 (6) As described in Section 9.2, and per further information provided during the hearing, NS
25 Power is requesting that depreciation expense and financing costs of the unrecovered net
26 book value of generation assets within the scope of the DDA be deferred at NS Power's
27 weighted average cost of capital (WACC) beginning January 1, 2026, or no later than the
28 date upon which new rates stemming from this GRA come into effect, until such time as
29 those costs can be recovered through a securitization rider.
30

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1 (7) As set out in Section 11.2, the EIFEL Deferral.

2
3 (8) As set out in Section 12.4, the PHP Deferral.

4
5 (9) As set out in Appendix 12A, the updated Cost-of-Service Study.

6
7 (10) All rates, charges and regulations requested in this Application, which, in addition to the
8 rates set out in Section 14, Figure 14-1, Figure 14-2, and Figure 14-3 and PR-01 and PR-
9 03.²

10
11 (11) Continuation of the Storm Cost Recovery Rider pilot in 2026 and 2027, but on a
12 symmetrical basis as described in Section 13.6.

13
14 (12) Nova Scotia Power's Capital Structure and Cost of Capital as described in Section 10.
15 The sections that follow address each of these matters in turn. Additionally, NS Power
16 relies on the record before the Board to demonstrate the just, reasonable, and prudent nature
17 of the Settlement Agreement in approving the relief sought.

² As amended by NS Power's response to CA IR-1, Exhibit -N-21.

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2.0 THE SETTLEMENT AGREEMENT

Section 25(1) of the Board Regulatory Rules expressly authorizes the Board to dispose of all or part of a proceeding by approving a settlement of one or more issues entered into among the parties. The Settlement Agreement filed in this proceeding (N-27, NSEB IR-1, Attachment 1, PDF page 3, note 1), seeks such a disposition and demonstrates that the Parties have reached agreement on the outcomes that will result from the 2026-2027 GRA, as reflected in Schedule “A”.

The Board has consistently recognized and encouraged the use of settlements, particularly where, as here, they are the product of extensive negotiations and are supported by a broad cross-section of parties, providing the following:

As stated by the Board in other proceedings, the Board welcomes settlement discussions, particularly when they result in an agreement widely supported by various parties to the proceeding, as is the case with respect to this agreement.

The Board considers a properly structured settlement a success of the litigation process.³

While a settlement agreement does not displace the Board’s statutory responsibility to ensure just and reasonable rates and to determine that the outcome is otherwise consistent with the governing legislation, the Settlement Agreement in this proceeding is comprehensive in scope and is supported by the Consumer Advocate (CA), Small Business Advocate (SBA), Industrial Group (IG), Municipal Electric Utilities (MEU), and Port Hawkesbury Paper (PHP). Together, these Parties represent the full range of residential, commercial, and industrial customer classes, and the Settlement Agreement should therefore be given significant weight. In prior decisions, the Board has been satisfied that settlement agreements that are properly supported, are in the public interest.⁴

³ M09777, De 2021 NSUARB 80, page 9-10, paras. 23-24.

⁴ See Decisions: 2007 NSUARB 8, 2008 NSUARB 140, 2012 NSUARB 9, 2012 NSUARB 227, 2014 NSUARB 144, 2021 NSUARB 80, 2023 NSUARB 12.

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1 This GRA is the result of an extensive collaborative process involving NS Power and all customer
2 representatives, who, as a result of that process, are supportive of the outcomes being requested in
3 this GRA. The Board has previously stated in relation to settlement agreements:

4
5 Where, as here, the Agreement is supported by representatives of all of the
6 customer classes, the Board can have confidence that the Agreement is in the
7 public interest.⁵
8

9 This statement recognizes that a customer representative's support for an outcome is in and of
10 itself evidence that the outcome is in the best interests of the customers being represented. In this
11 instance, the fact that the GRA outcomes are supported by all customer representatives is evidence
12 that the GRA is in the broader public interest and that the outcomes are just and reasonable.

13
14 Such evidence is only strengthened by the fact that the representatives of NS Power's varied
15 customer classes are experienced legal counsel with professional and statutory obligations
16 to advocate for the interests of those that they represent. These representatives have also been
17 aided throughout the development of the GRA by independent expert consultants.⁶
18

19 In addition, the Settlement Agreement reflects a carefully negotiated and balanced set of reciprocal
20 compromises among the Parties. The agreed-upon outcomes form an integrated package in which
21 concessions and benefits are interdependent. The terms are not readily severable, and modification
22 of individual elements would risk disturbing the balance struck by the Parties and undermining the
23 agreement as a whole – a reality acknowledged by Board Counsel Consultants, Dr. Cleary,
24 Synapse, and Bates White.⁷
25

26 This type of balancing was discussed by the NS Power panel at pages 604-612 of the transcript, in
27 particular, as it related to considerations of the FAM balance, how it will be dealt with, and the
28 potential layering effect of it in the context of the proposed rates in this GRA. The fact that this

⁵ M00010, Decision 2008 NSUARB 140, page 10, paragraph 13.

⁶ Exhibit N-40, Opening Statement of NS Power.

⁷ N-32 Evidence – Cleary page 6 lines 4-5; N-37, Evidence - Synapse Evidence page 18, lines 1-3; N-35, Evidence - Bates White, page 14, lines 11-16.

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1 was a consideration of the parties is evident in the Settlement Agreement, where the following is
2 stated:

3
4 Recognizing the forecast impacts of the 2026 FAM AA/BA for the Large and
5 Medium Industrial Classes, NS Power will support efforts in the 2026 FAM AA/BA
6 proceeding to smooth or mitigate the overall impact of rate changes for the 2026-
7 2027 test period.⁸
8

9 NS Power has provided further information on those considerations in response to Undertaking-
10 15.

11
12 Against that backdrop, the evidentiary record in this proceeding demonstrates that the Settlement
13 Agreement reflects a balanced and reasonable resolution of the issues in the best interest of
14 customers. Overall, NS Power submits that there is no basis on this record to depart from the
15 outcomes jointly proposed by the Parties.
16

⁸ Transcript, January 8, 2026, pp 604-605 (PDF pages 286-287/331).

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3.0 NS POWER'S REVENUE REQUIREMENT

3.1 OM&G

NS Power forecasts its total OM&G expense at \$351.8 million in 2026 and \$357.9 million in 2027. This is approximately 18 percent of NS Power's forecast revenue requirement for each year.

NS Power's 2024 actual OM&G expense was \$31 million higher than the 2024 GRA Compliance forecast. The Company is forecasting a \$24 million increase or a compounded annual growth rate of 3.5 percent annually over the 2024-2026 period and an additional increase of \$6 million or 1.7 percent in 2027. The primary themes driving NS Power's increased OM&G expense requirement are set out in Appendix 7A with detailed line-by-line operating costs in Appendix 7C.⁹

NS Power has a robust forecasting process for its GRA OM&G expense requirement that includes bottom-up forecasting and multiple levels of review to ensure that forecast expense levels are justified and are expected to provide value for customers.¹⁰ As part of these efforts, NS Power has enhanced the OM&G budgeting process for the 2026-2027 GRA with the addition of a labour vacancy adjustment, which reduces NS Power's revenue requirement by \$5.7 million in 2026 and 2027.

As part of its GRA, NS Power filed a benchmarking study produced by ScottMadden to assess its OM&G expenses and capital investment in comparison to peer utilities.¹¹ The study demonstrates that NS Power's costs compare favourably to NS Power's peer group at an overall organizational level.¹² A summary of the benchmark report findings is provided in Section 7.2 of NS Power's Direct Evidence.

The ScottMadden benchmarking study assists in demonstrating the reasonableness and prudence

⁹ Exhibit N-6, 2026-2027 GRA Appendix 7A-E.

¹⁰ N-23, GT IR-3.

¹¹ N-27, NSEB IR-72 Attachment 1, ScottMadden Report.

¹² N-27, NSEB IR-72 Attachment 1, ScottMadden Report, PDF page 6 of 87.

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of NS Power's forecast OM&G costs in this GRA. In addition, NS Power has developed the OM&G forecast through multiple levels of review and agreed to a further \$9 million annual reduction per the terms of the consensus agreement reached with customer representatives.

3.2 Including Maritime Link Transmission Assets in Rate Base

In its last GRA, NS Power requested approval of four capital projects associated with transmission upgrades to accommodate energy flowing from the Maritime Link onto and through NS Power's system, and the inclusion of associated costs into rate base.¹³ These projects, including their original costs, are as follows:

- CI 43324 - L6513 Rebuild / Upgrade Line Terminals - \$18.6 million
- CI 43678 - Separate L8004/L7005 on Canso Crossing Double Circuit Tower - \$20.4 million
- CI 45066 - Upgrade L6511 and L7019 Thermal Rating - \$2.7 million
- CI 45067 - 67N Onslow 345 KV Node Swap - \$3.0 million

In the 2022-2023 GRA Decision, the Board deferred allowing the inclusion of four transmission projects into rate base,

...until NS Power can demonstrate that, for a minimum of four consecutive quarters:

- (a) the wheeling tariff revenue;
- (b) the net economic value of NS Power purchases of additional Nalcor surplus energy (based on actual results following the methodology used in Undertaking U-64);
- (c) or a combination of wheeling tariff revenue and the economic value of purchased Nalcor surplus energy is at least equal to the combination of depreciation, financing costs, operating costs, and re-dispatch costs. If this threshold test has not been met by NS Power's next GRA, NS Power may seek the Board's approval to include the transmission projects in its rate base if it can demonstrate that there is justification for doing so.¹⁴

¹³ M10431, 2022-2024 General Rate Application, p. 64.

¹⁴ M10431, 2022-2023 General Rate Application, Decision, p 156-157 paragraph 405, February 3, 2023.

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As addressed in section 9.3 of the GRA Direct Evidence and explained further below, these assets have met the test set out by the Board.

For context, NS Power purchases market-priced energy from Newfoundland and Labrador Hydro (NLH) through two mechanisms. The first is surplus energy transacted under the Energy Access Agreement (EAA). Access to this energy is established through an annual solicitation process, conducted by NLH which covers the period from September of the current year to August of the following year, in which NLH offers on-peak and off-peak energy volumes by month. The second mechanism is bilateral market-priced energy. Both surplus energy under the EAA and bilateral energy transactions are market-priced energy. This treatment is consistent with the approach provided in Undertaking U-64 of the 2023-2024 GRA (M10431) proceeding. Because the volume and timing of surplus and bilateral energy are inherently uncertain, NS Power's PLEXOS system dispatch optimization model treats all market-priced energy identically and dispatches it based on market prices to achieve the lowest-cost outcome for customers. The model does not distinguish between EAA-governed surplus energy and bilateral energy; rather, the forecast reflects the total quantity of market-based energy available from NLH.

As shown in the table provided in response to Undertaking U-24, the total benefit from market-priced energy transactions exceeded the combined financing and depreciation costs in each of the four consecutive quarters presented:¹⁵

(\$ Million)	2024 Q2	2024 Q3	2024 Q4	2025 Q1
Total Benefits	\$17.2	\$11.9	\$13.6	\$9.0
Total Costs	\$1.0	\$0.9	\$0.9	\$0.9
Net Benefit	\$16.2	\$11.0	\$12.7	\$8.1

As previously noted, this outcome is consistent with the methodology provided in M10431 Undertaking U-64 and demonstrates that the economic value of market-priced energy purchased

¹⁵ Exhibit N-90, Undertaking 24 re-filed Jan 29, 2026.

