Nova Scotia Energy Board

3rd Floor, 1601 Lower Water Street
Halifax, Nova Scotia B3J 3P6

Mailing Address
PO Box 1692, Unit M
Halifax, Nova Scotia B3J 3S3

TEL 902-424-1332
FAX 902-424-3919
TF 1-833-809-0040

board@novascotia.ca
nserbt.ca/nseb

March 9, 2026

michael.willett@nspower.ca

Michael Willett
Director, Regulatory Finance
Nova Scotia Power Inc.
PO Boc 910
Halifax, NS B3J 3S8

Dear Mr. Willett:

M12551 – Nova Scotia Power Inc. – 2026 Annually Adjusted Rates (AARs)
- Generation Replacement and Load Following Tariff (GRLF)
- One Part Real Time Pricing Tariffs (1P-RTP)
- Shore Power Tariff (SP)
- Wholesale Market Back-up/Top-up Service Tariff (BUTU)
- Wholesale Market Non-Dispatchable Supplier Spill Tariff (Spill)
- Renewable to Retail Energy Balancing Service Tariff (EBS)
- Renewable to Retail Standby Service Tariff (RTTSS)
- Renewable to Retail Market Transition Tariff (RTT)
- Extra Large Industrial Active Demand Control Tariff (ELIADC)

In matter M11989, the Nova Scotia Utility and Review Board (NSUARB) directed Nova Scotia Power Inc. (NS Power) to file its 2026 Annually Adjusted Rates (AARs) application on or before November 7, 2025. On April 1, 2025, on proclamation of the *Energy and Regulatory Boards Act*, S.N.S. 2024, c. 2, Sch. A, the Nova Scotia Utility and Review Board (NSUARB) was succeeded by the Nova Scotia Energy Board (Board) for all applications related to electric utilities.

NS Power filed its 2026 AAR application with the Board on November 7, 2025, proposing updates to prior directives, revisions to marginal cost assumptions and adjustments to tariff methodologies and rates. The application includes changes to transmission rate structures and fixed cost adders for the 1P-RTP and Shore Power tariffs. Except for the GRLF and the ELIADC tariffs, the non-fuel cost components of the energy charges are derived using the proposed 2026 Cost of Service Study (COSS), currently before the Board as part of NS Power's General Rate Application (GRA) (M12451). The Consumer Advocate (CA), Small Business Advocate (SBA), the Industrial Group (IG), representing 10 industrial customers, Renewall Energy Inc. (REI), the four Municipal Electric Utilities (MEUs), and Port Hawkesbury Paper (PHP) were formal intervenors in this proceeding.

In 2023, the NSUARB directed NS Power to work with stakeholders to provide a recommended TVP structure for the AARs in the 2024 application. The TVP pilot was extended by an additional year. In 2024, NS Power was directed to satisfy the 2023 directive within three months of the TVP pilot's completion and evaluation. NS Power began stakeholder engagement for a TVP AAR early in 2025; however, NS Power experienced a cyber attack which resulted in the 2024/25 TVP Evaluation Report being extended, and the pilot for 2025/26 was suspended. NS Power intends to provide an update in its 2027 AAR application. The Board directs NS Power to do so.

The NSUARB directed NS Power to perform a sensitivity analysis using different scenarios of delayed wind resources in the 2026 AAR application. The aim of the analysis was to understand the impact if some, or all, of the wind resources missed their in-service dates. The NSUARB allowed NS Power to select *realistic scenarios* for the analysis and explain the assumptions it applied in the sensitivity analysis. However, in the application, NS Power provided just *one scenario* in which none of the wind resources meet their in-service dates for 2026. NS Power stated that it does not regard this scenario as realistic, which defeats the purpose and direction of the analysis. At this stage, one of the wind resources anticipated in 2026 is already in service. There is no information in the application indicating in-services dates for the other two wind resources forming part of the modelling will be delayed. The Board, therefore, while not addressing the directive, accepts the modeling exercise for the purposes of this application. The Board directs NS Power to provide an update in the 2027 AAR application explaining when the new wind resources came online. If there was a delay in any of the resources going into service by the time the 2027 AAR application is filed, NS Power is directed to provide scenarios for the total amount of energy not realized for periods ranging between one month and 10 months in 2027.

