BEFORE THE

NOVA SCOTIA ENERGY BOARD

IN THE MATTER OF Section 35A of the *Public Utilities Act*, RSNS 1989, c 380, as amended

-and -

IN THE MATTER OF an Application by Nova Scotia Power Incorporated (NS Power) for Approval of its **Annual Capital Expenditure Plan (ACE Plan) for 2026**

2026 Annual Capital Expenditures Application (M12619)

Opening Statement by

Department of Energy

Government of Nova Scotia

17 April 2026

Opening Statement

Please accept the following as the opening statement of the Department of Energy, Government of Nova Scotia (the Department), for the 2026 Annual Capital Expenditure Plan (ACE Plan) hearing. The ACE Plan is intended to provide a comprehensive and transparent overview of Nova Scotia Power Inc.'s (NSPI) capital investments for the upcoming year. In its application, NSPI asserts that it is focused on providing customers with safe and reliable electric service in a cost-effective manner. Furthermore, the utility states that it continues to engage with both federal and provincial governments to meet 2030 decarbonization targets as cost-effectively as possible and remains committed to supporting the transition of accountabilities to the IESO-NS.

The Department submits this opening statement at a time of unprecedented financial strain for Nova Scotians. There is increasing public mistrust towards NSPI's capital expenditures. The rate payers of Nova Scotia are weary of shouldering the cost of perceived unnecessary or uncompetitive capital investments. On April 1, 2025, the *More Access to Energy Act* came into effect and the IESO-NS was created. IESO's mandate is to be an independent, not-for-profit organization that will take over certain key electricity grid management, planning and procurement responsibilities from NSPI on behalf of Nova Scotians. As outlined in the Act, the independent experts at IESO-NS will assume responsibility for planning and conducting procurement of future capital spending related to new energy supply, capacity, storage, ancillary services and hybrid resources.

These current ACE proceedings therefore represent a turning-point for Nova Scotians. Going forward, with the benefit of IESO-NS' independence and expertise, Nova Scotians can now be confident that competitive forces will increasingly be applied to capital spending for the electricity system. This same mindset, of concentrated and independent assessment and competitive focus, must be brought by all concerned to the capital spending proposed within this Plan.

In this proceeding however, for the current capital expenditure requests, the burden of proof rests squarely on NSPI to demonstrate that its 2026 ACE Plan is just, reasonable and prudent.

The Asset Inflation Strategy

This ACE Plan continues a concerning capital trajectory, where capital expenditures have grown from ~\$126M during 2005–2008 to ~\$700M for 2026–2030 (a 458% increase). This growth has occurred across all asset classes, reflecting a Compound Annual Growth Rate (CAGR) of 10% overall, and including increases in Transmission (18%), General Plant (11%), Distribution (9%), and Generation (6%).

However, this level of investment has not delivered corresponding actual growth in generation capacity, renewable energy, transmission or distribution system expansion. In addition, this capital expansion should be viewed against NSPI's declining contribution in total energy supply. NSPI now provides a third less energy consumed in Nova Scotia than in previous decades, as wind and the Maritime Link have risen. Despite this, the utility continues to expand its rate base.

This cycle of investment has failed to deliver proportional growth in generation capacity or system resiliency. Instead, we are witnessing the normalization of rapid and significant capital spending growth, which primarily increases the rate base, and NSPI's earnings. And now, ratepayers are being asked to fund additional growth in capital spending for 2026 and beyond.

The Reliability Gap

NSPI submits that a significant portion of this spending falls under the rubric of 'reliability.' Yet the record shows a disconnect between spending and performance, as – despite years of aggressive reliability investment – performance indicators have failed to meet the targets since 2016.

NSPI has also failed to adequately provide specific performance targets for its $1.2 billion reliability plan, claiming benefits are 'cumulative.' As evidenced from the historic data and performance indicators, there appears to have been little correlation between this higher investment and increased reliability at NSPI. The Department submits that ratepayers cannot continue to underwrite such investments without measurable performance measures and improvements.

The Department also identifies issues in purchasing and asset management. For example, NSPI's proposal for Transmission Structure Replacements lacks formal risk registers or cost-benefit rankings. The utility appears to favor broad capital infusions that increase rate base but fail to improve the customer experience, and without sharing the risks for not achieving targets.

Competitiveness

This ACE Plan fails to fully account for the fundamental shift in Nova Scotia's electricity planning landscape. With the enactment of the *More Access to Energy Act* on April 1, 2025, the responsibility for ensuring a coordinated, transparent, and competitive approach to energy-supply planning shifted to the Independent Electricity System Operator (IESO-NS).

On April 16, 2026, the Minister of Energy provided interim guidance to the Board, affirming that the IESO-NS must lead competitive procurements for electricity supply, capacity, storage, ancillary services and hybrid resources. As an example, the Department specifically asks the Board to separate and defer the Synchronous Condensers (ECEI) project (C0072808). This issue must remain outstanding until the IESO-NS can complete a review and lead a competitive procurement process. More widely, NSPI's continued high-level transmission spending must not risk duplicating costs for functions and projects that should now be managed through the IESO's competitive framework.

Cyber Security and Customer Information Systems

The 2025 cyber security incident, which compromised the personal data of approximately 900,000 current and former customers, exposed profound vulnerabilities in NSPI's legacy Customer Information System (CIS). The breach attributed to a ransomware attack resulted in a nearly year-long crisis characterized by severe billing inaccuracies, reliance on inflated estimates, and a total loss of public confidence in the utility's data governance.

While NSPI has budgeted $84.5M for a CIS replacement and $6.8M for new Cyber Security Controls, it has also acknowledged full responsibility for the breach's impacts, committing that associated recovery costs will not be borne by ratepayers. Given that the existing system's failure necessitated an emergency, utility-funded recovery program, the Department submits that authorizing additional ratepayer funding for these replacements could risk double recovery.

Project Management and Cost Overruns

The ACE Plan yet again reveals a systemic lack of accountability regarding project management. NSPI's attempt to limit the definition of a "Scope Change" appears designed to reduce or avoid oversight. The record also shows examples where additional work, design changes, or broader asset conditions have increased project cost and potentially changed the original project intent. By resisting new filings when project alternatives or major components change, stakeholders have raised concerns that this pattern can normalize cost growth after approval, weakening accountability and making original estimates less reliable. And for projects where costs have increased, the burden of these overruns falls onto ratepayers.

For example, some of the Hydro plants produce minimal energy and yet work on them has often proceeded in the face of significant cost overruns. Likewise, it is not clear that a rapid increase in spending for items such as work and transportation vehicles is justified during times of real cost pressure.

Call for Regulatory Rigour and Accountability

The Department requests that the Board scrutinize the 2026 ACE Plan; seeing it not as a collection of routine repairs, but rather recognizing it as potentially yet another round in the systematic inflation of asset purchases. Considering the evidence, the Department asks the Board to carefully review and direct the cancellation, deferral or downsizing of any expenditures that lack a rigorous, risk-based justification or which fail to align with the new IESO-NS competitive mandate. Most critically, the Board must disallow ratepayer funding for those Customer Information System and Cyber Security projects which would represent a "double recovery" for a system failure, for which the utility has already accepted financial responsibility.

Accountability must be the absolute cornerstone of this proceeding: if NSPI cannot demonstrably link its massive capital infusions to measurable performance improvements, or manage project costs within approved budgets, the resulting financial consequences must be borne by the utility's shareholders, not the people of Nova Scotia.

Yours very truly,

Thomas Kayter
Counsel
Department of Energy