
Nova Scotia Energy Board

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

M12665

FAM Audit

NS Power
Reply Evidence

October 13, 2026

REDACTED

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1. INTRODUCTION

The Nova Scotia Energy Board (NSEB, Board) approved Nova Scotia Power Incorporated's (NS Power, Company) Fuel Adjustment Mechanism (FAM) effective January 1, 2009. The FAM ensures power rates reflect the actual cost of fuel. This means that customers only pay the actual cost of purchased power and fuel used to generate electricity. NS Power provides the NSEB and stakeholders with monthly, quarterly and annual FAM updates throughout each year. The updates compare the actual cost of fuel with recovery of fuel costs from FAM customers using the methods set forth in the NSEB-approved FAM Plan of Administration (POA).

The FAM POA provides that an audit of the FAM is to be done every second year by a qualified independent auditing firm appointed by the NSEB. The purpose of the audit is to verify the completeness and accuracy of amounts recovered through the FAM and to assess whether fuel and purchased power costs were incurred reasonably and prudently. The audit is both a financial and management/performance review of NS Power's fuel procurement, fuel management, energy procurement, and generation production activities. It includes an assessment of the FAM formula, fuel and purchased power costs, relevant contracts, management practices, and any fuel or energy-related affiliate transactions. Further, the audit evaluates whether NS Power has adhered to good utility practice and complied with the policies and procedures set out in the NS Power Fuel Manual, and whether the Company can reasonably be expected to continue to do so. The auditor is required to prepare draft and final reports that include findings regarding operating effectiveness and efficiency, together with any recommendations for cost adjustments or process improvements.

Bates White Economic Consulting, LLC (Bates White) was retained by the NSEB to perform this comprehensive audit of the FAM for the period January 1, 2024 to December 31, 2025, inclusive (Audit Period) - the fourth audit of the FAM performed by Bates White. As with prior audits of the FAM, the Company worked closely with the auditor to ensure an efficient and transparent audit process. NS Power wants to ensure that the Board and stakeholders remain confident that the Company's fuel transactions are conducted in the best interests of customers.

The Audit Report contains many positive findings with respect to the work undertaken by NS Power on behalf of FAM Customers in the management of fuel costs. Bates White offered

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complimentary conclusions on NS Power's practices, procedures, and processes in the area of Organization and Staffing, Forecasting and Fuel Supply Planning, Solid Fuel Procurement and Contracts Solid Fuel Supply Management. In addition, Bates White highlighted its positive working relationship with NS Power, and acknowledged the company's continued assistance through the audit period:

As we have noted in past audit reports, NSPI remained cooperative and responsive throughout the audit process. NSPI accommodated our requests to interview dozens of specific NSPI employees; to review NSPI's models and software tools; and to receive countless contracts, reports, invoices, and other forms of supporting documentation requested throughout the audit process. NSPI staffed the audit with sufficient resources to provide a consistent, logical interface with our audit team and to provide information in a reasonable timeframe. NSPI also used a secure document sharing platform (SharePoint) to allow for efficient sharing of documents that served as a reliable record of documents provided to date throughout the process.¹

The Audit Report also identified areas for further improvement, including process improvements which the Company has carefully considered. The Company's responses to the recommendations contained in the Audit Report are outlined below.

Consistent with the approach followed in prior FAM Audits, NS Power proposes that it maintain an Audit Action Plan considering the recommendations, and that it continues to work through these items alongside Bates White. Further, NS Power will provide updates on its efforts to complete the recommendations within the Audit Action Plan through the FAM Small Working Group (SWG). NS Power's proposed Audit Action Plan is attached as **Appendix A**.

¹ M12665, Exhibit N-5, 2024-2025 Bates White FAM Audit Report, page 9.

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2. NS POWER'S REPLY TO BATES WHITE'S RECOMMENDATIONS

1.1 Recommendation II-1 NSPI Risk Manual

II-1 NSPI should ensure its next Fuel Manual update revises the NSPI Risk Manual, as necessary, to make accurate references to risk management authority delegations at both NSPI and Emera.

NS Power Response to Recommendation II-1

NS Power accepts this recommendation and will present updates through the FAM SWG process. NS Power expects the completion of this recommendation in Q1 2027.

1.2 Recommendation II-2 Internal Audit of Hedging Program

II-2 NSPI should complete its December 2025 internal audit of NSPI's hedging program as soon as practicable and to the extent possible.

NS Power Response to Recommendation II-2

NS Power accepts this recommendation and considers it complete. NS Power will provide additional detail in the Q4 FAM SWG meeting.

1.3 Recommendation IV-1 Evaluating Index Priced Offers

IV-1 NSPI should consider a method to account for index price risk when in its solid fuel procurement process, without sacrificing the benefits of allowing suppliers to offer index-priced bids.

NS Power Response to Recommendation IV-1

NS Power accepts this recommendation. NS Power will consider index volatility in the evaluation of subsequent fuel procurements. NS Power considers this recommendation complete.

1.4 Recommendation IV-2 Fuel supply contracts delivery periods

NSPI should take steps to ensure fuel supply contracts have specified delivery periods, and that those periods match offers received from suppliers, unless in allowing for flexibility in contract language specifying delivery periods and terms,

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1 NSPI receives compensation through other more favorable rates, terms, or
2 conditions within the negotiated final supply agreement.

3 **NS Power Response to Recommendation IV-2**

4 NS Power accepts this recommendation. NS Power fuel supply contracts include a delivery time
5 range and contract term. NS Power's fuel delivery logistics team works to optimize deliveries
6 within the prescribed delivery time ranges. The current process is necessarily flexible, and NS
7 Power customers benefit from that flexibility. NS Power manages variability in natural gas
8 availability and pricing, import energy availability and cost, renewable energy production and
9 commissioning timing, and the impacts these factors have on coal inventory levels and optimal
10 delivery schedules. Additionally, NS Power uses delivery timing flexibility to manage any
11 potential issues with coal unloading and storage infrastructure, as well as potential rail and trucking
12 transit interruptions. Whenever possible, NS Power negotiates delivery flexibility with suppliers
13 at no additional cost.

14 While this scenario has not occurred to date, it is possible that fuel suppliers may request delivery
15 flexibility in the future. In such cases, NS Power would consider negotiating more favourable
16 pricing to reflect the value of the additional flexibility requested by suppliers, consistent with this
17 recommendation. However, it is important to recognize that if NS Power seeks fuel price discounts
18 in exchange for greater flexibility, suppliers may conversely seek fuel price increases to
19 compensate for flexibility that is currently provided at no incremental cost. NS Power considers
20 this recommendation complete.

21 **1.5 Recommendation IV-3- RFP Process**

22 NSPI should introduce a process to ensure all suitable vendors are invited to
23 relevant RFPs.

24 **NS Power Response to Recommendation IV-3**

25 NS Power accepts this recommendation. NS Power expects the completion of this recommendation
26 in Q4 2026.

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1.6 Recommendation IV-4 Purchase order requirements

NSPI should institute a process to ensure that Purchase Orders include key information that is required in NSPI's Standard Terms and Conditions.

NS Power Response to Recommendation IV-4

NS Power accepts this recommendation. This recommendation will be completed in Q4 2026.

1.7 Recommendation V-1 Tracking of Improvements

NSPI should track [REDACTED] progress in implementing improvements following the October 6, 2025 derailment on the Sydney Coal Railway line, including any implied by [REDACTED] inspection report.

NS Power Response to Recommendation V-1

NS Power accepts this recommendation and has confirmation from [REDACTED] that all action items related to the October 6, 2025 derailment on the Sydney Coal Railway line have been completed and closed out. NS Power considers this recommendation complete.

1.8 Recommendation V-2 Assumption of heat rate data

NSPI should correct any previously-reported heat rate data for Trenton 5, Trenton 6, and Point Tupper that were impacted by incorrect assumptions about the fuel mix consumed by Trenton 5 from the fourth quarter of 2023 to the third quarter of 2024.