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1 via the Maritime Link exceeded the costs of the related transmission assets. The data provided in
2 responses to Undertaking 25, further confirms that NS Power has met the regulatory test required
3 to include the Maritime Link related transmission projects in rate base.¹⁶

4
5 These assets are used and useful, have been depreciating at shareholder expense since their in-
6 service dates, and customer representatives have agreed to their inclusion in rate base in two
7 separate Settlement Agreements. In this context, there is no basis for these assets to not be included
8 in rate base as part of this GRA.

9
10 **3.3 Fuel and Purchased Power**

11
12 NS Power is seeking approval of new Base Cost of Fuel (BCF) amounts for FAM customers in
13 2026 and 2027 based on the forecast set out in FOR-07 Attachment 1. Actual costs for FAM
14 customers will be tracked during the 2026-2027 GRA Period and the FAM AA/BA riders will be
15 used to collect or refund, under- or over-recoveries of fuel and purchased power costs. Based on
16 the two-year BCF forecast, NS Power is applying for an average 2.3 percent increase in FAM
17 customer rates for 2026 and a reduction of 1.7 percent in 2027. Regarding AA/BA amounts for the
18 2026 and 2027 period, those values are subject to revision and finalization in NS Power's AA/BA
19 filing.

20
21 The Plan of Administration (POA) outlines that the BCF is to be updated on a two-year basis or
22 through a GRA or as directed by the Board. Accordingly, NS Power intends to reset the BCF in
23 2028.

24
25 There was no evidence adduced in this matter that was unsupportive of NS Power's fuel and
26 purchased power cost-related rates. The evidence of Board Counsel Consultant, Bates White,
27 should be particularly reassuring to the Board. Bates White commented on the reasonableness of
28 NS Power's reliance on the September 2024 GRA forecast¹⁷ and the October 29, 2024 commodity

¹⁶ Exhibit N-89(C), Undertaking 25.

¹⁷ Exhibit N-35, Evidence of Bates White Economic Consulting, December 2, 2025, page 33 line 2.

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price forecasts citing timing of settlement negotiations and their observation that there were no major changes regarding commodity futures prices that would require an update to rates.¹⁸ Further, when asked whether the 2025 Load Forecast contained major changes from the September 2024 GRA Forecast, Bates White confirmed, “No. The GRA Forecast expectations for energy demand in 2026 and 2027 is within 1% of the forecast values for both the 2024 and 2025 Load Forecasts.”¹⁹ Additionally, Bates White found no errors in how NS Power calculated the fuel cost-related rates increases including the BCF.²⁰

Overall, Bates White had no concerns with the GRA Application that required any modification – it did however make two recommendations that will be addressed in turn below:

- (1) NS Power should confirm the scope of the PHP Deferral Account includes the Goose Harbour Lake wind project, should applicable tariff provisions ultimately incorporate services, costs, or revenues from that facility; and
- (2) NS Power should provide additional narrative in support of the forecast sustaining capital costs for Lingan Unit 2 over the GRA period.

In relation to the first point, in Matter No. 12661, NS Power’s Above-the-Line Tariff application applicable to PHP, NS Power has indicated that all generation from Goose Harbour Lake will be attributed to meeting the electricity demand of the plant. Further details can be found in Section 2.9 of NS Power’s application (M12661). During oral testimony when questioned by Board Counsel, the NS Power panel confirmed that the PHP Deferral Account will include variances from the assumptions made regarding the Goose Harbour Lake wind project.²¹

In response to Bates White’s second recommendation, NS Power provides the following explanatory narrative, which is consistent with and reflects the oral testimony already before the

¹⁸ Exhibit N-35, Evidence of Bates White Economic Consulting, December 2, 2025, page 15.

¹⁹ Exhibit N-35, Evidence of Bates White Economic Consulting, December 2, 2025, page 33 line 13.

²⁰ Exhibit N-35, Evidence of Bates White Economic Consulting, December 2, 2025, page 36, line 3.

²¹ Transcript, January 9, 2026, PDF page 59/300, lines 1-12.

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1 Board. NS Power's most recent system adequacy study, updated annually as part of the 10-Year
2 System Outlook, confirmed that Lingan Unit 2 remains necessary to maintain system reliability
3 during the transition to 80 percent renewable generation and the planned retirement of coal by
4 2030. While coal retirement is targeted by 2030, Lingan Unit 2 is expected to continue operating
5 as a seasonal peaking resource into the latter part of this decade (2020-2030). Sustaining this unit
6 is critical to maintaining system adequacy, particularly during winter peak conditions and
7 contingency events, and to maintaining compliance with NERC and NPCC requirements.²²
8 Although NS Power did not originally intend to undertake this refurbishment, the annual condition
9 assessment on Lingan 2, coupled with increasing growth in peak demand and changes in the timing
10 of new firm generation resources now make this sustaining capital investment necessary.

11
12 To date, NS Power has been successful at minimizing capital investment for this unit by removing
13 it from economic dispatch, placing it in cold reserve, and only using it for firm load system
14 requirements. The change in unit status along with operational restrictions and enhanced
15 monitoring have reduced capital investment for customers. However, the unit has reached a point
16 where the refurbishment interval cannot be delayed further. Major refurbishment involves
17 disassembly, inspection, and replacement of key components to keep the steam power plant safe
18 and reliable. Failing to carry out these tasks on critical equipment that has high consequences of
19 failure will prevent the company from operating the unit, even for limited use. NS Power has
20 looked at alternatives to provide replacement capacity but due to unavailability of new or rental
21 generation and lack of availability of firm imports, sustaining Lingan Unit 2 is the best option for
22 customers.

23
24 Moreover, Board Counsel Consultant, Bates White, confirmed that conceptually, the larger
25 sustaining capital expectations made sense as indicative of "...how generation refurbishment costs
26 tend to be" with "peaks and valleys over time."²³ Bates White went on to state that larger sustaining

²² Transcript, January 9, 2026, page 692 (PDF page 56), lines 5-13.

²³ Transcript, January 12 (part B), 2026, page 1195 (PDF page 117).

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capital expectations were consistent with what they have seen elsewhere in the NS Power thermal fleet and in other jurisdictions.²⁴

The Company anticipates incurring sustaining capital investment and OM&G expense for Lingan Unit 2 during the test period. As such, these costs are forecast as part of NS Power's Revenue Requirement to serve the capacity needs of the system. As directed by the NSEB, NS Power will continue to seek independent approval of actual Lingan Unit 2 costs as confirmed in NSEB IR-95 and the related capital application will be pursued in the ordinary course.

3.4 Depreciation

As noted in Direct Evidence, NS Power is a capital-intensive business that employs a significant asset base used in, and in support of, the generation, transmission, and distribution of electricity. Due to the size and scope of the Company's asset base, NS Power tracks its assets in pools at the mass property or location level. This methodology is standard in the electric utility industry as tracking this significant number of assets on an individual asset basis is not practical and would be cost-prohibitive. NS Power's asset pools are depreciated over a period that approximates their estimated remaining useful lifespan. A fraction of each asset pool's original cost is treated as an expense each year until the asset investment and expected removal costs are fully recovered. NS Power utilizes the Equal Life Group (ELG) calculation procedure and has done so for over 30 years and that approach has been consistently reviewed and approved by the Board throughout that period. In NS Power's submission here and as confirmed by the panel, the Company believes ELG to be appropriate and that customers have directly benefited from NS Power having ELG in place, reducing NS Power's rate base investment and overall financing costs for customers.²⁵

As required by the 2023/2024 GRA Decision, NS Power retained consultant Gannett Fleming to conduct an updated depreciation study. For ease of reference, the Gannett Fleming Report is

²⁴ Transcript, January 12 (part B) 2026, page 1195 (PDF page 117).

²⁵ Transcript, January 8, 2026, page 363 (PDF page 45), lines 8-12.

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1 included as Appendix 8A.²⁶ The results of the depreciation study were provided to the signatories
2 of the Settlement Agreement. Through settlement, the Parties agreed to reduce depreciation rates
3 in order to achieve a reduction in depreciation and accretion expense of approximately \$20
4 million/year over the 2026-2027 test period, as compared to the depreciation rates included in the
5 Depreciation Study conducted by Gannett Fleming. The results of the agreed-upon reduction were
6 provided to the Board as Appendix 8G.²⁷ This represents a substantial and material adjustment
7 already made to reduce rates for customers, and reflects one aspect of the carefully balanced
8 outcome that preserves the integrity of the depreciation framework while delivering meaningful
9 and immediate bill impacts for customers. Having already achieved this significant reduction, the
10 resulting depreciation rates should be maintained.

11
12 In the interests of settlement, and with input from the settling Parties and their expert consultants,
13 to achieve the \$20 million/year reduction, NS Power completed the following:

- 14
- 15 (1) Removal of reconnaissance costs included in the Hydro Decommissioning
16 estimates.
 - 17 (2) Removal of contingency costs from generation decommissioning estimates.
 - 18 (3) Reflecting forecast decommissioning costs for all Generation Plant in 2024 dollars
19 (removal of inflation to forecast year of decommissioning).
 - 20 (4) Updating estimated service life of Account 353 - Transmission Station Equipment
21 to 48-R2.5.
 - 22 (5) Updating estimated service life of Account 390.10 - General Plant Structures and
23 Improvements to 43-R3.
 - 24 (6) Reducing the Net Salvage Rate for Account 354.00 - Transmission Towers and
25 Fixtures from (40 percent) to (20 percent).
 - 26 (7) Reducing the Net Salvage Rate for Account 355.00 - Transmission Poles and
27 Fixtures from (60 percent) to (20 percent).

²⁶ Exhibit N-7.

²⁷ Exhibit N- 7(i).

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(8) Reducing the Net Salvage Rate for Account 365.00 - Distribution Overhead
Conductors and Devices from (30 percent) to (26 percent).²⁸

This reduction is a departure from the work prepared by Gannett Fleming but was agreed to by the Parties in the interest of achieving a comprehensive settlement and reducing costs for customers.

Downward adjustments made to NS Power's depreciation expense included in Revenue Requirement have the effect of lowering revenue which decreases cash flow. It also reduces recovery of capital investment thereby increasing debt. These factors negatively impact NS Power's FFO to Debt credit metrics. The Settlement Agreement represents a reasonable outcome for recovery of the investment in NS Power's capital assets while considering the impact of reduced depreciation expense on the Company's credit metrics and customer costs.

3.4.1 Expert Evidence

The focus of the evidence of Board Counsel's Consultant, Dustin Madsen of Emrydia Consulting Corporation, was the use of the Average Life Group (ALG) procedure versus the Equal Life Group (ELG) to calculate depreciation and accretion expense, with preference for the ALG procedure citing simplicity and less potential volatility. However, Mr. Madsen confirmed in his evidence that both the ELG and ALG procedure are used in North America and are commonly applied and accepted by regulators in Canada.²⁹ Mr. Madsen further recommended revisions to the service lives of six accounts discussed further below. Mr. Madsen had no proposed changes to NS Power's requested deferral amortization and identified that in principle, he is not opposed to securitization.³⁰

²⁸ Depreciation Settlement Agreement Overview, Exhibit N-7(i), Appendix 8G, page 1.

²⁹ Exhibit N-34, Evidence of Dustin Madsen, page 45.

³⁰ Exhibit N-34, Evidence of Dustin Madsen, page 9.

