

October 5, 2026

lane.myatt@nspower.ca

Lana Myatt
Manager, Regulatory Capital
Nova Scotia Power Incorporated
1223 Lower Water Street
PO Box 910
Halifax, NS B3J 3S8

Dear Ms. Myatt:

M12743 Nova Scotia Power Incorporated, CI C0068714 IT Identity and Access Management \$6,756,522

On March 13, 2026, Nova Scotia Power Incorporated (NS Power) filed an application with the Board for approval of a capital investment in Identity and Access Management procedures and tools. This project was first cited in the 2025 Annual Capital Expenditure (ACE) Plan as an item for subsequent submittal with a total budget of \$1,179,857. The project was also included as an item for subsequent submittal in the 2026 ACE Plan, but with a budget of \$4,324,589. In this application, NS Power seeks budget approval for \$6,756,522.

The Board issued a Hearing Order on April 13, 2026, informing that this matter would be reviewed as a paper process, but could be converted to an oral hearing. NS Power responded to Information Requests (IRs) from the Consumer Advocate (CA), Small Business Advocate (SBA), Industrial Group, Department of Energy and Board Staff on June 2, 2026. Submissions were filed by the CA and SBA on June 16, 2026. No other party filed a submission. NS Power filed a rebuttal on July 7, 2026.

NS Power determined that Identity and Access Management (IAM) is a control necessary to support its cybersecurity framework and is needed to meet changing operational and security requirements. This project will modernize NS Power's IAM and Privileged Access Management (PAM) capabilities through enhancements to its existing procedures and tools. The project includes the implementation of Saviynt's software as a service (SaaS) Identity Governance and Administration (IGA) platform to improve the management and oversight of user access. Through this investment, NS Power expects to improve how it manages cybersecurity risks by enhancing its ability to detect and address threats related to user

access, reducing the risk of unauthorized activity and better protecting sensitive information and critical systems.

The project includes the implementation of key PAM capabilities, including secure storage of privileged credentials, automated management of credentials through their lifecycle, and Secure Infrastructure Access (SIA) with monitoring and recording. The project also involves the acquisition and deployment of a new PAM platform based on CyberArk and SaaS software. In addition, responsibility for operational support for IAM services will transition to IBM Managed Security Services (MSS), providing access to external expertise, reducing operational risk and strengthening ongoing support for identity and access management.

The project started in 2024 with the issuance of a Request for Proposals, followed by detailed planning activities in 2025. The project was deemed in service in February 2026 upon completion of Release 1 of the six-release IAM program. The first of the phased releases enabled PAM functions, including privileged account vaulting and password rotation, and transitioned certain identity management practices to the new MSS provider. While these capabilities are operational, Saviynt software was not expected to be fully implemented until later in 2026.

NS Power indicated in its application that the capital budget increased by approximately \$2.4 million compared with the budget presented in the 2026 ACE Plan. The increase was primarily attributable to higher consulting costs. During project planning, activities initially planned as single tasks were redefined into multiple workstreams, necessitating additional resources and contributing to both increased project expenditures and a longer implementation timeline.

The Total Cost of Ownership (TCO), provided in Appendix A to the application, incorporates both the capital costs and the projected operating costs over the asset's estimated useful life. The 10-year useful life is informed by its depreciation class. The TCO provides a comprehensive estimate of the project's total investment. Within the TCO, NS Power estimated operating savings of \$2,374,205, attributed to the decommissioning of 20 servers, the elimination of a Managed Services partner, the removal of on-premises software licensing requirements and the retirement of planned upgrades and extensions to the existing PAM systems that are no longer receiving vendor support. The TCO also included projected operating expenditures estimated at \$15,946,847. Based on a 10-year planning horizon, NS Power estimated the TCO of \$20,329,164.

Issues Raised by Intervenors

The CA and SBA raised several similar concerns with NS Power's application. Intervenors questioned the prudence of replacing the existing on-premise PAM solution because it had not reached the end of its useful life. Both the CA and the SBA consider that continuing to amortize the existing PAM assets is inappropriate because they are no longer used and useful. The CA was also concerned that in the prior PAM approval application, NS Power indicated that a SaaS model did not meet business requirements because NERC data could



not be stored in the cloud. NS Power advised that this continues to be the case but that in the current initiative, NERC data is not included in the project and will not be stored or processed in the cloud.

NS Power explained that the existing PAM systems no longer receive vendor support. NS Power noted that technology has changed significantly and with cloud-delivered security platforms becoming the norm, explaining the lack of vendor support. These assets are subject to relatively short life cycles, requiring re-investment over a three-to-five-year period to remain current. NS Power explained that this project is the first application of amortization accounting approved in GRA M12451 using the approach where assets' costs are recovered over a fixed period that aligns with the expected service life. NS Power said the existing PAM systems will not be retired from NS Power's accounts until they are fully amortized.

The CA and SBA questioned if some of the project's costs are attributable to the cyber security incident. The CA argued that the project schedule extensions increased carrying costs and resulted in higher Allowance for Funds Used During Construction (AFUDC). The CA questioned if the six-month implementation delay was the result of personnel constraints associated with the response to cybersecurity incident response. As a result, the CA recommended that the Board disallow the monthly and compounded AFUDC costs accrued between April 2025 and March 2026.

NS Power said that there was a pause in activity between April 2025 and May 2025, but that work did not stop for an extended period. NS Power clarified that incremental costs were caused by higher consulting and labour hours for additional design and some of the originally planned tasks were split into separate deliverables and releases.