NS Power Response to Recommendation V-2

NS Power accepts this recommendation and has performed the correction. The correction was completed as part of the Q3 2024 inventory survey adjustments recorded in September 2024. The adjustment did not change the total quantity of coal consumed by Trenton 5 over the affected period and resulted in no change to the aggregate heat rate reported for Trenton 5. The correction only affected the monthly allocation of fuel consumption and, accordingly, the monthly heat rates reported in quarterly FAM reports for the affected period.

There was no impact on the total tonnes or MMBtus of coal consumed at Trenton 5 compared to amounts previously reported in quarterly and annual FAM filings. Furthermore, the incorrect

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1 assumption had no impact on the reported heat rates for Trenton 6 or Point Tupper. As a result, the
2 correction changes only the monthly heat rate profile for Trenton 5 and does not affect the
3 aggregate heat rate for the period or the reported heat rates of Trenton 6 or Point Tupper. NS
4 Power considers this recommendation complete.

5 **1.9 Recommendation VI-1 Biomass Supply RFPs**

6 NSPI should consider revising future biomass supply RFPs to reduce or remove
7 preference for supply contracts of 2-years or greater, given the inability or
8 unwillingness of suppliers to offer such terms and the potential negative impact this
9 preference may have on participation.

10 **NS Power Response to Recommendation VI-1**

11 NS Power accepts this recommendation. NS Power has revised future biomass supply RFP
12 documents to remove the preference for supply proposals of two years or greater. The revised RFP
13 approach will be applied in the next RFP which is expected to take place in Q2 2027, and in
14 subsequent RFPs. NS Power considers this recommendation complete.

15 **1.10 Recommendation VI-2 Biomass Supply RFPs**

16 Future biomass supply RFPs should specify the time period(s) of its biomass supply
17 need for which it is inviting offers.

18 **NS Power Response to Recommendation VI-2**

19 NS Power accepts this recommendation. NS Power has revised future biomass supply RFP
20 documents to specify the time period(s) of its biomass supply requirement for which it is inviting
21 offers. The revised RFP approach will be applied in the next RFP which is expected to take place
22 in Q2 2027, and in subsequent RFPs. NS Power considers this recommendation complete.

23 **1.11 Recommendation VI-3 FAM contracts**

24 NSPI should ensure that its FAM-related contracts include execution dates from
25 their signatories.

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NS Power Response to Recommendation VI-3

NS Power accepts this recommendation. The Company notes that some contracts signed via Docusign did not have dates on the date line of the contracts. However, dates of execution were available through Docusign audit trail. NS Power's Docusign process has been modified to include dates next to all signatures to make the auditing process more efficient. NS Power considers this recommendation complete.

1.12 Recommendation VI-4 Biomass fuel moisture content

NSPI should consider ways to revise "Step 1" of the energy balance process in specifying a target moisture content that accounts for the dynamism in PHB's relative economics and the biomass fuel supply realities in the province to prevent instances of unduly high or low payments by PHP.

NS Power Response to Recommendation VI-4

NS Power accepts this recommendation. NS Power will consider ways to further revise the energy balance process to account for the dynamic nature of PHB's relative economics and the realities of biomass fuel supply in the province. However, NS Power believes the energy balance process in place was fair and balanced. Further attempts to reduce flexibility within the process may result in higher costs to FAM customers. In particular, NS Power notes the flexibility provided by PHP with respect to NS Power's contractual obligation to either consume or dispose of 60 dry tonnes of sludge daily when sludge moisture is below 70 percent.

NS Power will commence the new Energy Balance process review and engagement with PHP in Q4 2026.

1.13 Recommendation VI-5 Biomass fuel moisture content

NSPI should consider relaxing or removing the moisture target "collar" in "Step 2" of the energy balance process.

NS Power Response to Recommendation VI-5

NS Power accepts this recommendation. NS Power will consider relaxing or removing the moisture target collar in Step 2 of the energy balance process.

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1 NS Power notes that PHP is required to supply fuel that meets the boiler specification, including
2 a maximum moisture content of 50.38%, to support process steam production requirements.

3 While NS Power may at times utilize lower moisture fuel for electricity production due to
4 operational considerations, such as testing boiler capabilities or optimizing limited bark supplies,
5 these considerations do not alter PHP's obligation to meet the specified fuel moisture requirement.

6 Accordingly, NS Power does not believe that operational decisions or changes in biomass fuel
7 supply conditions warrant a reduction in the PHP target moisture level below the boiler design
8 specification. However, NS Power will consider this recommendation in conjunction with
9 Recommendation VI-4 to identify opportunities to further improve the energy balance process.

10 As noted above, NS Power will commence the new Energy Balance process review and
11 engagement with PHP in Q4 2026.

12 **1.14 Recommendation VI-6 Biomass fuel**

13 NSPI should consider an enhancement to capture the time value of PHP bark deficits
14 determined under the energy balance process that carry over into future months.

15 **NS Power Response to Recommendation VI-6**

16 NS Power disagrees with this recommendation.

17 Assigning a time value to PHP bark deficits arising from the Energy Balance process could create
18 incentives for PHP to deliver bark in excess of operational requirements, resulting in increased
19 fuel handling costs, yard congestion, and elevated risk of spontaneous combustion.

20 In addition, subsequent Energy Balance calculations or fuel pile surveys may reduce or eliminate
21 an apparent bark deficit, or result in a bark surplus. Under the recommended approach, this could
22 require compensation in the opposite direction, whereby FAM customers would be exposed to
23 time value charges payable to PHP, in addition to any costs associated with handling and storing
24 excess bark inventory.

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1 NS Power believes the current process appropriately balances operational requirements and fuel
2 inventory management. Where PHP is in a bark deficit position and bark inventories are
3 constrained, NS Power requires PHP to provide physical bark. Conversely, where sufficient bark
4 inventory exists, NS Power believes it is optimal to allow subsequent Energy Balance calculations
5 and fuel pile surveys to determine whether the deficit persists before requiring additional
6 deliveries.

7 This approach minimizes unnecessary fuel handling and inventory risks while maintaining
8 adequate fuel supply.

9 Furthermore, given the current regional bark supply constraints, NS Power and PHP are exploring
10 the viability of recovering bark from the Bear Head site, which may improve bark availability
11 when required without increasing the risk of yard congestion or spontaneous combustion. Under
12 this recommendation, the presence of Bear Head bark may carry additional time value risk for
13 FAM customers.

14 **1.15 Recommendation VI-7 Biomass fuel**

15 NSPI should consider ways to clarify the price of chips applied to PHP chip deficits
16 under the energy balance process when PHP's chip deficit exceeds the chip
17 volumes delivered by PHP (such that NSPI burns chips from other suppliers to
18 serve PHP's industrial demand) to better reflect the actual cost of the chips
19 consumed on PHP's behalf.

20 **NS Power Response to Recommendation VI-7**

21 NS Power accepts this recommendation. NS Power will commence the new Energy Balance
22 process review and engagement with PHP in Q4 2026.

23 **1.16 Recommendation VI-8 Biomass inventory adjustments**

24 NSPI should update the Board with the results of its effort to reconcile biomass
25 inventory adjustments and energy balance results in Q4 2025 that carried over to
26 2026.

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NS Power Response to Recommendation VI-8

NS Power accepts this recommendation and will provide this update through the FAM SWG which is attended by Board staff. NS Power expects the completion of this recommendation in Q4 2026.

1.17 Recommendation VII-1 Natural Gas supply

NSPI should conduct the analysis described in Recommendation VII-1, that was accepted by NSPI, from the 2022 – 2023 FAM Audit.

NS Power Response to Recommendation VII-1

NS Power accepts this recommendation. NS Power addressed Recommendation VII-1 from the 2022–2023 FAM Audit in the 2025 Natural Gas Annual Report, which was reviewed through the regulatory process, including stakeholder Information Requests. In Q4 2026, NS Power intends to engage Bates White to better understand the basis for its dissatisfaction with NS Power’s response to the previous audit recommendation. NS Power will also further address this recommendation in the 2026 Natural Gas Annual Report.