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3.4.2 ELG vs ALG

Gannett Fleming appropriately applied the ELG procedure using the straight-line method, as has been in use by NS Power for over 30 years. This choice of procedure is superior, as compared to the ALG method, as it has and continues to lower NS Power's rate base and thus, financing costs at a more accelerated pace, and the data used reflects real retirement data experienced by the utility.³¹

Mr. Madsen contends that. "...it is impossible for any depreciation expert to conclude that one depreciation expense procedure will, with certainty, provide for a better and more accurate recovery of depreciation expense over the life of the assets."³² Mr. Wiedmayer's evidence does not dispute that professional judgment is inherent in depreciation studies. Rather, he explains that the ELG procedure is designed to incorporate and adjust to actual, utility-specific retirement experience for certain asset groups as that experience becomes available. In his view, the ELG procedure better aligns depreciation rates with observed asset performance and therefore provides a more accurate matching of depreciation expense to the actual consumption of plant assets over time.³³

Overall, the difference between the witnesses is not whether judgment is required, but whether a calculation procedure that explicitly incorporates utility-specific retirement experience by asset age is preferable, on balance, to one that relies on averages, and further the degree to which the resulting impact on rate base ought to be a consideration in choosing the appropriate calculation procedure.

³¹ Exhibit N-7, Gannett Fleming Depreciation Study, PDF page 6; Transcript, January 8, 2026, 355 -359 (PDF pages 38-41).

³² N-34, Evidence of Dustin Madsen, page 46, lines 3-5.

³³ Transcript, January 8, 2026, 357-359 (PDF pages 39-41).

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3.4.3 Rate Base Impacts of ALG vs ELG

A critical aspect of the choice between the ALG and ELG procedure is the overall impact on customers. Mr. Wiedmayer gave evidence that the ELG procedure lowers rate base which lowers the return received on that rate base, lowering overall revenue requirement for customers in the long term.³⁴ Mr. Wiedmayer was critical of Mr. Madsen's failure to discuss the impact of the ALG procedure on rate base, stating that Mr. Madsen's recommendation to use ALG "only presents one side of the impact on the revenue".³⁵ Mr. Wiedmayer stated that had NS Power used the ALG procedure for the last 30 years, rate base would be much higher than it is today".³⁶ He criticized Mr. Madsen's failure to make any adjustment to rate base in his determination that a switch to the ALG procedure would reduce depreciation expense by 10 percent, stating that this is not the likely scenario had ALG procedure been in effect for the last 30 or more years.³⁷

Mr. Wiedmayer summarized his issues further on cross-examination:

So, in essence, he's recommending the Average Life Group as a revenue requirement component for the depreciation expense; however, the rate base has been built up through the use over the last 30 years using the Equal Life Group procedure. So he's using the best of both worlds. And, you know, I think that that presentation is lacking what the real impact would be to customers, in terms of the total revenue requirement, the depreciation expense plus the return on rate base. If you add those two up over time Equal Life Group procedure would result in lower -- a lower revenue requirement for customers in Nova Scotia.³⁸

Mr. Wiedmayer recommended a pro forma adjustment to show the true impact of Mr. Madsen's recommendations.³⁹ Mr. Wiedmayer explained that Gannett Fleming has a model that can compare the revenue requirement impacts of ELG and ALG depreciation procedures by examining two components: (i) the annual depreciation expense, and (ii) the resulting impact on rate base through

³⁴ Transcript, January 8, 2026, pages 357-358 (PDF page 39-40).

³⁵ Transcript, January 8, 2026, page 358 (PDF page 40), lines 4-9.

³⁶ Transcript, January 8, 2026, page 358 (PDF page 40), lines 9-12.

³⁷ Transcript, January 8, 2026, page 358 (PDF page 40), lines 12-17.

³⁸ Transcript, January 8, 2026, page 359 (PDF page 41), lines 5-16.

³⁹ Transcript, January 8, 2026, pages 358 -359 (PDF page 40-41), lines 19-2.

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1 accumulated depreciation. This model was produced as part of Undertaking 12 and uses company-
2 specific data from a Pennsylvania-based Gas Utility rate case that Mr. Wiedmayer testified in
3 during the spring of 2025. The ELG versus ALG issue was raised in that case. Ultimately, the case
4 was settled with all company-proposed parameters accepted including the use of the ELG
5 procedure.

6
7 Mr. Wiedmayer explained on cross-examination that, for NS Power, the ALG procedure would
8 initially produce a lower depreciation expense, approximately 10 percent, or about \$35 million per
9 year in his illustrative example. However, that lower annual expense is recorded to accumulated
10 depreciation, which directly reduces rate base. Because this effect compounds over time, the
11 reduction to rate base grows materially, reaching approximately \$105 million after three years and
12 on the order of \$350 million within roughly 8 to 10 years, even under simplified assumptions and
13 without accounting for plant growth. As rate base declines, the return component of the revenue
14 requirement also declines.

15
16 Mr. Wiedmayer's model demonstrates that, while ALG may produce a lower revenue requirement
17 in the early years due to lower depreciation expense, there is a "crossover point" at which the
18 combined effect of depreciation expense and return on rate base under ELG becomes more
19 favourable. In his analysis, that crossover typically occurs within a range of approximately 8 to 15
20 years, depending on the authorized return and cost of capital. Given that NS Power has used the
21 ELG procedure for more than 30 years, Mr. Wiedmayer's evidence is that this crossover point has
22 long since been passed, and that, over the long term, ELG better aligns depreciation expense and
23 total revenue requirement with the actual consumption of plant and the resulting evolution of rate
24 base.⁴⁰

⁴⁰ Transcript, January 8, 2026, 365 -368 (PDF pages 47-50).

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3.4.4 Impact of ALG on FFO-to-Debt

NS Power provided Undertaking 7 which provides the forecast S&P and DBRS cashflow-to-debt metrics under the ALG calculation procedure and further, to show the true difference with the \$20 million reduction agreed to in settlement removed to show the true difference of the FFO-to-debt ratios.⁴¹ The results demonstrate that the depreciation reductions agreed to in settlement already have a measurable and material impact on NS Power's FFO-to-Debt. Moving to the ALG methodology would further reduce FFO -to-debt to approximately 11.0–11.5 percent, representing a deterioration of roughly 100–140 basis points relative to ELG. This evidence is consistent with Mr. Wiedmayer's analysis that, while ALG may reduce depreciation expense in the near term, it does so at the cost of materially weakening the Company's financial profile.

3.4.5 Revisions to Service Lives

In Undertaking 8, NS Power provided the calculation of the dollar effect of implementing the changes recommended at Table 8 of the Emrydia evidence.⁴² NS Power performed the analysis using both the ALG and ELG; the former showing a \$25.7 million and \$27.3 million reduction, and the latter showing a \$6.1 million and \$6.5 million reduction in depreciation expense in 2026 and 2027 respectively.

As NS Power has already explained above, grounded in Mr. Wiedmayer's testimony, the materially larger reductions shown under the ALG approach are not in customers' long-term interests. Moreover, using ALG results to set service lives and then embedding those lives into an ELG framework is not sound depreciation practice and would amount to a hybrid methodology that lacks technical justification. Calculation of depreciation rates requires professional judgement. It is apparent that depreciation experts can have differing opinions on the appropriate survivor curves and parameters used to calculate the depreciation rate for certain asset classes. NS Power submits that the depreciation rates agreed to by customer advocates result in a reasonable outcome

⁴¹ Exhibit N- 78, Undertaking 7.

⁴² Exhibit N-79, Undertaking 8 using Table 8 from Exhibit N-34, page 73.

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1 for the recovery of the investment in capital assets by NS Power and should not be altered to
2 incorporate the changes to these specific asset classes as proposed by Mr. Madsen.

3
4 Overall, NS Power maintains that the Depreciation Study was conducted appropriately in all
5 respects, reasonable professional judgment was applied to the best available information, and that
6 the ELG calculation procedure remains the most appropriate method for Nova Scotia at this time.

7
8 **3.5 Securitization**

9
10 NS Power is seeking to securitize the remaining net book value at December 31, 2025 of its coal
11 assets, forecast to total approximately \$704 million. While it is a complicated process that involves
12 a number of parties, including credit rating agencies and banks, and requires the Provincial
13 Government to enable it with supporting legislation/regulations, it is essentially a refinancing of
14 the coal assets. This refinancing allows for the assets to be funded with 100 percent debt, rather
15 than being funded with 60 percent debt and 40 percent equity. As debt is a cheaper form of
16 financing than equity, this alone results in cost savings for customers. It is the enabling
17 legislation/regulations that would allow this to happen, but legislation/regulations would also
18 allow the cost of that debt to be less than what NS Power would be able to obtain in markets on its
19 own, leading to additional savings. The result is substantial savings for customers, estimated to be
20 as much as \$85 million over the 2026-2027 period.⁴³

21
22 This approach is supported by all customer representatives, as well as Board Counsel Consultants
23 who provided evidence on the topic, Emrydia, and Morrison Park Advisors (MPA), as discussed
24 further below.

25

⁴³ N-26, MPA IR-7.

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3.5.1 Background

In the summer of 2021, the Provincial Government enacted the *Environmental Goals and Climate Change Reduction Act*, which legislates the goal of phasing out coal-fired electricity by 2030. At that time, the government also amended the Renewable Electricity Standards in the Renewable Electricity Regulations to require that electricity customers are supplied with 80 percent renewable electricity by 2030, which was an increase from the 40 percent renewable electricity by 2020 that had previously been required. Subsequently, at the November 2021 United Nations Climate Change Conference the Federal Government announced a commitment to achieve a net-zero emission electricity sector by 2035. Until those developments in 2021, Nova Scotia Power had been operating under Renewable Electricity Standards and an Equivalency Agreement with the Provincial and Federal Governments that had Nova Scotia on a path to phase out coal-fired generation by 2040.

This acceleration in decarbonization policy would have resulted in an acceleration of the recovery of the remaining costs of the coal assets and would have resulted in substantial increases in rates. However, in response to this, in an effort to avoid customers being burdened by this acceleration in decarbonization policy, NS Power developed and proposed to the Board the Decarbonization Deferral Account (DDA) when it filed the 2023-2024 GRA in early 2022. The purpose of the DDA was to allow for these costs to be recovered in a more flexible and more affordable manner, avoiding the need to accelerate the recovery and providing more time to develop cost-effective solutions, such as securitization. The DDA was approved by the NSEB in its April 10, 2024 decision (M11220).

At paragraph 2 of that decision, the Board stated the following:

NS Power has not fully recovered its investment in the assets it expects to retire to meet its legal decarbonization obligations or the costs it will incur to decommission these facilities. While NS Power could seek approval to accelerate the recovery of

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1 depreciation expenses and decommissioning costs to match the remaining useful
2 lives of the assets, doing so would cause a substantial increase in rates.⁴⁴
3

4 Also included in the Board's decision, in section 3.4.4, was a discussion of securitization and the
5 complexities of securitization, including the need to have legislation/regulations in place to enable
6 it. It was recognized by parties as potentially the ultimate solution where the most savings could
7 be generated for customers and, in its decision, the NSEB directed NS Power to investigate its
8 future use. As a result, NS Power has been working to develop such a solution and with the full
9 support of customer representatives, has brought it forward for incorporation in this GRA.
10

11 **3.5.2 Book Value of Coal Assets**

12 NS Power's thermal generation assets have been consistently, diligently, and transparently valued
13 and reported since the utility became a privately held entity, in accordance with established
14 regulatory accounting principles and applicable financial reporting standards. The net book value
15 of these assets is derived from, and continuously reconciled through, the Company's approved
16 depreciation practices and capital asset accounting policies which are Board-approved. These net
17 book values are also included in the Company's Property, Plant and Equipment balances in annual
18 financial reporting to the Board and the Company's audited financial statements.
19

20 As directed, in this GRA, NS Power filed a comprehensive Depreciation Study for Board review
21 and approval, which establishes the approved remaining service lives, depreciation rates, and
22 remaining net book value of its generation assets, including its thermal generation fleet. In
23 addition, since 2017, NS Power's annually filed Regulated Financial Statements include detailed
24 continuity schedules that reconcile opening and closing balances for property, plant and
25 equipment, including additions, retirements, depreciation, and net book value by asset class, and
26 specifically by unit, all of which are subject to regulatory review.
27

⁴⁴ M11220 Decision, page 4, paragraph 2.