The NSUARB directed NS Power to provide a comparison of the monthly forecasted New Brunswick imports to actual New Brunswick imports for the years 2021 to 2025 and explain any variances exceeding ±10%. NS Power explained in its 2026 application, that due to the cyber incident in March 2025 it was only able to provide data for 10 months of 2025. The Board directs NS Power to satisfy this directive, for the years 2021 to 2026 inclusive, in the 2027 AAR application.

There are three One Part Real Time Pricing (RTP) tariffs: Extra High Voltage (EHV); High Voltage (HV); and Distribution Voltage. In 2025, NS Power began discussing proposed changes to these tariffs with stakeholders, as directed by the Board in M11989. Under the current structure the energy charge is based on an hourly marginal cost forecast 20 minutes ahead, while the fixed cost adders are updated annually. Because the hourly marginal costs are calculated in real time, it does not require Board approval. The fixed cost adders recover the non-fuel costs and adjustments for the difference in the recovery of avoided fuel costs.

Under the RTP proposed changes, the EHV becomes the One-Part Transmission RTP tariff, the Distribution Voltage become the One-Part Distribution Voltage RTP tariff and the HV tariff will be eliminated. In addition, NS Power is proposing to remove the adjustment for avoided fuel cost imbalances and rely solely on the hourly marginal cost. The fixed cost adder will only include non-fuel costs. NS Power explained that the method it uses to estimate avoided fuel costs, a decremental load approach, has become too complex and unreliable due to emissions limits and the growing proportion of its generation that is non-dispatchable. Stakeholders were given the opportunity to comment on the proposed new calculations and structure. This application reflects the revised methodology, and the recovery of the avoided fuel costs was removed. The Board is satisfied the stakeholder engagement was completed and that the resulting proposals from NS Power are reasonable. The Board approves NS Power's proposed changes.

NS Power also proposed changes to the Shore Power Tariff (SP), which would differentiate the tariff by voltage levels: one for transmission level and one for primary distribution. The voltage level rates are flat charges reflecting line-loss adjusted fuel costs, and the fixed cost adders reflect the non-demand related fixed costs. The 2026 rates are lower than the 2025 rates because of decreases to the marginal fuel cost and the embedded non-fuel costs, which are the result of changes in the COSS. SP is an interruptible service and excludes transmission costs. This tariff is based on interruptible service and therefore recovers only energy-related costs. These proposed changes are reasonable and the Board approves them.

NS Power also advised stakeholders that, if the Board approves the new Cost of Service Study in the GRA, customers served on the EHV and HV RTP tariffs would move to a single transmission rate under the SP tariff and a single transmission rate under the 1P-RTP tariff. NS Power further suggested that the 1P-RTP tariff should no longer be included in the Annually Adjusted Rates and should instead be reviewed as part of a General Rate Application, like the Open Access Transmission Tariff. The Board is not satisfied the request to move the 1P-RTP to a GRA for approval is supported by any evidence demonstrating why this tariff should be removed from the AAR framework and instead reviewed in a GRA. The Board will consider NS Power’s request when sufficient justification is provided for such a change.

The four MEUs confirmed that they will take service under the BUTU tariff in 2026, with much of their energy needs to be sourced from the Ellershouse Wind Farm. The remaining portion of their energy will be under the Municipal Tariff, a bundled service. NS Power noted that the 2026-2027 GRA uses the assumption that the MEUs will be served under the reciprocal billing arrangements, contingent on the contract demand of 7.5 MW. The MEUs supported the proposed 2026 BUTU and Spill rates as filed. The MEUs confirmed that they are no longer requesting the flexibility to choose between reciprocal and non-reciprocal billing arrangements on an annual basis and support the consistent use and implementation of a non-reciprocal billing arrangement in accordance with the legislation’s removal of any reciprocal requirement for BUTU and Spill energy. The Board is satisfied the current issues between NS Power and the MEUs about the BUTU and Spill tariffs have been addressed, and they should be approved as filed.

The application identified that the average annual marginal cost used in deriving the 2026 GRLF, SP, Spill, EBS and RTT, is $67.36 per MWh. This is a 24% decrease from 2025 which is mostly due to changes in emissions limits and forecasted pricing for solid fuel.