1.18 Recommendation VII-2 Natural Gas supply

NSPI should re-do its analysis of the Freepoint FT capacity offer reflecting the following: use of the same assumptions and price forecasts for the 10-year term starting November 1, 2029, explicitly including the value of cost mitigation strategies (e.g., sales of unneeded gas, AMA, etc.) using unneeded existing FT capacity and Freepoint FT capacity, allowing the existing FT capacity to expire at term, and calculating the NPV of the net costs from November 2029 through October 2039 using the discount rate of the FAM customers.

NS Power Response to Recommendation VII-2

NS Power accepts this recommendation in part. NS Power will re-do its analysis; however, NS Power notes that allowing existing FT capacity to expire at term is not in the best interest of customers. Upon end of term, the existing FT capacity can be extended for shorter period, and at a discount. Foregoing this opportunity is not optimal. NS Power expects to complete the analysis portion of this recommendation in Q1 2027.

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1.19 Recommendation VII-3 Natural gas supply

NSPI should formalize a written draft of the ERM position on FT capacity, as described in VII.B.2.h. and in NSPI's response to DR 6-9, and provide it for review holders. In generating that document, NSPI should clearly identify who (FAM customers, NSPI, or others) bears the risk of over-paying for unneeded longer-term FT capacity and why, and who currently pays to mitigate that risk by paying for spot gas.

NS Power Response to Recommendation VII-3

NS Power accepts this recommendation and anticipates completion of this recommendation in Q4 2026.

1.20 Recommendation VIII-1 Natural gas procurement

Provide monthly documentation of gas sales by NSPEMI and NSPI (excluding transactions between NSPEMI to NSPI) identifying the terms (e.g., quantity, location, price, etc.) of the transaction, why the counterparty was selected, how the price was agreed to, and why a particular title transfer location was selected.

NS Power Response to recommendation VIII-1

NS Power accepts this recommendation. NS Power expects the completion of this recommendation in Q4 2026.

1.21 Recommendation X-1 -Root Cause Analysis

NSPI should provide the Board an update on the status of the remaining 27 recommendations from the Root Cause Analyses at the end of 2026.

NS Power Response to Recommendation X-1

NS Power accepts this recommendation. NS Power tracks RCA actions and will provide an update during the Q4 2026 FAM SWG.

1.22 Recommendation X-2 -FAM costs for forced outage Tufts Cove

NSPI should provide its estimate of the FAM and non-FAM costs associated with the November 22, 2024 forced outage at Tufts Cove 2 due to elevated vibration levels.

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NS Power Response to Recommendation X-2

NS Power will provide its estimate of the FAM costs associated with this event. NS Power expects the completion of this recommendation in Q4 2026.

1.23 Recommendation X-3 -FAM costs for forced outage Burnside 1

NSPI should provide its estimate of the FAM costs associated with the March 7, 2024 forced outage at Burnside 1 and ensure that FAM customers bear no incremental costs for this outage.

NS Power Response to Recommendation X-3

NS Power accepts this recommendation. NS Power expects the completion of this recommendation in Q4 2026.

1.24 Recommendation X-4 – Update on Forced outage Point Tupper

NSPI should update the Board on its corrective measures taken in response to the October 26, 2024 forced outage at Point Tupper by the end of 2026.

NS Power Response to Recommendation X-4

NS Power accepts this recommendation.

1.25 Recommendation X-5 – FAM costs for forced outage Point Tupper

NSPI should provide its estimate of the FAM costs associated with the June 25, 2023 forced outage at Point Tupper.

NS Power Response to Recommendation X-5

NS Power accepts this recommendation. NS Power expects the completion of this recommendation in Q4 2026.

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1.26 Recommendation X-6 - FAM costs for forced outage PHB

NSPI should provide its estimate of the FAM costs associated with the May 31, 2024 forced outage at PHB, plus the costs of repairs to the failed Low-Pressure Steam Extraction Control Valve Rod.

NS Power Response to Recommendation X-6

NS Power accepts this recommendation. NS Power expects the completion of this recommendation in Q4 2026.

1.27 Recommendation X-7 – Reconciliation of OBPS compliance cost

NSPI should reconcile the difference between the \$ [REDACTED] in total OBPS compliance cost reported in the audit to the \$ [REDACTED] provided in FAM reporting.

NS Power Response to X-7

NS Power accepts this recommendation.

The difference between the \$ [REDACTED] in OBPS compliance costs reported in the audit and the \$ [REDACTED] reported through FAM is attributable to the timing of when annual OBPS compliance obligations are finalized and invoiced by the Province of Nova Scotia relative to NS Power's year-end financial and FAM reporting processes.

Annual OBPS compliance costs are not finalized and invoiced until the fourth quarter of the subsequent year. As a result, NS Power records a provision based on the best available information at the time of financial close to reflect the expected compliance obligation. When the final invoice is received, any difference between the recorded provision and the actual invoice is reflected in FAM reporting.

In addition, interest associated with the OBPS obligation is not included in FAM reporting while costs remain accrued through a provision. Interest is included only when the final invoice is received and paid. This approach ensures that customers are not impacted by timing differences between the initial recording of the provision and settlement of the obligation.

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1 The \$ [REDACTED] reported in the audit is comprised of:

- 2 1. \$ [REDACTED] for the 2024 OBPS compliance obligation, which was paid in November
- 3 2025; and
- 4 2. \$ [REDACTED] representing the estimated 2025 OBPS compliance obligation recorded as of
- 5 March 31, 2026.

6 The \$ [REDACTED] reported in FAM consists of:

- 7 1. \$ [REDACTED] for the actual 2024 OBPS compliance obligation;
- 8 2. \$ [REDACTED] representing the estimated 2025 OBPS compliance obligation included in
- 9 December 2025 FAM reporting; and
- 10 3. A reduction of \$ [REDACTED] related to the true up of the 2023 OBPS compliance obligation.

11 Specifically, NS Power recorded an estimated 2023 OBPS compliance cost of \$ [REDACTED] in
12 December 2023 FAM reporting. When the final invoice was received, the actual compliance cost
13 was \$ [REDACTED], resulting in a \$ [REDACTED] reduction that was reflected in 2024 FAM reporting.

14 Accordingly, the difference between the amounts reported in the audit and FAM is the result of
15 normal timing differences associated with estimating annual OBPS obligations, subsequent true
16 ups to actual invoiced amounts, and the treatment of related interest costs until final settlement.

17 By providing the above, NS Power considers this recommendation complete.

18 **1.28 Recommendation XI-1 - Commitment and Dispatch**

19 NSPI should be required to comply with 2022-2023 Recommendation XI-1 and
20 provide a detailed and comprehensive report that explains how the new
21 functionality in the Economic Dispatch Optimization and Outage Coordination
22 Solutions address (or do not address) the outage, optimization, and dispatch issues
23 identified in the current systems.

24 **NS Power Response to Recommendation XI-1**

25 NS Power accepts this recommendation. Drafting of the final report on recommendations is
26 underway and is expected to be completed by the end of 2026.

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1.29 Recommendation XI-2 Commitment and Dispatch Ligan

NSPI should develop a written set of criteria, to be approved by the Board, that must be met to keep Ligan 2 operational once committed. Compliance with these criteria should be used by the Board when approving capital and operating costs for Ligan 2.

NS Power Response to XI-2

NS Power accepts this recommendation but notes it may not be possible to develop a comprehensive and exhaustive set of criteria in a system undergoing significant transition and encountering circumstances that have not previously been experienced. In addition, a rigid set of criteria governing the use of Ligan 2 could limit the ability to respond to evolving system conditions and may result in missed economic opportunities for customers. NS Power believes that resource utilisation is best optimised by the utility and subsequently reviewed by the Board in light of the specific and dynamic facts and circumstances that existed at the time decisions were made. NS Power will commit to developing an approach that fulfils the spirit of this recommendation in Q4 2026 and update FAM SWG regarding the status of this recommendation in Q1 2027.