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1 NS Power's annual financial statements are prepared in accordance with applicable accounting
2 standards and are independently audited, and the Company's Management's Discussion and
3 Analysis (MD&A) is filed quarterly and publicly disclosed. Furthermore, NS Power follows all
4 Board-approved accounting policies, and NS Power's compliance with those accounting policies
5 is subject to external audit and NSEB review. That external auditor audits in accordance with
6 Canadian generally accepted auditing standards providing its opinion on NS Power's consolidated
7 financial statements before they are released publicly and filed with the NSEB. Taken together,
8 these filings provide a continuous, auditable, and regulator-approved record of the valuation and
9 cost recovery of NS Power's thermal assets over time.

10
11 When the NSEB approved NS Power's DDA in Matter M11220, the Board accepted that costs
12 associated with assets within its scope would be recovered through an alternative mechanism rather
13 than depreciation expense. As such, the DDA laid the foundation for an accounting and regulatory
14 framework that would allow for the benefit of the proposed securitization transaction. In parallel,
15 the Legislature enacted the *Energy Reform (2024) Act* (Bill 404), which received Royal Assent on
16 April 5, 2024. That Act includes amendments to the *Public Utilities Act* which, once proclaimed
17 and supplemented by regulations, establishes a statutory framework for financing orders that
18 would enable securitization under new section 35G. While those provisions have not yet been
19 proclaimed into force, their enactment constitutes a clear and deliberate signal of legislative intent
20 to enable securitization in Nova Scotia.

21
22 Consistent with that intent, NS Power continued to engage with the Department of Energy and
23 other stakeholders regarding the development of the necessary regulatory framework. As
24 confirmed in the May 6, 2025 correspondence from the Deputy Minister of Energy, the Province
25 remains committed to working toward an approach that would allow the Board to issue a financing
26 order and facilitate securitization by the end of 2025, with the stated objective of reducing
27 electricity costs for Nova Scotians.⁴⁵ For these reasons, NS Power put forth a GRA that
28 incorporated the proposed securitization approach.

⁴⁵ Direct Evidence, Appendix 8F, Letter from the Province of NS.

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1 As stated during the hearing, NS Power has made efforts and will continue to make all efforts to
2 ensure that the proposed securitization approach can move forward as soon as possible.⁴⁶

3
4 **3.5.3 Support for Securitization**

5
6 As reflected in the Settlement Agreement, the Parties collectively agreed to incorporate a
7 securitization approach within this GRA framework. In doing so, the Parties agreed that NS Power
8 would use best efforts to bring forward, prior to January 1, 2026, an application seeking approval
9 of the proposed securitization of assets, the associated cost of service treatment, and a
10 Securitization Rider, while reserving their respective rights to take whatever positions they may
11 consider necessary in that future proceeding. Due to the delay in the enactment of regulations, NS
12 Power has not yet been able to advance the application contemplated. However, in NS Power's
13 view, the inclusion of this framework in a comprehensive, multi-party settlement reflects a shared
14 recognition that securitization is an appropriate and constructive regulatory tool to be pursued in
15 Nova Scotia in the best interests of customers, subject to the Board's ultimate review and approval.
16 The Parties did not simply accept the possibility of securitization; they were aware of the steps
17 required and agreed on a process to advance it.

18
19 Moreover, NS Power's proposed securitization approach was supported by the evidence of Board
20 Counsel Consultant, Dustin Madsen of Emrydia Consulting Corporation. In his evidence, Mr.
21 Madsen confirmed that securitization is commonly used in the United States for various costs,
22 including extraordinary storm costs and costs related to the early retirement of generation assets.⁴⁷
23 When asked in written evidence whether Mr. Madsen recommended approval of NS Power's
24 proposed securitization, he confirmed:

25
26 Yes, in principle I have no issues with the proposal to securitize the costs in question
27 for the reasons stated earlier. However, I am unable to review the results of the
28 specific transaction as part of this evidence, and thus my opinion may

⁴⁶ Transcript, January 7, 2026, page 211 (PDF page 219), lines 10-18.

⁴⁷ Exhibit N- 34, Evidence of Emrydia Consulting Corporation, p 117, lines 24-25.

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1 change...Ultimately though, it is likely fair to conclude that out of all the options
2 available, securitization would be the “least-bad” option.⁴⁸
3

4 The evidence of Board Counsel Consultant, Pelino Colaiacovo of MPA, further illustrates the
5 importance of securitization. Mr. Colaiacovo stated in his evidence that, “if securitization does not
6 occur, and the requested rate increases are not approved, then NSPI will almost certainly fail a
7 number of financial tests, and be at risk of another credit downgrade, with potentially significant
8 consequences.”⁴⁹ He explained that an “Investment Grade” debt security is one that is rated no
9 lower than BBB-:
10

11 ...Any lower credit rating is referred to as “junk” or “high yield”, which suggests a
12 very bright line distinction between the BBB- level and everything below it. Many
13 investment funds and investment vehicles are prohibited by their internal rules from
14 investing in any debt security that is not investment grade”.⁵⁰
15

16 Further, Mr. Colaiacovo’s report stated, “Given the magnitude of the impacts of each of the two
17 initiatives separately, should NSPI’s rate requests be rejected and its securitization plan not bear
18 fruit, then it would be a certainty that the 10% FFO: Debt target would be missed in both years.”⁵¹
19 NS Power’s analysis reveals the same picture. As illustrated in its response to Undertaking 7, NS
20 Power is forecasting to be above the 10 percent requirement to maintain its current credit ratings
21 and returning to levels more aligned with ratings of BBB+ by S&P and A (low) by DBRS by the
22 end of 2027 assuming approval of the rates requested in this Application and a successful
23 securitization of the net book value of the thermal assets. Absent an increase in general rates and
24 successful securitization, NS Power forecasts that the S&P and DBRS metrics would deteriorate
25 and be below the minimum 10 percent cash flow to debt threshold by 2027. This could result in
26 NS Power no longer having access to the commercial paper market and would have other negative
27 implications for the Company’s credit ratings, borrowing costs, required return and therefore, cost
28 of equity and access to capital.⁵²

⁴⁸ Exhibit N- 34, Evidence of Emrydia Consulting Corporation, p 120, lines 2-8.

⁴⁹ Exhibit N-36, MPA Evidence, page 3, lines 26-29.

⁵⁰ Exhibit N-36, MPA Evidence, page 11, lines 21-27.

⁵¹ Exhibit N-36, MPA Evidence, page 23, lines 14-16.

⁵² Exhibit N-3, NS Power 2026-2027 GRA Direct Evidence, page 65.

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1 The impacts of not achieving securitization cannot be overstated – failing to proceed with
2 securitization would unnecessarily burden customers with materially higher costs, foregoing as
3 much as approximately \$85 million in savings that can be achieved through a statutorily-supported,
4 lower-cost financing structure. Securitization is purely about ensuring customers in Nova Scotia
5 pay the lowest reasonable cost for the transition away from coal.

6
7 **3.5.4 Securitization Deferral**
8

9 As the necessary regulations have not been enacted and section 35G has not yet been proclaimed,
10 NS Power must continue to operate under the existing legal and regulatory framework. In these
11 circumstances, a deferral mechanism is required to preserve the benefits of the securitization for
12 customers. Accordingly, NS Power seeks approval in this proceeding of a deferral account to track
13 the financing and depreciation costs associated with the identified coal assets effective January 1,
14 2026, or no later than the date upon which new rates stemming from this GRA come into effect,
15 to remain in place until such time as those costs can be recovered through a securitization rider.
16 As noted in NS Power’s response to NSEB IR-89, the deferred costs are intended be added to the
17 balance to be securitized.⁵³
18

19 Given that the depreciation and financing costs of the coal assets have been excluded from the
20 proposed revenue requirement, the deferral is essential to ensuring that NS Power has the
21 opportunity to recover its costs, where there is a misalignment in the effective dates of
22 securitization and new rates.
23

24 The Company submits that, if necessary, after 12 months from establishment, the deferral balance
25 should accrue carrying costs at NS Power’s approved Weighted Average Cost of Capital (WACC).
26 This is consistent with section 64AB(2) of the *Public Utilities Act*: the amounts are material, will
27 remain outstanding until recovered through a future Board-approved securitization rider, and
28 WACC represents the real financing costs incurred by the utility in the interim.

⁵³ Exhibit N-27 NSPI (NSEB) RIR-89.

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Overall, the deferral proposed is a prudent and necessary interim measure that maintains the integrity of the securitization framework endorsed by stakeholders, protects customers from premature or irreversible cost consequences, and allows the Province the time required to complete the implementation of the legislative and regulatory regime that the Legislature has already chosen to establish.

NS Power remains hopeful that this work can be concluded in a timely manner. NS Power is committed to working with the Board, all stakeholders, and the Province toward that end.

3.6 EIFEL Deferral

NS Power requests the ability to create a deferral to allow it to recover incremental tax expense excluded from its revenue requirement should the EIFEL exemption not be enacted (hereinafter referred to as the EIFEL Deferral). As outlined at section 11.2 of NS Power's Direct Evidence, in determining its revenue requirement for the 2026-2027 test period, NS Power has assumed the exemption for regulated utilities will be enacted. If the exemption is not enacted, NS Power estimates the potential incremental tax expense over the GRA period to be approximately \$7.0 million.

On August 15, 2025, the Canadian federal government released revisions to the EIFEL rules which included the Canadian Regulated Utilities Exemption (CREUE) as previously announced in August 2024. NS Power has provided that updated version as part of Undertaking 17 filed as Exhibit N-84 in this proceeding.⁵⁴ The text of the EIFEL Rules can be found at page 42.

Additionally, Attachment 2 of Undertaking 17, includes the reference to the passage, "In the fall economic statement...":

RECOMMENDATION

Her Excellency the Governor General recommends to the House of Commons the appropriation of public revenue under the circumstances, in the manner and for the purposes set out in a measure entitled "An Act to implement certain provisions of

⁵⁴ Exhibit N-84, Response to Undertaking U-17.

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1 the fall economic statement tabled in Parliament on November 21, 2023 and certain
2 provisions of the budget tabled in Parliament on March 28, 2023.⁵⁵
3

4 The federal draft legislative proposals confirm that the Government of Canada announced an
5 exemption from the EIFEL rules for Canadian Regulated Utilities in the context of its fiscal policy
6 initiatives, including those arising from the Fall Economic Statement. Based on the materials
7 provided, the Government of Canada has publicly committed to the CREUE by releasing draft
8 legislative text soliciting stakeholder comments, though the measure has not yet been enacted into
9 statute.

10
11 Notwithstanding the foregoing, as outlined in NS Power's response to NSEB IR-126, the EIFEL
12 exemption has been identified as a fluid tax policy issue, the outcome of which NS Power has
13 limited ability to influence. In these circumstances, the EIFEL deferral continues to be required
14 and is therefore being sought in this proceeding.

15
16 Currently, the approximately \$7 million expense is a forecast cost to NS Power and its customers.
17 As NS Power believes there is a high potential that the exemption is granted, it has elected to
18 remove the expense from its forecast revenue requirement and instead request that, if the
19 exemption is not granted, NS Power be provided with the ability to recover these tax expenses.
20 However, to be clear, in the absence of the deferral, the expense should be included in forecast
21 revenue requirement.