The NSUARB had directed NS Power to provide a sensitivity analysis for a scenario in which no surplus energy from Muskrat Falls is delivered via the Maritime Link. NS Power explains in its application, that since the fourth quarter of 2024, it has received its planned deliveries of energy, except when there were outages and planned maintenance that prevented deliveries. NS Power requested that the Board remove this sensitivity analysis scenario for future AARs. The Board considers this request premature. In place of removing the sensitivity analysis the Board finds that it would be more appropriate to change the scenario from no deliveries to half of expected deliveries during peak periods. The Board will reconsider the need for this sensitivity analysis in the 2027 AAR application.

This application will be the last year of the four-year phase-in of the BUTU rates to become fully embedded cost-based rates. The customer charge was calculated by adding 3.25% to the 2025 customer charge value. When asked about the 3.25% increase NS Power stated that the escalation factor represents more than the Consumer Price Index growth. It also accounts for increases in its employees' salaries. This increase was also applied to the Spill and EBS tariffs. The SBA expressed dissatisfaction with NS Power's explanation of using a 3.25% escalation/inflation factor to the Administration component in the tariffs. The SBA suggested further explanation be provided to ensure that the rates are just and reasonable.

In the 2021 AARs decision (M09898), the NSUARB determined that NS Power was expected to reassess the relevant rate of inflation that should be used for the purposes of the Administration charge. The Board notes that NS Power has not applied a consistent inflation/escalation factor to the AARs since 2023. NS Power's response to IRs and Reply Evidence points to a divergence from CPI (2.2%) to reflect cost increases to maintain the labour market competitiveness of its employee salaries. In this application, NS Power provided no underlying data about the wage increases for the administrative staff. The Board can accept, as a general premise, for the purpose of this application, that wages increased more than CPI for 2026. The Board is also aware that the differential between CPI and the rate chosen by NS Power will not materially change the proposed rates because of the relatively small amounts involved. That said, to provide better transparency about costs passed on to customers, the Board directs NS Power to justify any proposed Administration charge inflation adjustment/escalator in future AAR applications when the increase exceeds the Statistics Canada CPI 12-month change or the Bank of Canada's most recent monetary policy forecast.

On December 12, 2025, PHP indicated its support for the proposed ELIADC tariff and applied to the Board requesting an interim order approving it effective January 1, 2026. The Board issued a letter on December 19, 2025, seeking comments from Intervenors on the matter and NS Power. Comments were received from NS Power, the CA, the SBA and IG. PHP addressed comments made by the IG.

None of the intervenors who supplied comments strongly opposed granting an interim order. The Board had granted interim approvals for this tariff in past AAR applications. To justify an interim approval making an exception for the benefit of one customer the change in the tariff should be material and extraordinary. The Board agrees with the IG's statement that "this piecemeal approach is particularly inappropriate in the context of a rate that is already influx and subject to multiple concurrent proceedings." However, in this instance the change to the ELIADC tariff is a significant reduction of 24% from the 2025 rate.

Annually adjusted rates are supposed to cover a 12- month period. In the past, when there was no stakeholder input, these rates were almost always approved by January 1. To provide a meaningful opportunity for stakeholders to comment on the AARs, this is no longer possible. That said, generally, if the application is filed on time, the new rates should be approved by April 1st each year, at the latest, thus preserving the annual nature of the rates to the extent possible. All rates are based on projections. Because interim rates are only available when the proposed rate decreases, an interim approval generates an asymmetry between customer classes. With hindsight, it might have been wise not to approve interim rates for AARs on principle. In this case, because last year, the ELIADC rate was approved effective February 1, 2025, and because there is a true-up mechanism under the ELIADC, the Board sees no reason in principle why this rate cannot be approved effective February 1, 2026, on an interim basis, with a final effective date of April 1, 2026. The Board notes that all other rates will also have a 12-month term, as they were approved effective April 1, 2025, in last year's application.