1.30 Recommendation XII-1 – NLH Dispute

By the earlier of the resolution of the dispute or the end of 2026, NSPI should update the Board regarding its efforts to recover the value associated with [REDACTED]

NS Power Response to XII-1

NS Power accepts this recommendation and notes that the Company provides quarterly updates to the Board on the status of this recommendation.

1.31 Recommendation XII-2 – NLH Surplus Energy offered

NSPI should report in its FAM Annual Report NLH's average Surplus Energy offered to date, as of the end of the most recent EAA contract year.

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NS Power Response to XII-2

NS Power accepts this recommendation.

1.32 Recommendation XIII-1 Review of Hedging lifecycle

NSPI should review the timing of its hedging lifecycle – from PLEXOS forecasting, to FST presentation development, to FST approval – to find areas for increased efficiency.

NS Power Response XIII-1

NS Power accepts this recommendation. NS Power notes that hedge rebalancing is a complex quarterly process involving multiple simulations, iterations, calculations, crosschecks, and reviews, all of which require sufficient time to complete accurately. In addition, hedge rebalancing is not undertaken to speculate on or time the market, but rather to manage the risk of significant fuel and purchased power cost increases. While routine market movements are generally modest and can occur in either direction, errors in hedge execution caused by attempts to increase efficiency can have material consequences.

Accordingly, NS Power must balance efficiency with the need for robust analysis, review, and governance. Attempting to materially compress the hedge rebalancing process timeline could increase the risk of errors and inappropriate hedge positions. Nevertheless, NS Power will continue to identify opportunities to streamline the process and report to FAM SWG on the status of this effort in Q4 2026.

1.33 Recommendation XIV-1 – FAM Accounting Detailed Invoicing

NSPI should maintain a detailed listing of invoices included in each payment batch to enhance the audit trail of cash disbursements. The listing should identify the invoices processed, related vendors, payment amounts, payment dates, and batch references to provide a complete audit trail and support management's review of cash disbursements.

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NS Power Response XIV-1

NS Power accepts this recommendation. The detailed listing of invoices now identifies invoices processed, related vendors, payment amounts, payment dates, and batch references. NS Power considers this recommendation complete.

1.34 Recommendation XV-1 ELIADC

In the 2026 ELIADC annual report and all future reports, NSPI should report the amounts collected under the \$4/MWh (or any other) mandatory contribution to fixed costs, but should not characterize this cost recovery as a benefit to FAM customers.

NS Power Response to XV-1

NS Power accepts this recommendation. In the 2026 ELIADC annual report and all future reports, NS Power will report the amounts collected under the \$4/MWh, or any other mandatory contribution to fixed costs, and will not characterize this cost recovery as a benefit to FAM customers. NS Power considers this recommendation complete.

1.35 Recommendation XV-2 – PHP Penalty for Cause Code 5

We recommend that PHP be required to pay an additional \$[REDACTED] for Cause Code 5 penalties in 2025 and that these amounts be allocated to FAM customers.

NS Power Response to XV-2

NS Power disagrees with this recommendation. The calculation of ELIADC benefit, as specified by the tariff, has been consistently applied throughout the term of ELIADC. When the ELIADC benefit calculation produced a positive outcome in 2020, the same methodology was applied. NS Power believes the calculation of the Cause Code 5 penalties is accurate and consistently applied.

1.36 Recommendation XV-3- ADC Benefits

To the extent possible, the calculation of ADC benefits should be modified to account for changes between forecast and actual fuel prices and forecast and actual loads starting in 2026.

**FAM Audit Reply Evidence
REDACTED**

NS Power response to XV-3

NS Power accepts this recommendation. NS Power intends to provide two calculations of ADC benefits for the Board's consideration: (1) the ADC benefit calculated in accordance with the ELIADC Tariff; and (2) the ADC benefit calculated using the methodology developed in response to 2022-2023 FAM Audit Recommendation XV-3. The second calculation uses consistent load and pricing assumptions between the CBL and ADC models and is intended to provide comprehensive evaluation of ADC benefits under actual operating conditions.

1.37 Recommendation XV-4 - PHP deviations

Real-time PHP deviations from schedule should be identified on an hourly basis starting in 2026 and reported in the 2026 ELIADC annual report and any future reports.

NS Power response to XV-4

NS Power disagrees with this recommendation. This recommendation appears to be based, in part, on the assumption that NS Power is not already tracking deviations on an hourly basis. NS Power currently tracks deviations on an hourly basis; however, the interpretation of those deviations must account for the operational realities of demand response.

While the system dispatch optimisation model operates on an hourly basis, system dispatch occurs continuously in real time. The System Operator continuously monitors actual system conditions, including wind generation, and may determine that delaying a load ramp until part way through the hour results in a more optimal outcome. Under the recommended approach, such an action could be recorded as a deviation from schedule despite being consistent with the objective of optimising system conditions in real time.

In addition, the PortOps optimisation model does not explicitly model PHP transitioning through intermediate operating modes to reach the desired operating state. Rather, PortOps identifies the optimal operating mode for a given period and leaves it to the System Operator and PHP to determine how best to achieve that operating mode based on equipment capabilities, process requirements, and operating conditions. As a result, transitioning to a new operating mode may

**FAM Audit Reply Evidence
REDACTED**

1 require time and may result in apparent hourly deviations despite the facility responding
2 appropriately to dispatch instructions.

3 Therefore, apparent hourly or sub hourly deviations do not necessarily indicate suboptimal
4 performance or departure from the optimal operating strategy but instead reflect prudent
5 operational decisions and the physical realities of NS Power's system and PHP's facility.

6 **1.38 Recommendation XV-5 -Reporting of real time PHP deviations**

7 The size of real-time PHP deviations should be measured by hour, as opposed to
8 event, starting in 2026 and reported in the 2026 ELIADC annual report and any
9 future reports.

10 **NS Power Response to XV-5**

11 NS Power disagrees with this recommendation. Demand response cannot be instantaneous
12 because it is associated with physical processes and equipment that require time to ramp between
13 operating levels. For example, due to changing system conditions, the real-time system dispatch
14 optimisation model may indicate that a ramp from 12 MW to 150 MW is optimal over the next
15 hour and for the subsequent 8 hours. However, such an aggressive ramp may require up to 3 hours
16 to complete. These instances do not represent deviations from a dispatch instruction but rather
17 reflect the physical operating characteristics of the equipment.

18 NS Power also notes that, for PHP initiated deviations from forecast, including unilateral
19 deviations from the approved dispatch profile (Cause Code 5), deviations are recorded for each
20 hour in which the deviation remains in effect and continue to be tracked until the next system
21 dispatch optimisation forecast is issued. It is only for NS Power initiated ramp up and ramp down
22 requests that deviations are recorded in the hour in which the request is initiated and not during
23 the subsequent hours required for PHP to achieve the requested operating level. This distinction
24 recognises that these deviations arise from NS Power's dispatch decisions in real time and the
25 physical limitations associated with implementing those decisions, rather than from a failure by
26 PHP to respond to dispatch instructions.

**FAM Audit Reply Evidence
REDACTED**

1 NS Power does not believe that hourly measurement of real time deviations provides a reliable
2 indication of demand response performance. Event based assessment better reflects the operational
3 realities of demand response and more accurately distinguishes between deviations resulting from
4 dispatch decisions, physical equipment limitations, and PHP initiated actions.

5 **1.39 Recommendation XV-6**

6 NSPI should correct the calculation of off-schedule costs associated with Cause
7 Code 5: PDN violations in the 2025 ELIADC Annual Report, to remove positive
8 values, increasing the total cost by \$[REDACTED] to \$[REDACTED].

9 **NS Power Response to XV-6**

10 NS Power disagrees with this recommendation. The calculation of ELIADC benefit, as specified
11 by the tariff, has been consistently applied throughout the term of ELIADC. When the ELIADC
12 benefit calculation produced a positive value in 2020, the same methodology was applied.
13 Furthermore, the removal of positive values does not accurately capture the total effect of PDN
14 (Cause Code 5) deviations. Due to continuously varying system conditions, PDN deviations can
15 at times unintentionally result in outcomes that are more optimal than a forecast produced several
16 hours prior to dispatch. For example, if PHP load is optimized to decrease from 150 MW to 100
17 MW over the next several hours based on a forecasted decline in wind generation, but PHP remains
18 at 150 MW and the forecasted decline in wind generation does not materialize during the first two
19 hours, those hours may produce a positive benefit. Such positive values are a legitimate
20 consequence of actual system conditions differing from forecast conditions and should therefore
21 be included in the calculation of the total effect of PDN deviations.