22
23 **3.7 PHP Deferral Account**

24
25 **3.7.1 Scope of the PHP Deferral Account**

26
27 In accordance with the Settlement Agreement, "PHP Treatment" note (a), PHP has been treated as
28 an above-the-line (ATL) customer in the 2026-2027 COSS,⁵⁶ meaning this GRA incorporates the
29 effect on all ATL classes of PHP served as an ATL customer. The effect of this is that rates for

⁵⁵ Exhibit N-84, Response to Undertaking U-17 Attachment 2, PDF page 56 of 600

⁵⁶ Exhibit N-27, NSEB IR-1 Attachment 1.

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other classes are lower due to the assumed fixed cost recovery included in the forecast embedded cost-based rates applicable to PHP. To address potential revenue variances arising from differences between a Board-approved tariff for PHP and the assumptions included in the GRA COSS, NS Power has requested approval to establish a deferral account (PHP Deferral). The PHP Deferral recognizes the material variances, both positive and negative, which may arise between assumptions for ATL service to PHP in the GRA and what will actually unfold in the coming months, including the onset of the Goose Harbour Lake wind project as noted above in Section 3.3.

As noted in Direct Evidence, this account would apply in the following scenarios:

- (1) the Board's decision on the PHP tariff or ADC rider differs from the assumptions in the GRA;
- (2) the tariff is not available for PHP to take service under it as of January 1, 2026; or
- (3) PHP determines the outcome of the ADC and tariff processes is not satisfactory.

Following the filing of the GRA, NS Power developed PHP's ATL Tariff, named the "Extra Large Industrial Dispatchable Tariff" (ELIDT), and has filed an application with the Board under Matter M12661 (ELIDT Application). As per the ELIDT Application, it is now intended that PHP will subscribe to this tariff on or before January 1, 2027, as the current term of the Extra Large Industrial Active Demand Control (ELIADC) Tariff, under which PHP currently takes service, will expire at the end of 2026. Within the ELIDT Application, the Company provided more detail regarding the scenarios to which the PHP Deferral would apply, to supplement, and not supplant, the scope of the PHP Deferral sought in this GRA.⁵⁷ Material variances that may arise include but are not limited to:

- The cost of service model applicable to NS Power ATL classes;
- The costing and billing determinants applicable to PHP;

⁵⁷ M12661, ELIDT Application, p 14-15.

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- 1 • The form of Tariff construct including pricing of the Tariff elements as ultimately approved
- 2 by the Board;
- 3 • As applicable, the form and terms of a Board-approved Dispatchable Rider, Interruptible
- 4 Rider, and priority interruptible service;
- 5 • The timing and energy production from the PHPW PPA during 2026 and 2027;
- 6 • PHP consumption over the period 2026 and 2027;
- 7 • PHP's agreement to subscribe to the ATL tariff approved by the Board as part of the ELIDT
- 8 Application; and
- 9 • In the event PHP does not take service under an ATL tariff, the form and financial effect
- 10 of the alternative.

11
12 On cross-examination, the NS Power panel further clarified that Goose Harbour Lake timing and
13 energy production-related variances would be built into the PHP Deferral. The NS Power panel
14 explained the significance of such variances:

15
16 ...it's a significant component of PHP's service over the test period, and it would
17 be a fairly significant assumption that was built into the GRA in terms of when that
18 wind farm would be coming online and when PHP's load would shift as a result.
19 So to the extent that that timing moves forward or is delayed or the full
20 implementation of that wind farm is delayed or accelerated as well, that has the
21 potential to have a very material effect on the revenue that's collected through
22 electricity rates, and that has the potential to create a positive or a negative effect
23 on the deferral depending on the direction of that timing.⁵⁸
24

25 For clarity, the PHP Deferral described in the Settlement Agreement tracks variances over the
26 2026-2027 test period only. As confirmed by the NS Power panel in oral testimony, any variances
27 arising in 2028 would not form part of the PHP Deferral account sought in this GRA. The recovery
28 of any such variances beyond 2027 would be addressed in a future proceeding initiated by NS
29 Power. Subject to the requirements of section 64AB of the *Public Utilities Act*, NS Power is
30 seeking that the PHP Deferral include the Company's financing costs at WACC.

⁵⁸ Transcript, January 8, 2026, pages 583-584 (PDF p 265-266).

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3.7.2 Outcome of PHP remaining below-the-line

One of the concerns raised during the hearing was the potential impact on the GRA if PHP does not ultimately take service under an above-the-line tariff in 2027, and what alternative arrangements might apply.⁵⁹ The NS Power panel explained that while the precise alternative would depend on the circumstances, PHP would necessarily take service either below-the-line or above-the-line, and NS Power would work to ensure that an appropriate arrangement is in place when the current ELIADC Tariff expires at the end of 2026.⁶⁰

If PHP elects not to take service under the new ELIDT, then it is expected that the existing ELIADC Tariff would form the baseline for any required true-up calculation for as long as it remains in place.⁶¹ However, to the extent that an entirely different tariff (i.e. not the ELIDT or the ELIADC) is in place at some point during the 2026-2027 period, then it is expected that tariff would then form the baseline.

To help illustrate the potential magnitude of the impacts in this scenario, NS Power indicated at Exhibit 74 (Undertaking-2), that the forecast PHP Deferral amount, if PHP remains on the ELIADC Tariff for all of 2026, would be anticipated at \$18.2 million. In addition, a fuel balance amount of approximately \$5.7 million is anticipated to be recorded under the FAM.⁶²

3.7.3 Criticality of the PHP Deferral

In light of the acknowledged uncertainty regarding PHP's ultimate tariff treatment in the test period, the changes in load caused by the onset of the Goose Harbour Lake wind project, and the likely material magnitude of the associated revenue and cost impacts, the need for a deferral mechanism is both evident and prudent.⁶³ As noted by Bates White in its evidence, given the

⁵⁹ Transcript, January 7, 2026, pages 66-72 (PDF p 74-80) and Transcript, January 8, 2026, pages 556-565 (PDF p 238-247).

⁶⁰ Transcript, January 8, 2026, page 559 (PDF p 241), lines 2-13.

⁶¹ Transcript, January 7, 2026, page 69 (PDF page 77), lines 1-5.

⁶² Exhibit N-74, Undertaking 2.

⁶³ Transcript, January 8, 2026, pages 583-584 (PDF p 265-266).

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1 uncertainty surrounding PHP's tariff mechanism for the 2026-2027 period, "NSPI's proposed PHP
2 deferral appears to be a reasonable mechanism for reconciling any deviations in revenues from
3 expectations".⁶⁴

4
5 As the evidence demonstrates, the differences arising from PHP's treatment as above-the-line or
6 below-the-line could be significant. The proposed deferral recognizes this significance. It
7 recognizes that the shift in treating PHP as above-the-line is a significant change that can bring
8 with it significant impacts and the need to approach this in a controlled manner. Absent a deferral,
9 this change would risk creating unaccounted-for impacts on other customers and a material risk of
10 not providing an opportunity to recover an approved revenue requirement. It is for these reasons
11 that the Parties agreed to the deferral mechanism in the Settlement Agreement, and the record
12 supports its approval.

13
14 **3.8 Cost of Service**

15
16 NS Power seeks approval of the Cost of Service (COS) methodology as filed at Appendix 12A
17 which sets out the process by which the Company determines the allocation of costs among
18 customer classes.

19
20 Through the Settlement Agreement, the Parties ultimately agreed that the COS filed with the draft
21 GRA should be advanced for the Board's approval, subject only to the three outstanding directives
22 expressly identified in the COS section of the Application.⁶⁵ Accordingly, there is no dispute
23 among the Parties with respect to the COS, except as expressly preserved in the Settlement
24 Agreement.

25
26 The Board has before it, the entirety of the COSS filed by NS Power, along with Elenchus' report,
27 and the evidence of Board Counsel's Consultant, Carolyn Palmer of Synapse, who reviewed NS

⁶⁴ Exhibit N-35, Bates White Evidence, pp 29-30, lines 18 – 1.

⁶⁵ Exhibit N-27, NSEB IR-1 Attachment 1

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1 Power's COSS and has heard the oral testimony of both experts and the NS Power COS panel.⁶⁶
2 In NS Power's submission, and as outlined further below, the totality of the evidence supports
3 proceeding as outlined at Appendix 12A.

4
5 **3.8.1 Evidence of Synapse**

6
7 NS Power's responses to the key issues raised by Synapse are outlined below.

8
9 First, the Synapse evidence notes that, in the consultative process, areas of disagreement remained
10 and states that NS Power did not "elucidate" how certain concerns were ultimately "assuaged".⁶⁷
11 With respect, NS Power submits that this is neither surprising nor problematic in the context of
12 settlement. Following the conclusion of the COSS resolution sessions facilitated by Mr. Bruce
13 Outhouse in December 2024, the subsequent settlement discussions properly took place solely
14 among the Parties. Board Counsel and the Board's Consultant, Synapse, were not participants in
15 those discussions, nor would they have been expected to be as they have no interest in the matter.
16 It therefore follows that Synapse would not, and should not be expected to, have visibility into
17 how the remaining issues were resolved. That does not mean, however, that they were not in fact
18 resolved.

19
20 Second, and importantly, in written evidence, Synapse expressly acknowledged the Settlement
21 Agreement reached among all major customer groups. Considering the settlement reached
22 impacting this test period, Synapse recommended that the continued use of the Minimum System
23 Method (along with certain other COS and rate design methodologies) be addressed in a future
24 Board proceeding.⁶⁸ Additionally on cross-examination, Ms. Palmer confirmed that the Settlement
25 Agreement ultimately achieves her overall recommendation, which is to proceed on the basis of
26 the COS as proposed and to continue to evaluate whether the Minimum System Method remains
27 the most appropriate method for Nova Scotia. She also advocated for consideration of a load

⁶⁶ Exhibit N-37, Synapse Evidence.

⁶⁷ Exhibit N-37, Synapse Evidence, p 17, lines 12-18.

⁶⁸ Exhibit N-37, Synapse Evidence, page 3 (PDF page 5), lines 8-11.

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1 carrying capacity (LCC) adjustment within any further evaluation of the Minimum System
2 method.⁶⁹ NS Power confirms that the Minimum System Method including an LCC adjustment
3 will be the subject of further evaluation before the Board in 2026.

4
5 Third, the main point of contention is a long-standing debate: whether the Minimum System
6 Method is a reliable basis for classifying distribution system-related costs as customer related.⁷⁰
7 Conversely, the Basic Customer Method advocated for in Ms. Palmer's evidence, would not
8 characterize any costs of the distribution system used in the Minimum System Method as driven
9 by customers, those costs are classified as 100 percent demand related. Both Mr. Blair and Ms.
10 Palmer agreed on cross-examination that the classification of distribution costs as demand or
11 customer related is one of the most controversial aspects in cost allocation in utility rate making.⁷¹
12 This classification entails significant judgment and discretion of the Party applying the method.

13
14 In NS Power's submission, the Minimum System Method more appropriately reflects cost
15 causation experienced in Nova Scotia, recognizing that the assets considered in the Minimum
16 System Method have two clear cost drivers: the expansion of the distribution system that NS Power
17 must build to reach each customer, and the peak demand the distribution system must support. In
18 short, due to these cost drivers, NS Power classifies its distribution-related costs to both customer
19 and demand depending on the type of distribution asset (as opposed to 100 percent demand as seen
20 with the Basic Customer Method). NS Power acknowledges that this classification allocates a
21 larger share of infrastructure costs to the residential class, but this approach follows cost causation
22 principles.⁷²

23
24 In Undertaking 5, NS Power provided a calculation implementing a methodology that alters the
25 principled results of the COSS and the agreement reached by customer advocates. In that
26 calculation, as directed, NS Power classified all distribution wire, pole, and fixture costs to the

⁶⁹ Transcript, January 13, 2026, page 1278 (PDF page 52), lines 9-20.

