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June 16, 2026

VIA WEB PORTAL
VIA EMAIL

Crystal Henwood, Clerk of the Board
Nova Scotia Energy Board
1601 Lower Water Street, 3rd Floor
P.O. Box 1692, Unit "M"
Halifax, NS B3J 3S3

Dear Ms. Henwood:

Re: M12743 - NSPI to NSEB CI C0068714 - IT - Identity & Access Management

Please accept the following submissions on behalf of the Consumer Advocate with respect to the above-noted matter.

Background

This matter involves a subsequent submittal application by Nova Scotia Power ("NS Power") for approval of CI C0068714, Identity & Access Management, which is a project aimed at improving NS Power's Identity and Access Management (IAM) procedures and tools. The project costs have increased by $2.4 million from the 2026 ACE Plan estimate of $4,324,589, for a new total cost of $6,756,522.

As noted in the application, the project will "design, deploy, and configure a modern Privileged Access Management (PAM) ecosystem through the implementation of CyberArk infrastructure and SaaS [Software-as-a-Service] capabilities, including Endpoint Privileged Management (EPM)." Core deliverables include:

- the operationalization of privileged password vaulting,
- automated credential lifecycle management (including password rotation), and
- Secure Infrastructure Access (SIA) with session monitoring and recording for built-in and high-risk accounts.

NS Power also states that the project will "strengthen the organization's identity governance posture by implementing an enterprise-grade Identity Governance and Administration (IGA) framework." Moreover, to ensure long-term sustainability and operational maturity, the project will also "transition Identity and Access Management (IAM) operational support services—including manual provisioning, User Lifecycle Management (ULM), IGA, PAM, and EPM—to IBM's Managed Security Services (MSS)." According to NS Power, this transition will "provide access to specialized security expertise, reduce operational risk, and augment NSPI's existing teams with 24/7 managed support capabilities." NS Power further states that, overall, "this initiative will modernize the organization's IAM and PAM environments, reduce cybersecurity risk exposure, improve regulatory compliance, and create a scalable foundation for future identity-centric security programs.[1]"

In providing justification for this project, NS Power states that:

- IAM is a critical piece of NS Power's cyber security framework, and is "essential to maintaining the effectiveness of other security controls and to position NS Power for future operational and security requirements and objectives"[2];
- The project will "streamline access management, simplify user experiences, and enhance security"[3];
- The initiative will improve efficiency and provide stronger security.[4]

Further, NS Power states that implementing a "modern IAM solution is the only feasible option to effectively mitigate the organization's identity-related risks, and the selected approach was chosen through a competitive procurement process to ensure the best alignment with requirements."[5]

With respect to contingency, NS Power asserts that a 15 percent contingency on labour, consulting, and meal and travel is appropriate. As noted in the Application, risks intended to be covered by the contingency include "unplanned or unforeseen work that may be required based upon resource availability or additional work and findings as the project progresses, notably for IGA phase of the project."[6]

According to NS Power, the $2.4M variance is "primarily driven by higher-than-anticipated consulting costs relative to the initial estimate." NS Power elaborates as follows:

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[1] Application, Exhibit N-1, p. 1 of 5
[2] Application, Exhibit N-1, p. 1 of 5; see also p. 2 of 5, where NS Power asserts that modern IAM capabilities are "now required to maintain the effectiveness of other security controls and reduce exposure to unauthorized access risks."
[3] Application, Exhibit N-1, p. 2 of 5
[4] Application, Exhibit N-1, p. 2 of 5
[5] Application, Exhibit N-1, p. 2 of 5
[6] Application, Exhibit N-1, p. 2 of 5

> During project planning and task execution, project milestones that were originally planned as combined deliverables were required to be separated into multiple releases to accommodate additional resource needs and an extended project timeline. This project is primarily based on the National Institute of Standards and Technology's Cyber Security Framework. This framework is updated continually, and has changed since the 2025 ACE Plan estimate, leading to an increased project cost due to the changes in the CSF and advances in available technology.[7]

Submissions

The Consumer Advocate has reviewed the Application, as well as NS Power's responses to Information Requests, and makes the following submissions.