22 **1.40 Recommendation XV-7**

23 The NSPSO or successor SO should be required to identify and record PHP real-
24 time deviations from schedule, and the reason for each deviation using verifiable
25 information from PHP.

**FAM Audit Reply Evidence
REDACTED**

NS Power Response to XV-7

NS Power accepts the objective of ensuring that real-time deviations from schedule and the reasons for those deviations are identified, recorded, and supported by verifiable information. However, the Company does not agree that the System Operator is the appropriate entity to perform this function.

PHP is the source of the operational information necessary to determine the cause of a deviation originated by PHP. The System Operator can identify that a deviation occurred, but in many cases the underlying cause can only be confirmed through information maintained by PHP. Requiring the System Operator to independently determine and record deviation causes in real time would therefore necessitate reliance on information supplied by PHP in any event, creating an additional administrative layer without improving the quality, accuracy, or auditability of the resulting records. A more efficient approach is to maintain the current process which is for PHP to document and substantiate the reason for each deviation related to their equipment, subject to independent review and audit by NS Power and other authorized parties.

1.41 Recommendation XV-8

NSPI should investigate other methods of pricing deviations in real time for PHP such as paying PHP for responding to a request by the SO to change OM level in real time and charging PHP when it deviates from its OM level in real time.

NS Power Response to XV-8

NS Power accepts this recommendation and will investigate alternative methods of valuing load shifting. However, NS Power cautions that the value of load response cannot be accurately determined based on a single hour of operation in isolation. The benefit associated with a load reduction in one period is offset by the requirement to serve that load in a subsequent period. Similarly, when load is dispatched above the customer baseline load (CBL), the benefit of that action cannot be objectively quantified without considering the corresponding load reduction that occurs later or has occurred previously. The timing and duration of that offsetting load reduction may span several hours and cannot be accurately attributed to any single dispatch interval.

**FAM Audit Reply Evidence
REDACTED**

1 Accordingly, NS Power believes that the most accurate method of quantifying load shifting
2 benefits is through a comprehensive analysis using dispatch optimisation software (PortOps),
3 which captures the full operational and economic effects of load shifting across the dispatch
4 horizon. This methodology was developed in response to 2022-2023 FAM Audit Recommendation
5 X-3. Pending the outcome of M12661, the ELID Tariff proceeding, NS Power plans to address
6 this recommendation in the following 2027 FAM SWG meeting.

7 **1.42 Recommendation XV-9**

8 The Board should include the determination of reporting requirements as part of
9 the proceeding to determine the successor tariff to the ELIADC.

10 **NS Power Response to XV-9**

11 NS Power accepts this recommendation.
12

**FAM Audit Reply Evidence
REDACTED**

3. CONCLUSION

Bates White has conducted audits of NS Power's Fuel Adjustment Mechanism (FAM) and fuel procurement practices on behalf of the Nova Scotia regulator across four consecutive audit cycles. NS Power appreciates Bates White's thorough and comprehensive review of the Company's fuel transactions. The FAM audit process plays an important role in promoting transparency and maintaining public confidence in NS Power's management of fuel costs and NS Power will continue to participate fulsomely in the process.

Overall, NS Power is pleased with the findings of the Audit Report. While the Report identifies opportunities for improvement, including several process enhancements, the Company has already begun implementing many of these measures. NS Power has accepted the majority of Bates White's recommendations and has provided detailed rationale where it does not agree or only partially agrees with a recommendation. The Report also recognizes a number of existing practices and recommends that the Company continue or expand upon those efforts, as well as advance key initiatives already underway. NS Power intends to continue pursuing these activities and reporting on updates through the FAM SWG and through associated Board reporting.

NS Power respectfully requests that the Board approve NS Power's FAM Audit Action Plan as outlined in Appendix A.

Row	Recommendation	NS Power Position/Response	Status
	Chapter II - Organization, Staffing and Controls		
1	Recommendation II-1: NSPI should ensure its next Fuel Manual update revises the NSPI Risk Manual, as necessary, to make accurate references to risk management authority delegations at both NSPI and Emera.	NS Power accepts this recommendation and will present updates through the FAM SWG process. NS Power expects the completion of this recommendation in Q1 2027.	In Progress
2	Recommendation II-2: NSPI should complete its December 2025 internal audit of NSPI's hedging program as soon as practicable and to the extent possible.	NS Power accepts this recommendation and considers it complete. NS Power will provide additional detail in the Q4 FAM SWG meeting.	Complete
	Chapter IV - Solid Fuel Procurement and Contracts		
3	Recommendation IV-1: NSPI should consider a method to account for index price risk when in its solid fuel procurement process, without sacrificing the benefits of allowing suppliers to offer index-priced bids.	NS Power accepts this recommendation. NS Power will consider index volatility in the evaluation of subsequent fuel procurements. NS Power considers this recommendation complete.	Complete
4	Recommendation IV-2: NSPI should take steps to ensure fuel supply contracts have specified delivery periods, and that those periods match offers received from suppliers, unless in allowing for flexibility in contract language specifying delivery periods and terms, NSPI receives compensation through other more favorable rates, terms, or conditions within the negotiated final supply agreement.	NS Power accepts this recommendation. NS Power fuel supply contracts include a delivery time range and contract term. NS Power's fuel delivery logistics team works to optimize deliveries within the prescribed delivery time ranges. The current process is necessarily flexible, and NS Power customers benefit from that flexibility. NS Power manages variability in natural gas availability and pricing, import energy availability and cost, renewable energy production and commissioning timing, and the impacts these factors have on coal inventory levels and optimal delivery schedules. Additionally, NS Power uses delivery timing flexibility to manage any potential issues with coal unloading and storage infrastructure, as well as potential rail and trucking transit interruptions. Whenever possible, NS Power negotiates delivery flexibility with suppliers at no additional cost. While this scenario has not occurred to date, it is possible that fuel suppliers may request delivery	Complete

		flexibility in the future. In such cases, NS Power would consider negotiating more favourable pricing to reflect the value of the additional flexibility requested by suppliers, consistent with this recommendation. However, it is important to recognize that if NS Power seeks fuel price discounts in exchange for greater flexibility, suppliers may conversely seek fuel price increases to compensate for flexibility that is currently provided at no incremental cost. NS Power considers this recommendation complete.	
5	Recommendation IV-3: NSPI should introduce a process to ensure all suitable vendors are invited to relevant RFPs.	NS Power accepts this recommendation. NS Power expects the completion of this recommendation in Q4 2026.	In Progress
6	Recommendation IV-4: NSPI should institute a process to ensure that Purchase Orders include key information that is required in NSPI's Standard Terms and Conditions.	NS Power accepts this recommendation. This recommendation will be completed in Q4 2026.	In Progress
	Chapter V - Solid Fuel Supply Management		
7	Recommendation V-1: NSPI should track [REDACTED] progress in implementing improvements following the October 6, 2025 derailment on the Sydney Coal Railway line, including any implied by [REDACTED] inspection report.	NS Power accepts this recommendation and has confirmation from [REDACTED] that all action items related to the October 6, 2025 derailment on the Sydney Coal Railway line have been completed and closed out. NS Power considers this recommendation complete.	Complete
8	Recommendation V-2: NSPI should correct any previously-reported heat rate data for Trenton 5, Trenton 6, and Point Tupper that were impacted by incorrect assumptions about the fuel mix consumed by Trenton 5 from the fourth quarter of 2023 to the third quarter of 2024.	NS Power accepts this recommendation and has performed the correction. The correction was completed as part of the Q3 2024 inventory survey adjustments recorded in September 2024. The adjustment did not change the total quantity of coal consumed by Trenton 5 over the affected period and resulted in no change to the aggregate heat rate reported for Trenton 5. The correction only affected the monthly allocation of fuel consumption and, accordingly, the monthly heat rates reported in quarterly FAM reports for the affected period.	Complete

