

October 1, 2026

Crystal Henwood
Clerk of the Board
Nova Scotia Energy Board
1601 Lower Water Street, 3rd Floor
Halifax, NS B3J 3S3

Re: Future of Hydro Interested Party Engagement Process – Board Update 1

Dear Ms. Henwood:

On September 18, 2025, Nova Scotia Power Incorporated (NS Power, Company) filed its 2026-2027 General Rate Application (GRA) with the Nova Scotia Energy Board (NSEB, Board). As part of that application, NS Power addressed costs associated with decommissioning Hydro facilities, stating:

Decommissioning hydro assets is generally far more costly than refurbishing them, yet refurbishing may seem economically disproportionate to the output. This creates a difficult challenge for NS Power's hydroelectric future.¹

To balance cost recovery and rate pressure for customers, NS Power proposed excluding the costs of decommissioning the Wreck Cove, Mersey, and Tusket hydroelectric assets from the calculation of the depreciation rates proposed in the GRA, recognizing the broader policy, societal, and environmental considerations associated with decommissioning.

In its Decision in Matter M12451, the Board accepted NS Power's proposed approach and directed the Company to undertake a structured engagement process to assess whether decommissioning should be considered a potential path for hydroelectric assets, stating:

The Board agrees with NS Power's proposed approach to address this issue. If this broader interested party engagement demonstrates decommissioning of hydro assets is a potential path or option, then the relevant costs can be included in the revenue requirement to be approved

¹ M12451, NS Power 2026-2027 General Rate Application, September 18, 2025, page 44, lines 2-4.

in NS Power's next general rate application.²

The Board further directed:

...the Board directs NS Power to initiate a structured engagement process involving regulators, government, and other relevant parties to address this issue, with an ideal target completion in advance of NS Power's next GRA. During this process, the Board directs NS Power to file regular update reports with the Board once every six months, beginning October 1, 2026.³

In response to the Board's directive, the Company has been working internally over the last several months to develop a proposed approach and scoping of this engagement process and held its first engagement session on September 24, 2026. Participants included the Consumer Advocate (CA), Small Business Advocate (SBA), counsel for the Industrial Group (IG), and Port Hawkesbury Paper (PHP), as well as representatives of the Nova Scotia Department of Energy (DOE), and Fisheries and Oceans Canada (DFO). Further invitees included the Municipal Electric Utilities and the Nova Scotia Department of Environment and Climate Change (NSECC). NS Power is in the process of planning a supplementary meeting with NSECC.

During that session, NS Power discussed the range of options available for future hydro investments in the province, provided an overview of the Company's hydro facilities, and outlined its proposed assessment approach to the Board's directive.

NS Power has identified three options available when considering future investments in its hydro facilities.

- **Refurbishment:** Water-retaining structures and power-generating equipment are refurbished or replaced. Water levels remain unchanged, generation continues, and the assets remain "used and useful" from a utility perspective.
- **Partial Decommissioning:** Power-generating equipment is decommissioned or removed, while water-retaining structures are refurbished or replaced as required. Water levels may change, generation ceases, and the assets are no longer providing a traditional utility service.
- **Full System Decommissioning:** All water-retaining structures and power-generating equipment are removed, and the system is restored as closely as practicable to its pre-development condition.

² M12451, NSEB Board Decision, NS Power 2026-2027 General Rate Application, March 25, 2026, page 93.

³ M12451, NSEB Board Decision, NS Power 2026-2027 General Rate Application, March 25, 2026, page 129.

The Company also outlined its proposed approach to the Board's directive, which has two components. The first is an economic evaluation of the hydro system to identify the lowest-cost alternative. The second is a socio-economic evaluation designed to better understand policy, societal, and environmental considerations that cannot be readily quantified and/or considered as part of the NSEB regulatory process, and to understand how those items would impact communities and, if considered, the ultimate investment decision.

The Company presented the Fall River Hydro System as its test case, and outlined the reasons supporting its selection. NS Power selected Fall River for the following reasons:

- A necessary capital investment on the system is currently being evaluated;
- The system is heavily used by the community it serves, with many people accessing the lakes for recreational and cultural purposes; and
- The system represents a cross-section of issues to be considered including:
 - Property value impacts;
 - Environmental impacts; and
 - Archaeological impacts.
- Preliminary economic modeling indicates that the costs associated with partial decommissioning and refurbishment are similar.

As a next step, the Company intends to have further discussions with rightsholders and stakeholders prior to the next engagement session, which is planned to occur before the end of the year. Now that NS Power has confirmed the involvement of regulatory and government stakeholders, it is anticipated that the scope of participants will broaden and will include representatives of the Mi'kmaq of Nova Scotia, as well as the IESO-NS. The purpose of that session will be to report on key findings to date, incorporating input from rightsholders and stakeholders, and seek further feedback from parties.

NS Power confirms that it will file another update on or before April 1, 2027.

All correspondence in connection with this matter should continue to be directed to my attention.

Yours truly,



Blake Williams
Vice President, Legal and Regulatory

Encl.

cc. Chris Smith