As noted above, this project involves the implementation of SaaS capability. The SaaS PAM system will replace on-premises software and hardware installed in 2021-2023, through two projects:

- Privileged Access Management (PAM), CI 49094: Project completed in 2022 with actual spend of $3,134,697.[8]
- Privileged Access Management (PAM) Phase 3, CI C0054455: Project completed in 2023 with a budget of $786,618.[9]

Notably, it has been just five years since NS Power determined that a SaaS system would not meet NS Power's business requirements because, "[o]ne of the business requirements is not to have information related to privileged accounts and NERC data stored in the cloud."[10] In the 2021 ACE Plan, NS Power applied for and received approval of the Privileged Access Management (PAM), CI 49094. NS Power's selection process stated:

> A centralized automated PAM solution to manage policy and access of privileged accounts is the accepted best practice across organizations of the size and complexity of NS Power. The following alternatives were considered:
>
> - an on-premises solution (completely within the NS Power data center);
> - Software as a Service (SaaS) (located in the cloud); and
> - a hybrid solution, which includes a combination of on-premises for infrastructure, and SaaS for securing user workstation privileges.

[7] Application, Exhibit N-1, p. 2 of 5
[8] Exhibit N-2, CA RIR-1; NS Power, 2023 Q4 Capital Report, tab R2.
[9] NS Power, 2023 Q4 Capital Report, tab R2. NS Power also provides an approved budget of $533,079 in Exhibit N-2, CA RIR-1, but the reason for the discrepancy is not clear.
[10] NS Power, NSUARB RIR-54(f), Exhibit N-4, M09920.

> A fully on-premises solution did not meet the requirements for securing user workstation privileges (e.g. laptops) as the vendor is moving to a SaaS first model for this component and therefore the solution that supports the capabilities for user workstation will no longer receive functional updates. The full SaaS model did not meet NS Power's business requirements for the storing of sensitive information within the cloud related to NERC. Because neither the fully on premises nor SaaS solutions met business requirements, they were not considered further. A hybrid solution which includes a combination of on-premises infrastructure and SaaS for securing user workstations privileges was chosen as it will fully meet the requirements of both core risk areas.[11] (emphasis added)

NS Power characterizes its IAM PAM solution as replacing "an old on-premises PAM solution that was nearing end of life, as the solution was out of vendor support in 2025 and thus expected to be end of life in 2026."[12] In response to an information request, NS Power states that assets acquired for the two PAM projects "will be replaced" by assets acquired for the IAM project.[13] However, in response to another information request, NS Power neither identified any assets as being made redundant or being decommissioned by the IAM project nor provided any expected accounting for the unamortized balance of such assets.[14] Moreover, in reviewing the evidence submitted in the 2021 ACE Plan, it does not appear as though NS Power expected the on-premises solution to be only a temporary solution. Rather, NS Power's 2021 application appears to represent the choice to use a "hybrid" approach as a decision that was made early in the project alternative review process. Just four years later – and only two to three years after the PAM projects' assets were placed in service – NS Power issued the RFP for the IAM project.

Given the circumstances identified above, the Consumer Advocate has concerns whether the PAM project was reasonably undertaken by NS Power, given that SaaS was an option at the time, and could have (and likely should have) been pursued. Further, the Consumer Advocate also has concerns about NS Power's proposed amortization accounting for PAM assets. In particular, NS Power appears to justify continued cost recovery of the on-premises solution related assets based on its use of amortization accounting, which NS Power interprets to allow these assets to not be retired for accounting purposes and continue to depreciate until the Board-approved amortization period is over. NS Power states that assets acquired in the PAM projects "will continue to depreciate in accordance with the amortization period" of ten years for software assets and five years for hardware assets, after which they will be retired from service.[15] However, as there are at least some PAM project assets that will soon no longer be used and useful, this appears to contradict Accounting Policy 6350 "requires NS Power to write an asset off in the year it is no longer used and useful."[16]

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[11] NS Power, Privileged Access Management (CI 49094), 2021 ACE Plan Application, Exhibit N-1, M09920, p. 253.
[12] Exhibit N-5, NSEB RIR-2.
[13] Exhibit N-2, CA RIR-1. See also Exhibit N-3, NSDoE RIR-9; Exhibit N-5, NSEB RIR-2(a).
[14] Exhibit N-2, CA RIR-2.
[15] Exhibit N-2, CA RIR-2. See also Exhibit N-3, NSDoE RIR-6, RIR-7(a)
[16] NSUARB, NS Power Revised Accounting Policies (M09229), May 5, 2020, p. 3.