		There was no impact on the total tonnes or MMBtus of coal consumed at Trenton 5 compared to amounts previously reported in quarterly and annual FAM filings. Furthermore, the incorrect assumption had no impact on the reported heat rates for Trenton 6 or Point Tupper. As a result, the correction changes only the monthly heat rate profile for Trenton 5 and does not affect the aggregate heat rate for the period or the reported heat rates of Trenton 6 or Point Tupper. NS Power considers this recommendation complete.	
	Chapter VI - Biomass Procurement and Supply Management		
9	Recommendation VI-1: NSPI should consider revising future biomass supply RFPs to reduce or remove preference for supply contracts of 2-years or greater, given the inability or unwillingness of suppliers to offer such terms and the potential negative impact this preference may have on participation.	NS Power accepts this recommendation. NS Power has revised future biomass supply RFP documents to remove the preference for supply proposals of two years or greater. The revised RFP approach will be applied in the next RFP which is expected to take place in Q2 2027, and in subsequent RFPs. NS Power considers this recommendation complete.	Complete
10	Recommendation VI-2: Future biomass supply RFPs should specify the time period(s) of its biomass supply need for which it is inviting offers.	NS Power accepts this recommendation. NS Power has revised future biomass supply RFP documents to specify the time period(s) of its biomass supply requirement for which it is inviting offers. The revised RFP approach will be applied in the next RFP which is expected to take place in Q2 2027, and in subsequent RFPs. NS Power considers this recommendation complete.	Complete
11	Recommendation VI-3: NSPI should ensure that its FAM-related contracts include execution dates from their signatories.	NS Power accepts this recommendation. The Company notes that some contracts signed via Docusign did not have dates on the date line of the contracts. However, dates of execution were available through Docusign audit trail. NS Power's Docusign process has been modified to include dates next to all signatures to make the auditing process more efficient. NS Power considers this recommendation complete.	Complete

12	Recommendation VI-4: NSPI should consider ways to revise “Step 1” of the energy balance process in specifying a target moisture content that accounts for the dynamism in PHB’s relative economics and the biomass fuel supply realities in the province to prevent instances of unduly high or low payments by PHP.	NS Power accepts this recommendation. NS Power will consider ways to further revise the energy balance process to account for the dynamic nature of PHB's relative economics and the realities of biomass fuel supply in the province. However, NS Power believes the energy balance process in place was fair and balanced. Further attempts to reduce flexibility within the process may result in higher costs to FAM customers. In particular, NS Power notes the flexibility provided by PHP with respect to NS Power's contractual obligation to either consume or dispose of 60 dry tonnes of sludge daily when sludge moisture is below 70 percent. NS Power will commence the new Energy Balance process review and engagement with PHP in Q4 2026.	In Progress
13	Recommendation VI-5: NSPI should consider relaxing or removing the moisture target “collar” in “Step 2” of the energy balance process.	NS Power accepts this recommendation. NS Power will consider relaxing or removing the moisture target collar in Step 2 of the energy balance process. NS Power notes that PHP is required to supply fuel that meets the boiler specification, including a maximum moisture content of 50.38%, to support process steam production requirements. While NS Power may at times utilize lower moisture fuel for electricity production due to operational considerations, such as testing boiler capabilities or optimizing limited bark supplies, these considerations do not alter PHP's obligation to meet the specified fuel moisture requirement. Accordingly, NS Power does not believe that operational decisions or changes in biomass fuel supply conditions warrant a reduction in the PHP target moisture level below the boiler design specification. However, NS Power will consider this	In Progress

		recommendation in conjunction with Recommendation VI-4 to identify opportunities to further improve the energy balance process. As noted above, NS Power will commence the new Energy Balance process review and engagement with PHP in Q4 2026.	
14	Recommendation VI-6: NSPI should consider an enhancement to capture the time value of PHP bark deficits determined under the energy balance process that carry over into future months.	NS Power disagrees with this recommendation. Assigning a time value to PHP bark deficits arising from the Energy Balance process could create incentives for PHP to deliver bark in excess of operational requirements, resulting in increased fuel handling costs, yard congestion, and elevated risk of spontaneous combustion. In addition, subsequent Energy Balance calculations or fuel pile surveys may reduce or eliminate an apparent bark deficit, or result in a bark surplus. Under the recommended approach, this could require compensation in the opposite direction, whereby FAM customers would be exposed to time value charges payable to PHP, in addition to any costs associated with handling and storing excess bark inventory. NS Power believes the current process appropriately balances operational requirements and fuel inventory management. Where PHP is in a bark deficit position and bark inventories are constrained, NS Power requires PHP to provide physical bark. Conversely, where sufficient bark inventory exists, NS Power believes it is optimal to allow subsequent Energy Balance calculations and fuel pile surveys to determine whether the deficit persists before requiring additional deliveries.	

		This approach minimizes unnecessary fuel handling and inventory risks while maintaining adequate fuel supply. Furthermore, given the current regional bark supply constraints, NS Power and PHP are exploring the viability of recovering bark from the Bear Head site, which may improve bark availability when required without increasing the risk of yard congestion or spontaneous combustion. Under this recommendation, the presence of Bear Head bark may carry additional time value risk for FAM customers.	
15	Recommendation VI-7: (Bundled with VI-4–VI-6) NSPI should consider ways to clarify the price of chips applied to PHP chip deficits under the energy balance process when PHP’s chip deficit exceeds the chip volumes delivered by PHP (such that NSPI burns chips from other suppliers to serve PHP’s industrial demand) to better reflect the actual cost of the chips consumed on PHP’s behalf.	NS Power accepts this recommendation. NS Power will commence the new Energy Balance process review and engagement with PHP in Q4 2026.	In Progress
16	Recommendation VI-8: NSPI should update the Board with the results of its effort to reconcile biomass inventory adjustments and energy balance results in Q4 2025 that carried over to 2026.	NS Power accepts this recommendation and will provide this update through the FAM SWG which is attended by Board staff. NS Power expects the completion of this recommendation in Q4 2026.	In Progress
	Chapter VII - Natural Gas Supply Planning		
17	Recommendation VII-1: NSPI should conduct the analysis described in Recommendation VII-1, that was accepted by NSPI, from the 2022 – 2023 FAM Audit.	NS Power accepts this recommendation. NS Power addressed Recommendation VII-1 from the 2022–2023 FAM Audit in the 2025 Natural Gas Annual Report, which was reviewed through the regulatory process, including stakeholder Information Requests. In Q4 2026, NS Power intends to engage Bates White to better understand the basis for its dissatisfaction with NS Power’s response to the previous audit recommendation. NS Power will also further address this recommendation in the 2026 Natural Gas Annual Report.	In Progress