Other Issues raised by the CA and SBA

The CA's submission did not object to NS Power's AAR application, however, comments about the modeling of imports were provided. Specifically, the CA noted that there were inconsistencies between the historical average deliveries for NB imports and the volumes reported in the model. The CA suggested that NS Power avoid resetting the NB import limit to reflect current volumes in the historical average, which may limit forecast NB imports monthly. Additionally, the CA noted that volumes for ML surplus energy, as reported in Appendix A4, are different from the figures provided in response to an IR. NS Power acknowledged there was an error in Appendix A4 and confirmed that the correct values are in the response to CA IR-7.

NS Power explained that it adjusts the NB import volumes using a three-year average, as specified in the Fuel Adjustment Mechanism Plan of Administration, and incorporates new information when forecasting. The dispatch optimization model selects the cheapest import based on system requirements and the availability of the imports at the time. This methodology appears reasonable to the Board.

In addition to the administrative costs discussed above, the SBA's submission focused on the risk transfer and cross-subsidization concerns. The SBA's concern about risk related to the effects on bundled service customers should the proposed AAR rates be inaccurate. In NS Power's Reply to the SBA, the utility explained that AAR customers are not subject to true-ups on the marginal cost and bear the risk of the rate under/over recovering the actual marginal cost and that the risk exposure is greater for AAR customers than it is for the Above the Line customers. The Board agrees with this assessment. However, this is the nature of AARs. In exchange for a review, on an annual basis, of what can be volatile costs, rather than having any adjustments await a GRA, Below the Line customers must accept the inherent forecasting accuracy risk. That said, annual forecasting would ordinarily be more accurate than the often-multi-year forecasting in a GRA.

Renewall Energy Inc.

REI's submission was concentrated on the use of the proposed Cost of Service Study methodology, the RtR tariff review and design, RTRSS tariff calculation and the forecasted marginal cost used in the application. Notably, REI identified that NS Power has changed the RTRSS formula to include the cost of the interruptible credit cost to the Demand charge component as found in Appendix F3.

REI requested that the application be recalculated using the approved cost of service study. The company requested that the Board order NS Power to initiate a proceeding to change the RtR tariffs no later than March 31, 2026, to address changes in the cost allocation, the implementation of monthly marginal cost pricing and the addition of a true-up mechanism. REI also requested a compliance filing addressing errors in the RTRSS tariff demand charges. A forecast to actual monthly and hourly marginal costs for 2021 to 2026, and explanations for the variances of ±10%, was requested.

In NS Power's Reply, it proposed that if the Board's decision in the GRA does not approve the COSS, the resulting AAR changes can be addressed through a compliance filing in this proceeding. NS Power suggested that the proposed timing to begin a regulatory proceeding to review the EBS, RTRSS and RTT tariffs is premature because of other regulatory proceedings involving the Nova Scotia Independent Energy System Operator and the RtR implementation costs and NS Power's GRA. Additionally, NS Power expects the Board will review several other RtR initiatives in 2026 and therefore any changes to the RtR tariff should come after the RtR begins providing service to customers. NS Power reported that it proposed a draft Terms of Reference for an interruptible service pilot with REI in July 2025. NS Power remains amenable to discussing this service structure.

When NS Power filed this AAR application, the utility may have hoped that the new COSS would be approved prior to the Board making its decision in this matter. That has not occurred. The Board is concerned about making its decision based on a new COSS, a foundational element of the estimates, which has not yet been approved. The COSS is currently before the Board in a GRA where a settlement agreement is being contemplated. REI is a party to the GRA proceeding but did not sign the settlement agreement. There is no doubt that if the new COSS is approved, it creates a marked increase to the marginal cost calculations for tariffs applicable to REI. No member of this panel is involved in the GRA. The panel does not know what the outcome of the GRA will be as far as the COSS is concerned. This panel is not part of those deliberations. However, the Board knows that the current COSS dates to the 2010-2011 period. It is not the best available evidence about the current cost of service. The Board agrees with NS Power that adjustments can be made to the AARs through a compliance filing within two weeks of the Board rendering its decision in the NS Power GRA matter M12451. Therefore, with potential adjustments contemplated up front in this decision, concerns about retroactive ratemaking are alleviated. This is particularly the case for REI, where the evidence discusses potential operations in late 2026 or early 2027.