⁷⁰ Transcript, January 7, 2026 pages 186-187 (PDF p 194-195).

⁷¹ Transcript, January 7, 2026, page 188-189 (PDF p 196-197), line 16 – 2; Transcript, January 13, 2026, page 1271 (PDF page 45), lines 2-8.

⁷² Transcript, January 7, 2026, page 96 (PDF page 104), lines 3-12.

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1 demand-related category. The result is that less cost responsibility is assigned to the Domestic
2 class thereby lowering the overall rate increase for 2026 and 2027. However, as shown in the
3 undertaking, this method poses a negative impact on the other classes, including General, Large
4 General, Medium Industrial, and Large Industrial customers. In NS Power's submission, this result
5 does not reflect a more accurate application of cost causation principles.

6
7 Further, the analysis provided in Undertaking 6 which implements the arbitrary 1.5kW per
8 customer credit to each rate class, produces similar results – there are significant consequences on
9 other rate classes. Such a change should not be taken lightly. Ms. Palmer agreed that thoughtful
10 analysis from NS Power and other stakeholders is required,⁷³ to identify the specific LCC
11 adjustment of NS Power's minimum system. There is no basis in evidence or in regulatory
12 principle to assign an LCC adjustment of 1.5kW at this time.

13
14 On cross-examination, Ms. Palmer confirmed that to her knowledge, the 1.5kW number is only
15 utilized in South Dakota and Minnesota, she is not certain how the calculation was made, and that
16 she is advocating for the *result* to be applied, not the actual *approach* or methodology behind the
17 LCC adjustment.⁷⁴ Ms. Palmer confirmed that her evidence did not contain any analysis
18 demonstrating why or how the 1.5kW LCC adjustment is appropriate for Nova Scotia and that
19 making that determination requires detailed distribution engineering analysis.⁷⁵

20
21 Fourth, the Minimum System Method is well established and utilized by Canadian jurisdictions.
22 Andrew Blair of Elenchus confirmed that Saskatchewan, Quebec, and Newfoundland use the
23 Minimum System method for both primary and secondary distribution systems and further, that
24 Ontario and New Brunswick have a set of round numbers used as classification factors in their
25 cost of service model that are grounded in the Minimum System Method.⁷⁶ Ms. Palmer agreed that
26 the Minimum System Method is not unique to NS Power and is used by multiple regulated utilities

⁷³ Exhibit N-37, Synapse Evidence, PDF page 16.

⁷⁴ Transcript, January 13, 2026, pages 1288-1289 (PDF Page 62-63).

⁷⁵ Transcript, January 13, 2026, pages 1289-1290 (PDF Page 63-64).

⁷⁶ Transcript, January 7, 2026, page 182 (PDF page 190), lines 5-14.

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1 in Canada.⁷⁷ Moreover, the NS Power panel highlighted that the Elenchus jurisdictional scan
2 showed that across Canada, either the Minimum System or Zero Intercept method is chosen and
3 that the Basic Customer Method is not used in Canada.⁷⁸

4
5 Despite its prevalence in Canada, Ms. Palmer stated that use of the Minimum System Method does
6 not mean it is a reasonable method to utilize for classifying distribution infrastructure⁷⁹ citing a
7 failure to account for geographic dispersion and that geography is not necessarily well-correlated
8 with the number of customers.⁸⁰ However, Ms. Palmer agreed in cross-examination, that
9 geographic dispersion is not at all well correlated to demand either.⁸¹ In other words, there is no
10 classification methodology that perfectly aligns distribution system costs with any single cost
11 driver, and the selection of a methodology necessarily involves the exercise of judgment among
12 approaches.

13
14 Overall, regarding continued use of the Minimum System Method, the Parties agreed that this topic
15 would be subject to further examination by the Board.⁸² NS Power confirmed during the hearing
16 that this evaluation would take place via an application filed by the Company in 2026.⁸³
17 Additionally, the NS Power panel confirmed that the examination of the Minimum System Method
18 would include consideration of an LCC adjustment.⁸⁴

19
20 It is important to note, however, that the Company's commitment to future evaluation of the
21 Minimum System Method does not make the COS as proposed incomplete, tentative, or deficient.
22 The Minimum System Method is one of two preferred methods in use in Canada, has been in place
23 in Nova Scotia for many years and, as the Board noted, the Board may well conclude that it
24 continues to be the appropriate methodology.⁸⁵ For purposes of this proceeding, the parties have

⁷⁷ Transcript, January 13, 2026, page 1273 (PDF page 47) lines 10-17.

⁷⁸ Transcript, January 7, 2026, page 156 (PDF Page 164/336), lines 1-13.

⁷⁹ Transcript, January 13, 2026, page 1273 (PDF page 47) lines 6-9.

⁸⁰ Exhibit N-37, Synapse Evidence, PDF page 9, lines 17-20.

⁸¹ Transcript, January 13, 2026, page 1280 (PDF page 54), lines 5-16.

⁸² Exhibit N-27, NSPI (NSEB) RIR-1 Att 1.

⁸³ Transcript, January 7, 2026, page 65 (PDF page 73), lines 1-4.

⁸⁴ Transcript, January 7, 2026, page 124 (PDF 132) lines 11-14.

⁸⁵ Transcript, January 7, 2026, page 177 (PDF pp 185-186) line 14 – page 178, lines 1-9.

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1 proceeded on that basis and have developed a full and sufficient record to support the resulting
2 cost allocation and rate design outcomes.

3
4 As a final, related matter, a blanket change from the Minimum System Method to the Basic
5 Customer Method would not necessarily result in a lower customer charge. As explained by the
6 NS Power panel, the impact depends on magnitude of any cost reallocation. Since the customer
7 charge is already set below the cost to serve customer-related functions, it is uncertain, absent
8 further study, whether the change would be large enough to warrant a reduction.⁸⁶ In the future,
9 NS Power will bring this matter forward with stakeholders as part of preparations for any relevant
10 rate proceeding, where a decision on the allocation of the customer charge will be made.

11
12 **3.8.2 Rate Design**

13
14 As noted in Direct Evidence, NS Power is not proposing to introduce new concepts or materially
15 modify any of its rate design.⁸⁷

16
17 The Company wishes to note that the 95 to 105 Revenue-to-Cost ratios for each customer class
18 were carefully considered by the Parties involved in the COSS and settlement process. In light of
19 recognition of the impact of the COS on the Domestic class, the Parties settled on the Domestic
20 Class being set at 95 to try to lessen such impacts.⁸⁸

21
22 **3.9 Storm Cost Recovery Rider Pilot Continuation**

23
24 In the Board's 2023-2024 GRA Decision, it approved the Storm Cost Recovery Rider (SCRR) on
25 a three-year pilot basis, providing for recovery of OM&G restoration costs for Level 3 and 4 storms
26 in the years 2023, 2024 and 2025. This approval was consistent with what had been agreed to by
27 the signatories of the 2023-2024 GRA Settlement Agreement.

⁸⁶ Transcript, January 7, 2026, page 190 (PDF page 198) lines 11-15.

⁸⁷ Exhibit N-3, NS Power 2026-2027 GRA Direct Evidence, Section 13.

⁸⁸ Transcript, January 7, 2026, page 177 (PDF p 185/336) lines 1-13.

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1 As part of this GRA, and as agreed to by the Parties, NS Power is seeking Board approval of a
2 continuation of the SCRR pilot but on a symmetrical basis for 2026 and 2027, which would allow
3 recovery of Level 3 and 4 storm OM&G restoration costs above those included in revenue
4 requirement or for any underspend of such costs to be returned to customers, in each year.
5 Additionally, as per the Settlement Agreement, NS Power is seeking that the Board establish a
6 materiality threshold of \$2.5 million for making an application to return an underspend to
7 customers.

8
9 In oral testimony, when questioned by Member Murphy, the NS Power panel explained that the
10 purpose of the \$2.5 million threshold for returning storm cost underspends is not to deem any
11 amount immaterial, but to establish a practical and orderly trigger for the application process.⁸⁹
12 Overspends are addressed through the existing rider, and NS Power determines whether and when
13 to apply, based on its own assessment of materiality and the costs of proceeding. By contrast,
14 returning an underspend affects multiple customer groups and would otherwise require consensus
15 and/or a formal application process potentially every year, even for small amounts. The threshold
16 therefore serves as a mechanism to avoid repeated applications for small sums, with any
17 underspend below the threshold remaining in the account until it accumulates to a level that
18 triggers an application to return the funds to customers.⁹⁰

19
20 Accordingly, there was no evidence adduced in this proceeding opposing the continuation of the
21 Storm Cost Recovery Rider on a pilot basis with the revised, symmetrical framework, including
22 the establishment of a threshold for triggering an application to return an underspend to customers.
23 This approach was accepted by the Parties and reflected in the Settlement Agreement. In these
24 circumstances, and on the basis of the evidentiary record, NS Power requests approval of the
25 continuation of the Storm Cost Recovery Rider on the terms proposed.

⁸⁹ Transcript, January 9, 2026, pages 827- 830 (PDF pages 191-194).

⁹⁰ Transcript, January 9, 2026, PDF page 827 (PDF page 191), line 9 –page 831 (PDF page 195), line 8.

3.10 Cost of Capital and Capital Structure

As noted at Section 10.1 of the Direct Evidence, NS Power requires a significant amount of capital to invest in its assets and infrastructure to generate and deliver electricity to Nova Scotians. These assets have a life expectancy of many years, and as discussed previously, their cost is recovered from customers over the expected remaining life of the asset pools, over a period of years or decades. NS Power must invest the funds to build this infrastructure in advance. The funds to construct and install these assets come from a combination of two sources: debt and equity.⁹¹

The financing costs associated with debt (interest expense) and equity (return on common equity) represent a real and significant cost to NS Power for the required investment in the Company's operations.

Though the Company has provided evidentiary support for 9.9 percent ROE, NS Power has agreed through the Settlement Agreement, to maintain the current ROE of 9.0 percent and an equity ratio of 40 percent for rate-setting purposes.

NS Power provides further comment below on the evidence provided by Concentric Energy Advisors (Concentric) and Board Counsel Consultant, Dr. Sean Cleary, but also relies on the full record before the Board to demonstrate the just, reasonable, and prudent nature of the Settlement Agreement.

3.10.1 Fair Return Standard and Stand-Alone Principle

Fair Return Standard

The principles surrounding the concept of a "fair return" for a regulated company (Fair Return Standard) were established by the Supreme Court of Canada in *Northwestern Utilities v. City of Edmonton* (1929) SCR 186 (*Northwestern*), where the Supreme Court of Canada found:

⁹¹ Exhibit N-3, NS Power 2026-2027 GRA Direct Evidence, Section 10.1.