18	Recommendation VII-2: NSPI should re-do its analysis of the Freeport FT capacity offer reflecting the following: use of the same assumptions and price forecasts for the 10-year term starting November 1, 2029, explicitly including the value of cost mitigation strategies (e.g., sales of unneeded gas, AMA, etc.) using unneeded existing FT capacity and Freeport FT capacity, allowing the existing FT capacity to expire at term, and calculating the NPV of the net costs from November 2029 through October 2039 using the discount rate of the FAM customers.	NS Power accepts this recommendation in part. NS Power will re-do its analysis; however, NS Power notes that allowing existing FT capacity to expire at term is not in the best interest of customers. Upon end of term, the existing FT capacity can be extended for shorter period, and at a discount. Foregoing this opportunity is not optimal. NS Power expects to complete the analysis portion of this recommendation in Q1 2027.	In Progress
19	Recommendation VII-3: NSPI should formalize a written draft of the ERM position on FT capacity, as described in VII.B.2.h. and in NSPI's response to DR 6-9, and provide it for review holders. In generating that document, NSPI should clearly identify who (FAM customers, NSPI, or others) bears the risk of over-paying for unneeded longer-term FT capacity and why, and who currently pays to mitigate that risk by paying for spot gas.	NS Power accepts this recommendation and anticipates completion of this recommendation in Q4 2026.	In Progress
	Chapter VIII - Natural Gas Procurement		
20	Recommendation VIII-1: Provide monthly documentation of gas sales by NSPEMI and NSPI (excluding transactions between NSPEMI to NSPI) identifying the terms (e.g., quantity, location, price, etc.) of the transaction, why the counterparty was selected, how the price was agreed to, and why a particular title transfer location was selected.	NS Power accepts this recommendation. NS Power expects the completion of this recommendation in Q4 2026.	In Progress
	Chapter X - Power Plant Performance		
21	Recommendation X-1: NSPI should provide the Board an update on the status of the remaining 27 recommendations from the Root Cause Analyses at the end of 2026.	NS Power accepts this recommendation. NS Power tracks RCA actions and will provide an update during the Q4 2026 FAM SWG.	In Progress
22	Recommendation X-2: NSPI should provide its estimate of the FAM and non-FAM costs associated with the November 22, 2024 forced outage at Tufts Cove 2 due to elevated vibration levels.	NS Power will provide its estimate of the FAM costs associated with this event. NS Power expects the completion of this recommendation in Q4 2026.	In Progress

23	Recommendation X-3: NSPI should provide its estimate of the FAM costs associated with the March 7, 2024 forced outage at Burnside 1 and ensure that FAM customers bear no incremental costs for this outage.	NS Power accepts this recommendation. NS Power expects the completion of this recommendation in Q4 2026.	In Progress
24	Recommendation X-4: NSPI should update the Board on its corrective measures taken in response to the October 26, 2024 forced outage at Point Tupper by the end of 2026.	NS Power accepts this recommendation.	In Progress
25	Recommendation X-5: NSPI should provide its estimate of the FAM costs associated with the June 25, 2023 forced outage at Point Tupper.	NS Power accepts this recommendation. NS Power expects the completion of this recommendation in Q4 2026.	In Progress
26	Recommendation X-6: NSPI should provide its estimate of the FAM costs associated with the May 31, 2024 forced outage at PHB, plus the costs of repairs to the failed Low-Pressure Steam Extraction Control Valve Rod.	NS Power accepts this recommendation. NS Power expects the completion of this recommendation in Q4 2026.	In Progress
27	Recommendation X-7: NSPI should reconcile the difference between the \$ [REDACTED] in total OBPS compliance cost reported in the audit to the \$ [REDACTED] provided in FAM reporting.	NS Power accepts this recommendation. The difference between the \$ [REDACTED] in OBPS compliance costs reported in the audit and the \$ [REDACTED] reported through FAM is attributable to the timing of when annual OBPS compliance obligations are finalized and invoiced by the Province of Nova Scotia relative to NS Power's year-end financial and FAM reporting processes. Annual OBPS compliance costs are not finalized and invoiced until the fourth quarter of the subsequent year. As a result, NS Power records a provision based on the best available information at the time of financial close to reflect the expected compliance obligation. When the final invoice is received, any difference between the recorded provision and the actual invoice is reflected in FAM reporting. In addition, interest associated with the OBPS obligation is not included in FAM reporting while costs remain accrued through a provision. Interest is	Complete

included only when the final invoice is received and paid. This approach ensures that customers are not impacted by timing differences between the initial recording of the provision and settlement of the obligation.

The \$ [REDACTED] reported in the audit is comprised of:

1. \$ [REDACTED] for the 2024 OBPS compliance obligation, which was paid in November 2025; and
2. \$ [REDACTED] representing the estimated 2025 OBPS compliance obligation recorded as of March 31, 2026.

The \$ [REDACTED] reported in FAM consists of:

1. \$ [REDACTED] for the actual 2024 OBPS compliance obligation;
2. \$ [REDACTED] representing the estimated 2025 OBPS compliance obligation included in December 2025 FAM reporting; and
3. A reduction of \$ [REDACTED] related to the true up of the 2023 OBPS compliance obligation.

Specifically, NS Power recorded an estimated 2023 OBPS compliance cost of \$ [REDACTED] in December 2023 FAM reporting. When the final invoice was received, the actual compliance cost was \$ [REDACTED], resulting in a \$ [REDACTED] reduction that was reflected in 2024 FAM reporting.

Accordingly, the difference between the amounts reported in the audit and FAM is the result of normal timing differences associated with estimating annual OBPS obligations, subsequent true ups to actual invoiced amounts, and the treatment of related interest costs until final settlement.

By providing the above, NS Power considers this recommendation complete.

	Chapter XI - Commitment and Dispatch		
28	Recommendation XI-1: NSPI should be required to comply with 2022-2023 Recommendation XI-1 and provide a detailed and comprehensive report that explains how the new functionality in the Economic Dispatch Optimization and Outage Coordination Solutions address (or do not address) the outage, optimization, and dispatch issues identified in the current systems.	NS Power accepts this recommendation. Drafting of the final report on recommendations is underway and is expected to be completed by the end of 2026.	In Progress
29	Recommendation XI-2: NSPI should develop a written set of criteria, to be approved by the Board, that must be met to keep Langan 2 operational once committed. Compliance with these criteria should be used by the Board when approving capital and operating costs for Langan 2.	NS Power accepts this recommendation but notes it may not be possible to develop a comprehensive and exhaustive set of criteria in a system undergoing significant transition and encountering circumstances that have not previously been experienced. In addition, a rigid set of criteria governing the use of Langan 2 could limit the ability to respond to evolving system conditions and may result in missed economic opportunities for customers. NS Power believes that resource utilisation is best optimised by the utility and subsequently reviewed by the Board in light of the specific and dynamic facts and circumstances that existed at the time decisions were made. NS Power will commit to developing an approach that fulfils the spirit of this recommendation in Q4 2026 and update FAM SWG regarding the status of this recommendation in Q1 2027.	In Progress
	Chapter XII - Power Purchases and Sales		
30	Recommendation XII-1: By the earlier of the resolution of the dispute or the end of 2026, NSPI should update the Board regarding its efforts to recover the value associated with [REDACTED]	NS Power accepts this recommendation and notes that the Company provides quarterly updates to the Board on the status of this recommendation.	In Progress
31	Recommendation XII-2: NSPI should report in its FAM Annual Report NLH's average Surplus Energy offered to date, as of the end of the most recent EAA contract year.	NS Power accepts this recommendation.	In Progress
	Chapter XIII - Hedging		
32	Recommendation XIII-1: NSPI should review the timing of its hedging lifecycle – from PLEXOS forecasting, to FST	NS Power accepts this recommendation. NS Power notes that hedge rebalancing is a complex quarterly	In Progress

	presentation development, to FST approval – to find areas for increased efficiency.	process involving multiple simulations, iterations, calculations, crosschecks, and reviews, all of which require sufficient time to complete accurately. In addition, hedge rebalancing is not undertaken to speculate on or time the market, but rather to manage the risk of significant fuel and purchased power cost increases. While routine market movements are generally modest and can occur in either direction, errors in hedge execution caused by attempts to increase efficiency can have material consequences. Accordingly, NS Power must balance efficiency with the need for robust analysis, review, and governance. Attempting to materially compress the hedge rebalancing process timeline could increase the risk of errors and inappropriate hedge positions. Nevertheless, NS Power will continue to identify opportunities to streamline the process and report to FAM SWG on the status of this effort in Q4 2026.	
	Chapter XIV – FAM Accounting		
33	Recommendation XIV-1: NSPI should maintain a detailed listing of invoices included in each payment batch to enhance the audit trail of cash disbursements. The listing should identify the invoices processed, related vendors, payment amounts, payment dates, and batch references to provide a complete audit trail and support management’s review of cash disbursements.	NS Power accepts this recommendation. The detailed listing of invoices now identifies invoices processed, related vendors, payment amounts, payment dates, and batch references. NS Power considers this recommendation complete.	Complete
	Chapter XV – ELIADC (PHP Tariff)		
34	Recommendation XV-1: In the 2026 ELIADC annual report and all future reports, NSPI should report the amounts collected under the \$4/MWh (or any other) mandatory contribution to fixed costs, but should not characterize this cost recovery as a benefit to FAM customers.	NS Power accepts this recommendation. In the 2026 ELIADC annual report and all future reports, NS Power will report the amounts collected under the \$4/MWh, or any other mandatory contribution to fixed costs, and will not characterize this cost recovery as a benefit to FAM customers. NS Power considers this recommendation complete.	Complete