The CA noted that approximately 80% of the project's AACE Class 3 deliverables have been completed, meaning that the project's maturity has advanced significantly since February. The CA recommended that the Board determine the current actual spend and get NS Power's assessment of the current decision gate status as of June 1, 2026, and either reduce the contingency to 10% of budget or authorize 15% contingency on the unspent project budget balance. NS Power disagreed with this recommendation and suggested that the CA did not fully account for the nature of the remaining work that is more complex and variable.

The CA considered that the TCO analysis did not clearly identify the measures expected to reduce ongoing operating costs, limiting the ability to evaluate the magnitude, sustainability and effectiveness of the anticipated cost savings. The CA recommended that the Board review NS Power's TCO analysis because it did not identify specific steps that it took to reduce ongoing operating costs.

The SBA questioned whether the measures proposed in the application are sufficient to mitigate the risk of a reoccurrence of a similar cybersecurity incident. It also sought to determine whether the incremental security enhancements would materially strengthen NS Power's cybersecurity and improve the overall resilience of its IT infrastructure. NS Power



acknowledged that no investment could eliminate the possibility of a future cybersecurity incident but highlighted that this project enables the utility to better address risks. NS Power also indicated that the project is delivering value with the completed phases going into service and that the project would be fully deployed in August 2026.

Findings

The Board finds that this project is necessary given the existing PAM system has lost its vendor support. In essence, while the existing PAM system still has some functionalities, it has become obsolete. NS Power started work on this replacement project prior to the cybersecurity incident in the spring of 2024. That incident was not the impetus for this project. However, given the extensive business and reputational damage caused by cybersecurity incident in the spring of 2025, and the impact of the resulting privacy breach and loss of business functions had on all of NS Power's customers, the Board finds that NS Power proceeding with this project was reasonable. While it is impossible to completely eliminate the risk of a future cyber incident, the Board is satisfied, based on the available evidence, that the project allows NS Power to adhere to industry best practices using identity as a control point and that using MSS is a reasonable way to supplement the utility's capacity.

The Board can only disallow costs if they are imprudent or unreasonable. The Board found the previous PAM investment was reasonable at the time it was implemented. There is no evidence in this proceeding to indicate otherwise. Computer systems technologies evolve quickly. Unfortunately, estimated useful lives are often overtaken by rapidly changing innovations in both computer systems and the sophisticated tools available to threat actors. Following NS Power's cybersecurity incident, subsequent cybersecurity framework changes should be informed by lessons learned. Taking time to account for this is appropriate. The Board finds that the one-month pause following the cybersecurity incident does not warrant a reduction in the AFUDC. The Board agrees with the CA that, when final evidence was filed, the project had met 80% of its AACE Class 3 deliverables. However, the Board accepts NS Power's position at that time, the remaining phases of the project had the most potential variability and risk. In any event, the anticipated full deployment date has now passed. Therefore, the Board will not alter the 15% contingency on the project budget. That said, the Board directs that NS Power report back to it by November 15, 2026, outlining when the project was fully deployed, the amount of the contingency budget spend, and whether NS Power anticipates the project has or will be completed within the budget approved in this decision.

The CA said the existing PAM system is no longer used and useful and should be removed from rate base. The 2026 GRA decision established amortization accounting for certain classes of pooled assets, including computer software [2026 NSEB 8, at para 280]. As discussed in that decision, with amortization accounting, the cost of an asset is allocated over a defined time frame, usually based on anticipated useful life. The asset is retired and removed from the accounting books once it has been fully amortized, regardless of whether it is still rendering service. Therefore, there is no basis for removing the remaining book value of the existing PAM system.



The Board appreciates the intervenors' concerns that the depreciation period applied to both the existing PAM investment and this application is not reflective of the actual duration that the investment will be used. NS Power acknowledged that a three-to-five-year cycle for IAM is a reasonable expectation of the service life. To provide an accurate understanding of the actual cost of a software capital investment, the Board directs NS Power to apply a variation on future TCO's and Economic Analysis Models using the expected service life in addition to the depreciation defined useful life. Further, depreciation issues are ordinarily and best addressed in depreciation studies accompanying a general rate application.

The Board has considered the factors outlined in s.6(2) of the *Energy and Regulatory Boards Act*. None of the listed factors apply directly to this application. However, as was seen during the 2025 cybersecurity incident, while no operating systems were impacted, NS Power's business and customer service operations were materially impacted. Where there are interruptions to business operations and customer service, there could be potential secondary impacts on competition and innovation and support for sustainable development, at least in the short term. A project based best practice measures, obtained through an RFP process, to help guard against further cybersecurity issues, is reasonable in the circumstances. The cost of the project has been justified as the most economic way to deliver these safeguards. Accordingly, the Board approves this application in the amount of \$6,756,522.

Yours very truly,



Richard J. Melanson, LL.B.
Member

c. William Mahody, K.C., Board Counsel



NSEB APPROVAL SHEET

Project Title: IT - Identity & Access Management

CI Number: C0068714

Date: March 13, 2026

Expenditure Profile			Type of Filing	
Year	Budget Amount	Project Estimate	☒	Capital Project Authorization
2024	-	121,418	☐	Unforeseen and Unbudgeted (U&U)
2025	1,763,310	3,091,122	☐	Planned & Advanced (P&A)
2026	2,561,279	3,543,983	☒	Subsequent Approval Item
Total			☐	Authorization to Overspend (ATO)
			☐	Scope Change
			☐	Final Cost (FIN)

COMMENTS

Submitted on behalf of NOVA SCOTIA POWER INCORPORATED



Authorized Signatory
Dave Pickles
Chief Operating Officer

DATE
March 13, 2026

Approved on behalf of NOVA SCOTIA ENERGY BOARD



DATE
October 9, 2026