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1 By a fair return is meant that the company will be allowed as large a return on the
2 capital invested in its enterprise (which will be net to the company) as it would
3 receive if it were investing the same amount in other securities possessing an
4 attractiveness, stability and certainty equal to that of the company's enterprise.⁹²
5

6 In 2015, the Supreme Court of Canada in *Ontario (Energy Board) v Ontario Power Generation*
7 *Inc.* confirmed *Northwestern*, stating:
8

9 This means that the utility must, over the long run, be given the opportunity to
10 recover, through the rates it is permitted to charge, its operating and capital costs
11 ("capital costs" in this sense refers to all costs associated with the utility's invested
12 capital). This case is concerned primarily with operating costs. If recovery of
13 operating costs is not permitted, the utility will not earn its cost of capital, which
14 represents the amount investors require by way of a return on their investment in
15 order to justify an investment in the utility. The required return is one that is
16 equivalent to what they could earn from an investment of comparable risk. Over
17 the long run, unless a regulated utility is allowed to earn its cost of capital, further
18 investment will be discouraged and it will be unable to expand its operations or
19 even maintain existing ones. This will harm not only its shareholders, but also its
20 customers.⁹³
21

22 Further, in the 2022-2023 GRA decision, the Board articulated the importance of a fair return as
23 follows:
24

25 A fair return on rate base is important for the sustainability of NS Power's service.
26 A low return on rate base may discourage investment in the Utility. It may also lead
27 to a poor credit rating, which will cause financial institutions to increase the rate of
28 interest on loans used by the Utility to provide service. This may result in the
29 Utility's rates increasing just to cover additional borrowing costs. It might even
30 cause it to be excluded from participating in some debt markets altogether.⁹⁴
31

32 Over time, the fair return standard has evolved, and regulators have adopted an assessment
33 framework. Canadian regulators have recognized that the "fair return standard" is assessed on the
34 following three elements:

⁹² *Northwestern*, at 193.

⁹³ *Ontario (Energy Board) v. Ontario Power Generation Inc.* 2015 SCC 44, at para 16.

⁹⁴ M10431 Nova Scotia Utility and Review Board, 2023 NSUARB 12, Decision issued February 2, 2023, at para. 228.

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- 1 • Comparable Investment - A fair return on capital should be comparable to the return
2 available from the application of invested capital to other enterprises of like risk.
3
- 4 • Capital Attraction - A fair return on capital should permit incremental capital to be attracted
5 to the enterprise on reasonable terms and conditions.
6
- 7 • Financial Integrity - A fair return on capital should enable the financial integrity of the
8 regulated enterprise to be maintained.⁹⁵
9

10 Regulators have held that the determination of a fair return in accordance with these enunciated
11 standards will result in rates that are just and reasonable.⁹⁶
12

13 In support of cost of capital and capital structure matters, NS Power relies upon the expert evidence
14 of Mr. James M. Coyne and Mr. John P. Trogonoski of Concentric Energy Advisors who assessed
15 the above elements within their report.⁹⁷
16

17 Concentric has provided sound evidence that NS Power requires a 9.9 percent rate of return on
18 equity to be comparable to other utilities with similar business risk, in order to ensure financial
19 integrity and attract capital, supported by the average result for the North American Electric proxy
20 group identified by Concentric.⁹⁸ Concentric added that the average for the Canadian proxy group,
21 several of which have unregulated business activities and many of which do not own regulated
22 generation and several of which have significant U.S. operations, is 9.6 percent.⁹⁹ They note,
23 however, that NS Power is requesting to maintain its existing ROE of 9 percent in order to mitigate
24 rate impacts on customers of this GRA filing.

⁹⁵ National Energy Board RH-2-2004 Reasons for Decision, TransCanada PipeLines Ltd, Phase II, April 2005, at 17; *Five Nations Energy Inc., Re*, 2017 CarswellOnt 22002 (OEB), at para. 26; *Liberty Utilities (Gas New Brunswick) LP v New Brunswick Energy and Utilities Board*, 2022 NBCA 29, at paras. 10, 11, 31, and 32.

⁹⁶ National Energy Board RH-2-2004 Reasons for Decision, TransCanada PipeLines Ltd, Phase II, April 2005, at 17.

⁹⁷ Exhibit N-8, 2026-2027 GRA Appendix 10A, Concentric Energy Advisors Cost of Capital Report (CEA Report).

⁹⁸ Exhibit N-8, 2026-2027 GRA Appendix 10A, CEA Report, page 82 (PDF page 86), lines 9-12.

⁹⁹ Exhibit N-8, 2026-2027 GRA Appendix 10A, CEA Report, page 82, (PDF page 86), lines 14-16.

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Further, Concentric notes that the 40.0 percent deemed common equity ratio for NS Power is similar to the Canadian average of 40.6 percent for investor-owned electric utilities, despite the fact that the Company owns substantial regulated generation assets, which increases its risk profile, as discussed in the following section on business risk. By comparison to the U.S. Electric proxy group, NS Power's deemed equity ratio is substantially lower than the average of 51.1 percent. Concentric noted that NS Power has the "lowest allowed weighted return on equity (including both the ROE and equity ratio) of any North American vertically integrated electric utility which places the company at a competitive disadvantage for raising capital internally and externally."¹⁰⁰

In sum, NS Power is aware of the need to balance affordability for customers and the financial health of the utility and, as a component of the Settlement Agreement, is therefore seeking to maintain its current ROE of 9.0 percent and an equity ratio of 40 percent.¹⁰¹ The Company's requested 9.0 percent ROE is below the market-based cost of equity provided by Concentric. For its North American proxy group, most like NS Power, the range of results with market data as of January 31, 2025 was 9.29 to 10.32 percent, and updated in response to the Board's undertaking to 9.02 to 10.43 percent with market data as of December 31, 2025.¹⁰² Even the lowest estimate using the multi-stage DCF model exceeds the Company's requested ROE.

Stand Alone Principle

As detailed at page 10 of Appendix 10A, the Concentric Cost of Capital Report¹⁰³, the Stand-Alone Principle requires that the utility be regulated as an independent enterprise, with its access to capital and allowed return determined by its own business and financial risks, not those of its affiliates. This ensures efficient capital allocation within a corporate group, where subsidiaries compete for capital on their respective merits. Accordingly, to satisfy the Fair Return Standard, NS Power must be afforded an opportunity to earn a return commensurate with its own risk profile.

¹⁰⁰ Exhibit N-27, NSEB IR-106.

¹⁰¹ NS Power 2026-2027 GRA Direct Evidence, Sec. 10.1.

¹⁰² Exhibit N-81, Undertaking 14.

¹⁰³ Exhibit N-8, Appendix 10A. page 10 (PDF page 14)

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3.10.2 Return on Equity

Concentric's initial report supports an ROE of 9.9 percent for NS Power. In response to Undertaking 14, Concentric updated NS Power's ROE analysis using market data as of December 31, 2025. The average results of their three models for the North American electric proxy group decreased from 9.87 percent (as of 1/31/25) to 9.43 percent (as of 12/31/25). This is primarily due to a sharp decrease in the beta coefficients for utilities in 2025, and to a lesser degree due to a decline in the forecast GDP growth rate for Canada. These are partly offset by higher projected interest rates on long-term government bonds in both Canada and the United States. Overall, the updated market data as of December 31, 2025, show that market-based ROE estimates remain well above 9.0 percent, confirming that the Company's requested ROE remains just and reasonable.

One other expert witness presented cost of capital evidence in this proceeding, Dr. Sean Cleary, on behalf of Board Counsel, who recommended a lower ROE of 7.6 percent. Dr. Cleary acknowledges the Settlement Agreement reached in his report and indicates that while the authorized ROE is higher than what he is recommending, he recognizes that "reaching a settlement agreement does involve tradeoffs that the Board must take into consideration."¹⁰⁴

The ROE recommended by Dr. Cleary, which is 140 basis points below that requested by the Company, does not satisfy the requirements of the Fair Return Standard. At the outset, Dr. Cleary relies on the same models as Concentric (the DCF, CAPM, and Risk Premium models). However, Dr. Cleary takes a decidedly different approach to the estimation of the cost of capital. Unlike Concentric who relies primarily on a risk appropriate North American proxy group containing 10 US-based companies and three Canadian companies, Dr. Cleary relies exclusively on a limited group of five Canadian companies, none of which represent NS Power's business risk profile as a vertically integrated utility.¹⁰⁵

¹⁰⁴ Exhibit N-32, Evidence – Cleary, p. 6 (PDF page 7), lines 4-5.

¹⁰⁵ See Exhibit N-8(i) Concentric Direct Evidence, Exhibit CEA-1 and Exhibit N-32(xii) Cleary Direct Evidence Attachment L. Note that Dr. Cleary places no weight on his U.S. sample.

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1 Dr. Cleary's evidence is not specific to the business and operational risks of electric utility
2 companies, and in particular vertically-integrated electric utilities such as NS Power, nor does it
3 attempt to understand or consider many of the material risks specific to Nova Scotia. Dr. Cleary
4 has provided no risk analysis comparing NS Power to his proxy group of five Canadian companies
5 and his Appendix B, "Comparing the Risk of Canadian Utilities to U.S. Utilities", draws
6 conclusions about Alberta and Ontario utilities, without even mentioning Nova Scotia, let alone
7 how the risk profile in Nova Scotia may differ from that in Alberta or Ontario.

8
9 Further undermining his analysis, Dr. Cleary's model results are understated because he has either
10 relied on inputs that are based on his own personal judgment rather than current market data, or
11 inputs and assumptions that are not reasonable in the context of current and prospective economic
12 and capital market conditions. This is true for all three models employed by Dr. Cleary. If the
13 inputs are unreasonable, then the results will be equally unreliable.

14
15 Finally, in his discussion of NS Power's credit rating and credit metrics, Dr. Cleary incorrectly
16 evaluates the Company's FFO/Debt ratio using S&P's "low volatility table" instead of the "medial
17 volatility table."¹⁰⁶ The low volatility table is used for T&D utilities with no generation risk, while
18 electric utilities such as NS Power that have generation risk are assessed using the "medial
19 volatility table." This is important because the FFO/Debt ratio for "Aggressive" financial risk is
20 9-13 percent on the medial table, and NS Power's FFO/Debt ratio is expected to be between 10
21 and 11 percent. S&P has indicated that a credit downgrade is possible if the FFO/Debt ratio is
22 consistently below 10 percent, and NS Power is expecting to operate near this threshold. A credit
23 downgrade would put NS Power below investment grade, thereby limiting the Company's access
24 to the commercial paper market and increasing the cost of long-term debt.¹⁰⁷ This error of Dr.
25 Cleary's demonstrates the generic nature of his assessment and his limited understanding of how
26 utility risk profiles differ across jurisdictions.

¹⁰⁶ Exhibit N-32, Evidence – Cleary, p. 79 (PDF p 80).

¹⁰⁷ Exhibit N-3, NS Power 2026-2027 GRA Direct Evidence, Section 10.3.1.

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MPA on behalf of Board Counsel did not present direct evidence on the cost of capital but did provide opinions pertaining to the Company's credit ratings. Most poignantly, MPA concludes "NSPI is currently rated by S&P Global at BBB- (with a similar rating from DBRS). This is the lowest level that is still "investment grade". Based on certain tests and metrics, it could be argued that NSPI should be downgraded further, except the support of its parent corporation Emera effectively prevents this outcome. Consistent failure to meet the cash flow metric "Funds From Operations to Debt" of at least 10 percent would almost certainly result in a downgrade, to junk bond status. Approval of the requested increases would result in NSPI comfortably exceeding this metric. Denial of the requests would likely lead to failure to meet the metric."¹⁰⁸

The MPA evidence considers NS Power's assertion that it is critical to maintain and ideally improve its financial results so that the Company will not be in jeopardy of a credit rating downgrade. MPA discussed the consequences of a downgrade for ratepayers, warning that:

- Any debt issued in the future would be priced according to perceived quality of NS Power's credit at the time of issuance;
- If NS Power suffers a downgrade and is no longer an investment grade issuer, then as of the date of the evidence, interest on the \$250 million bond issuance in 2027 would be at least 2 percent higher, if not more, causing a \$5 million annual cost of that increase in interest on the bond;
- A downgrade would not just impact NS Power in the short term – it requires years to improve a credit rating once downgraded;
- In the short term, NS Power have very substantial capital spending plans in order to meet reliability and climate change goals, requiring substantial debt issuances, which will add to the customer burdens if credit costs are higher;

¹⁰⁸ Exhibit N-36, Evidence – MPA, p. 26, lines 6-9.