35	Recommendation XV-2: We recommend that PHP be required to pay an additional \$[REDACTED] for Cause Code 5 penalties in 2025 and that these amounts be allocated to FAM customers.	NS Power disagrees with this recommendation. The calculation of ELIADC benefit, as specified by the tariff, has been consistently applied throughout the term of ELIADC. When the ELIADC benefit calculation produced a positive outcome in 2020, the same methodology was applied. NS Power believes the calculation of the Cause Code 5 penalties is accurate and consistently applied.	
36	Recommendation XV-3: To the extent possible, the calculation of ADC benefits should be modified to account for changes between forecast and actual fuel prices and forecast and actual loads starting in 2026.	NS Power accepts this recommendation. NS Power intends to provide two calculations of ADC benefits for the Board's consideration: (1) the ADC benefit calculated in accordance with the ELIADC Tariff; and (2) the ADC benefit calculated using the methodology developed in response to 2022-2023 FAM Audit Recommendation XV-3. The second calculation uses consistent load and pricing assumptions between the CBL and ADC models and is intended to provide comprehensive evaluation of ADC benefits under actual operating conditions.	In Progress
37	Recommendation XV-4: Real-time PHP deviations from schedule should be identified on an hourly basis starting in 2026 and reported in the 2026 ELIADC annual report and any future reports.	NS Power disagrees with this recommendation. NS Power disagrees with this recommendation. This recommendation appears to be based, in part, on the assumption that NS Power is not already tracking deviations on an hourly basis. NS Power currently tracks deviations on an hourly basis; however, the interpretation of those deviations must account for the operational realities of demand response. While the system dispatch optimisation model operates on an hourly basis, system dispatch occurs continuously in real time. The System Operator continuously monitors actual system conditions, including wind generation, and may determine that delaying a load ramp until part way through the hour results in a more optimal outcome. Under the	

		recommended approach, such an action could be recorded as a deviation from schedule despite being consistent with the objective of optimising system conditions in real time. In addition, the PortOps optimisation model does not explicitly model PHP transitioning through intermediate operating modes to reach the desired operating state. Rather, PortOps identifies the optimal operating mode for a given period and leaves it to the System Operator and PHP to determine how best to achieve that operating mode based on equipment capabilities, process requirements, and operating conditions. As a result, transitioning to a new operating mode may require time and may result in apparent hourly deviations despite the facility responding appropriately to dispatch instructions. Therefore, apparent hourly or sub hourly deviations do not necessarily indicate suboptimal performance or departure from the optimal operating strategy but instead reflect prudent operational decisions and the physical realities of NS Power's system and PHP's facility.	
38	Recommendation XV-5: The size of real-time PHP deviations should be measured by hour, as opposed to event, starting in 2026 and reported in the 2026 ELIADC annual report and any future reports.	NS Power disagrees with this recommendation. Demand response cannot be instantaneous because it is associated with physical processes and equipment that require time to ramp between operating levels. For example, due to changing system conditions, the real-time system dispatch optimisation model may indicate that a ramp from 12 MW to 150 MW is optimal over the next hour and for the subsequent 8 hours. However, such an aggressive ramp may require up to 3 hours to complete. These instances do not represent deviations from a dispatch instruction but rather	

		reflect the physical operating characteristics of the equipment. NS Power also notes that, for PHP initiated deviations from forecast, including unilateral deviations from the approved dispatch profile (Cause Code 5), deviations are recorded for each hour in which the deviation remains in effect and continue to be tracked until the next system dispatch optimisation forecast is issued. It is only for NS Power initiated ramp up and ramp down requests that deviations are recorded in the hour in which the request is initiated and not during the subsequent hours required for PHP to achieve the requested operating level. This distinction recognises that these deviations arise from NS Power's dispatch decisions in real time and the physical limitations associated with implementing those decisions, rather than from a failure by PHP to respond to dispatch instructions. NS Power does not believe that hourly measurement of real time deviations provides a reliable indication of demand response performance. Event based assessment better reflects the operational realities of demand response and more accurately distinguishes between deviations resulting from dispatch decisions, physical equipment limitations, and PHP initiated actions.	
39	Recommendation XV-6: NSPI should correct the calculation of off-schedule costs associated with Cause Code 5: PDN violations in the 2025 ELIADC Annual Report, to remove positive values, increasing the total cost by \$[REDACTED] to \$[REDACTED].	NS Power disagrees with this recommendation. The calculation of ELIADC benefit, as specified by the tariff, has been consistently applied throughout the term of ELIADC. When the ELIADC benefit calculation produced a positive value in 2020, the same methodology was applied. Furthermore, the removal of positive values does not accurately capture the total effect of PDN (Cause Code 5) deviations.	

		Due to continuously varying system conditions, PDN deviations can at times unintentionally result in outcomes that are more optimal than a forecast produced several hours prior to dispatch. For example, if PHP load is optimized to decrease from 150 MW to 100 MW over the next several hours based on a forecasted decline in wind generation, but PHP remains at 150 MW and the forecasted decline in wind generation does not materialize during the first two hours, those hours may produce a positive benefit. Such positive values are a legitimate consequence of actual system conditions differing from forecast conditions and should therefore be included in the calculation of the total effect of PDN deviations.	
40	Recommendation XV-7: The NSPSO or successor SO should be required to identify and record PHP real-time deviations from schedule, and the reason for each deviation using verifiable information from PHP.	NS Power accepts the objective of ensuring that real-time deviations from schedule and the reasons for those deviations are identified, recorded, and supported by verifiable information. However, the Company does not agree that the System Operator is the appropriate entity to perform this function. PHP is the source of the operational information necessary to determine the cause of a deviation originated by PHP. The System Operator can identify that a deviation occurred, but in many cases the underlying cause can only be confirmed through information maintained by PHP. Requiring the System Operator to independently determine and record deviation causes in real time would therefore necessitate reliance on information supplied by PHP in any event, creating an additional administrative layer without improving the quality, accuracy, or auditability of the resulting records. A more efficient approach is to maintain the current process which is for PHP to document and substantiate the reason for each deviation related to their equipment, subject to	In Progress

		independent review and audit by NS Power and other authorized parties.	
41	Recommendation XV-8: NSPI should investigate other methods of pricing deviations in real time for PHP such as paying PHP for responding to a request by the SO to change OM level in real time and charging PHP when it deviates from its OM level in real time.	NS Power accepts this recommendation and will investigate alternative methods of valuing load shifting. However, NS Power cautions that the value of load response cannot be accurately determined based on a single hour of operation in isolation. The benefit associated with a load reduction in one period is offset by the requirement to serve that load in a subsequent period. Similarly, when load is dispatched above the customer baseline load (CBL), the benefit of that action cannot be objectively quantified without considering the corresponding load reduction that occurs later or has occurred previously. The timing and duration of that offsetting load reduction may span several hours and cannot be accurately attributed to any single dispatch interval. Accordingly, NS Power believes that the most accurate method of quantifying load shifting benefits is through a comprehensive analysis using dispatch optimisation software (PortOps), which captures the full operational and economic effects of load shifting across the dispatch horizon. This methodology was developed in response to 2022-2023 FAM Audit Recommendation X-3. Pending the outcome of M12661, the ELID Tariff proceeding, NS Power plans to address this recommendation in the following 2027 FAM SWG meeting.	In Progress
42	Recommendation XV-9: The Board should include the determination of reporting requirements as part of the proceeding to determine the successor tariff to the ELIADC.	NS Power accepts this recommendation.	In Progress – being considered in a separate matter