In addition to the concerns noted above, the Consumer Advocate provides the following comments and recommendations for the Board's consideration:

Impact of Cybersecurity Incident on Project AFUDC Costs:

NS Power states, "The cyber incident caused changes to the project schedule but did not cause a project cost increase."[17] The Consumer Advocate questions the accuracy of this statement, given that the longer IAM project schedule would in all likelihood increase the carrying and compounding impact of AFUDC interest cost on total project cost.

It is also worth noting that of the schedule changes, one is insufficiently supported. NS Power states, "A change to the timing of deployment of Secure Infrastructure Access (SIA) capability to facilitate secure partner access drove impact to the timeline of approximately 6 months."[18] At this time, it is assumed that the cause of the "change to the timing" is insufficient resources, but this is not known.

Given that the principal cause of what appears to be a cumulative delay of at least 12 months is "insufficient internal resources,"[19] potentially caused by the cybersecurity incident,[20] the Consumer Advocate submits that the Board should disallow a portion of AFUDC as a cost directly resulting from the cybersecurity incident. One possible approach would be to disallow monthly and compounding accumulation of AFUDC interest costs from April 2025 through March 2026 for the IAM project.

Contingency Budget:

As noted above, NS Power's application proposes a 15% contingency budget based on the project being in decision gate 4 (DG4) which it states "corresponds to an industry-standard contingency range of 10 to 30%."[21] Actual spending for the project through February 2026 is $2.7 million,[22] or about 45% of the project budget less contingency. Furthermore, since February 2026, NS Power has achieved additional milestones including defining the integrated project plan, the stakeholder consultation/engagement/management plan, and the work breakdown structure (WBS). While NS Power has not included a checklist and maturity matrix using the decision gate method with this application, it appears to have now met about 80% of its AACE Class 3 deliverables, suggesting that its maturity has advanced significantly since February.

[17] Exhibit N-2, CA RIR-4.
[18] Exhibit N-2, CA RIR-4.
[19] Exhibit N-2, CA RIR-4.
[20] Exhibit N-2, CA RIR-3.
[21] Exhibit N-2, CA RIR-6(a).
[22] Exhibit N-2, CA RIR-6.

The Consumer Advocate acknowledges that a contingency percentage is often applied to all project costs and often includes some amount of spend-to-date. However, in this case it does not appear reasonable to apply a 15% contingency to the full project budget given the increased project maturity and the advanced state of project spending without any identified reasons to expect costs to exceed budget.

In this regard, the Consumer Advocate would suggest the following:

- First, the Board should determine the current actual spend and obtain NS Power's assessment of the current decision gate status as of June 1, 2026 or some other date the Board may determine to be reasonable.

- Second, based on the further evidence obtained by the Board, the Board should consider either (a) reducing the contingency amount to 10% of full budget or (b) authorizing the 15% contingency amount on the unspent project budget balance.

Total Cost of Ownership:

The forecast operating costs for software acquired by the IAM project are 78% of the Total Cost of Ownership (TCO), while the capital costs being submitted for approval in this application represent just 33% of the TCO, with operating savings representing a 12% offset of costs.[23]

While the basis for sustaining operating costs appears reasonable, and NS Power states that it has a "moderate to high level of confidence in [its operating expense] forecast,"[24] it is concerning that NS Power did not identify any steps that it took to minimize sustaining operating costs of the software procured.[25] This observation should be taken into consideration as the Board considers the issues raised above.

The Consumer Advocate appreciates the opportunity to participate in this matter and provide these submissions for the Board's consideration.

Yours truly,

PINK LARKIN

Michael Murphy on behalf of
Consumer Advocate
MTM/aw

[23] Exhibit N-1, Application, p. 5 (labeled as Appendix A).
[24] Exhibit N-4, IG RIR-3(a).
[25] Exhibit N-2, CA RIR-8(b) and (d).