The Board agrees with NS Power that an application for adjustments to the RTR tariffs appears premature, given the number of outstanding items that could impact these rates in the future. The Board is not convinced that customer experience is a prerequisite to a review of the tariff. Without in any way pre-judging the outcome, presumably, the goal of the exercise for REI, as a new entrant in the electricity retail field, is to be able to present a tariff that is attractive and not subject to imminent change, when seeking out potential customers. Therefore, while not ordering NS Power to file an application by March 31, 2026, the Board directs NS Power to initiate stakeholder engagement on the issues raised by REI in this application by April 30, 2026. Part of the initial discussions should focus on a realistic timeline for making an application. While recognizing a potential and significant imbalance with available data, the Board notes that any impacted party, including REI, can apply to the Board for relief, with supporting materials, if the parties cannot agree on a reasonable timeline.

NS Power could not identify the errors in Appendix F3 identified by REI but did find an error in part of the calculation for Operating Reserve- Supplemental cost. NS Power corrected the estimate of the demand charge in Attachments 1-7; the revised estimate is $5.616 per kW. NS Power requested that the revised RTRSS tariff and BUTU in Attachments 5 and 7 replace those proposed in the application. The Board accepts NS Power's evidence on this point.

In its Reply, NS Power explained the change to the calculation in the RTRSS tariff reflects the cost of firm service arising from the COSS. This change was not apparent from the application's narrative or a review of the excel spread sheet cell data, without further explanation. While the Board finds the calculation is correct, in future applications, the Board expects NS Power to be fully transparent and explain any changes of this magnitude about how the AARs are calculated.

NS Power disagreed with submitting historical forecast to actual marginal cost data with explanations for variances because the AAR application provides similar information and to provide the level of detail requested would be overly burdensome given that the forecast is developed based on the information available at the time and in keeping with the FAM Plan of Administration forecasting. The Board agrees that such an analysis is not required in this type of proceeding. It would be better suited to a review of AAR tariff structures.

The Board has addressed the key issues raised by the parties. It has reviewed all the AAR tariffs and their supporting justifications. Therefore, based on the preceding analysis, the Board approves the AARs as filed, or as amended during this proceeding, effective April 1, 2026, but directs NS Power to make any required adjustments in a compliance filing once the outcome of the COSS is known.

Conclusion

The Board approves the AARs as filed, subject to retaining jurisdiction to make amendments if adjustments are required to them as a result of the GRA decision. The Board approves the ELIADC tariff, on an interim basis effective February 1, 2026, with a final effective date of April 1, 2026.

In addition, the Board issues the following directives:

The Board directs NS Power to work with stakeholders to provide a recommended TVP structure for the AARs in the 2027 application.

The Board directs NS Power to provide an update in the 2027 AAR application explaining when the new wind resources came online. If there was a delay in any of the resources going into service by the time the 2027 AAR application is filed, NS Power is directed to provide scenarios for the total amount of energy not realized for periods ranging between one month and 10 months in 2027.

The Board directs NS Power to provide a comparison of the monthly forecasted New Brunswick imports to actual New Brunswick imports for the years 2021 to 2026 inclusive, in the 2027 AAR application.

The Board directs that NS Power revise the sensitivity analysis for the Maritime Link energy to one that models an outcome in which NS Power receives only half of expected deliveries during peak periods. The Board will reconsider the need for this sensitivity analysis in the 2027 AAR application.

The Board directs NS Power to provide data justifying any proposed administration charge inflation adjustment/escalator in future AAR applications when the increase exceeds the Statistics Canada CPI 12-month change or the Bank of Canada's most recent monetary policy forecast.

The Board directs NS Power to initiate stakeholder engagement on the tariff amendment issues raised by REI in this application about changes in the cost allocation, the implementation of monthly marginal cost pricing and the addition of a true-up mechanism, by April 30, 2026.

The Board will issue its order approving the AAR rates as filed, effective April 1, 2026, retaining jurisdiction to amend the AARs effective April 1, 2026, through a compliance filing, if necessary, once the outcome of the COSS review is known.

Yours very truly,

Richard Melanson, LL.B.
Member

Jennifer L. Nicholson, CPA, CA
Member

Bruce H. Fisher, MPA, CPA
Member

c. William Mahody K.C., Board Counsel