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- 1 • Approximately \$800 million of bonds would have to be refinanced (as they mature over
2 the next 10 years) at a higher cost of debt;
3
- 4 • A downgrade to below investment grade status can trigger “defaults” of various kinds with
5 significant consequences. For example:
6
 - 7 • The interest rate on the NS Power Battery Energy Storage Project would be
8 penalized by 3 percent in the event that NS Power is downgraded from investment
9 grade status;
10
 - 11 • The interest rate on the Wasoqonatal Transmission project, in which NS Power is
12 partnering with the CIB would see an increase in the CIB’s rate of interest from
13 1.15 percent to 9.0 percent; and
14
- 15 • NS Power would likely lose access to the commercial paper market, resulting in an
16 immediate cost of up to \$8 million per year, given the need to substitute for the commercial
17 paper program with a credit line of \$800 million per year, at an incremental cost of at least
18 1 percent.¹⁰⁹
19

20 Overall, MPA explicitly states that, “avoiding a rate increase today could end up being even more
21 expensive for ratepayers down the road”.¹¹⁰
22

23 In sum, the requested ROE is reasonable, albeit among the lowest level of its peers, but would
24 satisfy the requirements of a fair return, and serve as an essential element of maintaining the
25 financial health of the utility. The Board has before it, ample evidence, that addresses the
26 importance of avoiding a credit rating downgrade.
27

¹⁰⁹ Exhibit N-36, Evidence – MPA, p 24.

¹¹⁰ Exhibit N-36, Evidence – MPA, p 25.

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3.10.3 Capital Structure

As set out above, NS Power's common equity ratio is an important consideration in assessing the fair return standard. The common equity ratio, in conjunction with the authorized return, determines ultimate shareholder return and is also used for assessing and establishing the fair return for NS Power.

The Concentric evidence, which reviewed and considered available comparators, supports a higher equity ratio than 40 percent for NS Power. The average common equity ratio approved by regulators across Canada for investor-owned electric utilities is 40.6 percent, however, none of the Canadian companies forming part of this average own substantial generation like NS Power.¹¹¹ The companies identified in Concentric's US electric proxy group, most of which own significant generation and thus are more analogous to NS Power, have an average common equity ratio of 51.1 percent as demonstrated in Figure 30 of the Concentric evidence.¹¹²

Dr. Cleary agrees that a 40 percent equity ratio is reasonable for NS Power given its lower debt ratings relative to other Canadian utilities and given the fact that NS Power contains a higher percentage of generation assets than those utilities¹¹³ contributing to a higher risk profile.

While this data provides a clear basis for the need to increase NS Power's common equity ratio to bring it closer in line with comparable utilities, in the interests of settlement NS Power has agreed to maintain its 40 percent common equity ratio for the test period.

3.10.4 Credit Quality and Financial Integrity

On a final note, on Cost of Capital, NS Power wishes to make its position clear regarding MPA's suggestion that "the entirety of the proposed rate increase may not be required to support NSPI's

¹¹¹ Exhibit N-8, 2026-2027 GRA Appendix 10A, CEA Report, p 57 (PDF page 62), line 21.

¹¹² Exhibit N-8, 2026-2027 GRA Appendix 10A, CEA Report, Figure 30, p 52 (PDF page 57).

¹¹³ Exhibit N-32, Evidence - Cleary, p 5, lines 17-31.

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existing credit rating”¹¹⁴. This framing misunderstands both the purpose of the cost of capital and the Company’s financial position. The revenue requirement is not designed to target a particular credit metric; it is designed to recover the Company’s cost of service and thus preserve its financial integrity over the long term.¹¹⁵

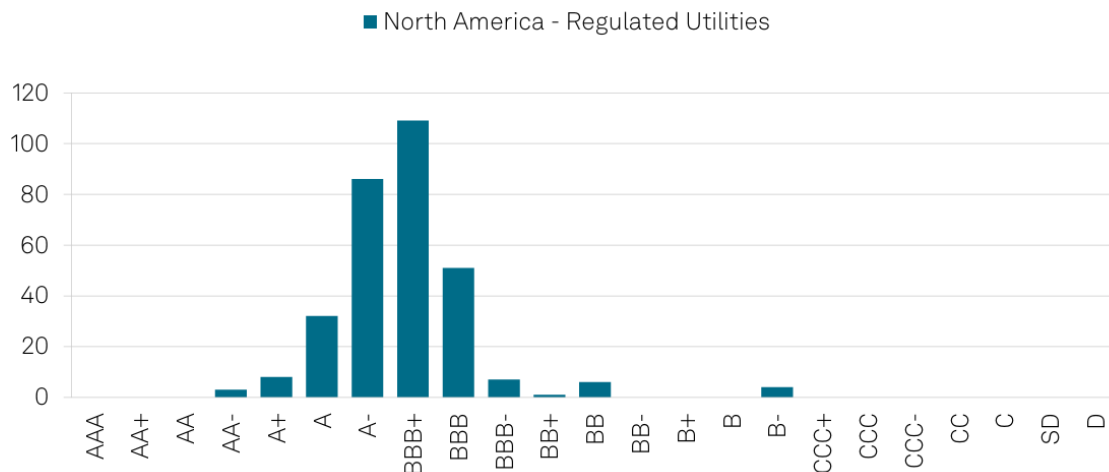
The NS Power panel explained that the Company teeters on the precipice of non-investment grade, with reference to Figure 10-1 of the Direct Evidence, which is reproduced below for ease of reference:

Figure 3-1 – S&P Global North American Regulated Utilities Ratings Distribution

Ratings Trends: North America Regulated Utilities

Chart 1

Ratings distribution



And so sir, when we look at this table, you’ll see generally in the middle of that table, there’s a rating, triple B minus, and a rating double B plus. And if we draw a vertical line between those two, so that double B plus is on the right and triple B minus is on the left, what that line represents is the demarcation between investment grade and non-investment grade. So everything to the right of that line, including

¹¹⁴ Exhibit N-36, Evidence – MPA, p 25, line 7.

¹¹⁵ Transcript, January 9, 2026, page 686-687 (PDF pp 50-51).

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1 double B plus, is non-investment grade. Everything to the left, including triple B
2 minus, is investment grade. Nova Scotia Power, on a standalone basis, as Mr.
3 Flemming has been discussing, is double B plus. It is non-investment grade.
4 Because of its relationship with Emera, it has been granted a triple B minus
5 investment grade. But as I've attempted to illustrate, even with the benefit of
6 Emera, Nova Scotia Power is on the precipice of being non-investment grade. It is
7 non investment grade on a standalone basis. It is on the precipice, even with
8 Emera's relationship and the benefits it has from Emera, from a markets'
9 perspective. It's also only able to continue to operate in the commercial paper
10 market as a result of an exemption because of this downgrade and because of its
11 current status. As we discussed, it has that exemption until 2028, but there's no
12 guarantee that that exemption would be renewed or would continue. In any event,
13 as I said, we are on the precipice of non-investment grade. So even if you were to
14 take Morrison Park's evidence at face value, maintaining the current investment
15 grade, from our perspective, is not a prudent course of action.¹¹⁶

16
17 The question before the Board is not a determination of the minimum rate increase that would still
18 allow NS Power to teeter on the precipice of junk bond status. The question before the Board is
19 what is the just, reasonable, and prudent revenue requirement to provide customers with electricity
20 service. An appropriate revenue requirement will result in an appropriately funded and financially
21 healthy utility.

22
23 On the whole, NS Power is confident that the record demonstrates the proposed ROE and capital
24 structure are just and reasonable.

¹¹⁶ Transcript, January 9, 2026, page 686 (PDF p 50).

4.0 LONGER-TERM PLANNING AND REGULATORY CONSIDERATIONS

This section is intended to address forward-looking initiatives raised throughout the course of this GRA proceeding, namely:

- (1) The future of Hydro in Nova Scotia; and
- (2) The viability of Multi-year Performance Based rate plans.

Each will be addressed in kind.

4.1 Future of Hydro in Nova Scotia

The Board Panel's questions during the hearing appropriately highlighted both the magnitude of NS Power's potential hydro decommissioning obligations and the substantial uncertainty surrounding the ultimate end-state of these assets. As the evidence on the record demonstrates, while high-level estimates exist, there remains no settled policy or a multi-stakeholder framework for determining whether, when, or how full or partial decommissioning should occur, nor who would ultimately bear responsibility. As the NS Power panel explained, NS Power views the present proceeding as a necessary first step in advancing the conversation of the future of hydro in the province and the Company acknowledged its responsibility to initiate a broader, structured discussion involving regulators, government, and other relevant stakeholders.¹¹⁷ At the same time, the Company was clear that neither the outcome nor the timeline of that process is within its sole control. Further, in the Nova Scotia Independent Energy System Operator-led Integrated Resource Plan (IRP), NS Power's existing hydroelectric units will be evaluated based on historical hydrology, operational and environmental constraints, physical limitations, and their energy and capacity contributions which will help inform this important discussion.

¹¹⁷ Transcript, January 8, 2026, page 341 (PDF page 23), lines 4-18.

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1 In these circumstances, NS Power submits that the prudent course is to proceed on the basis
2 proposed in this Application, while establishing a forward process, including appropriate Board
3 oversight and reporting, to ensure that this important and complex issue impacting all Nova
4 Scotians is addressed in an orderly, transparent, and coordinated manner.

5
6 **4.2 Multi-year and Performance Based rate plans**

7
8 NS Power agrees that multi-year and performance-based rate plans warrant consideration. In
9 theory, these plans could assist with providing for more predictable rate increases and a better
10 understanding for customers, but the practical reality of implementing such plans is a much more
11 complicated endeavor where an improved regulatory regime is not a certainty. Consideration of
12 such plans must include how they may work and may improve on the current regulatory regime,
13 taking into account the vertically integrated nature of NS Power and the work needed to meet Nova
14 Scotia's 2030 decarbonization goals. Included in these considerations would also be the
15 establishment of the IESO-NS and the extent to which it will alter (1) existing regulatory
16 responsibilities, such as RES and emissions compliance, as well as development, implementation,
17 and oversight of wholesale and renewable to retail market tariffs, and (2) existing regulatory
18 mechanisms, such as the FAM. NS Power would welcome the opportunity to continue such
19 discussions with the Board and regulatory stakeholders to help the Board determine whether more
20 detailed consideration would be appropriate.

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5.0 CLOSING

The process NS Power undertook to prepare and file this GRA was robust, inclusive, and transparent, resulting in the consensus application put forward for the Board's consideration. In NS Power's view, achieving alignment on the outcomes sought in this Application demonstrates that the GRA is in the public interest and that the outcomes are just and reasonable.

The Board has before it a fulsome evidentiary record on which to base its determinations in this proceeding. That record includes answers to hundreds of information requests, the evidence and analyses of six independent Board-appointed consultants, and a comprehensive Settlement Agreement that resolves all key components of a GRA. In addition, the Board heard five days of oral testimony and cross-examination evidence and received answers to undertakings over the course of the proceeding. Taken together, this process has ensured that the Board has had the benefit of extensive testing, scrutiny, and expert input on all material issues. In these circumstances, the Board is well positioned to make fully informed findings and to render a decision that is grounded in a well-developed record.

This is a critical and challenging time in Nova Scotia's energy transition. NS Power is appreciative of all participants and their perspectives, and to the Board for their considerable time, effort, and commitment to this process.