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Delivered by E-mail

Crystal Henwood
Regulatory Affairs Officer/Clerk
Nova Scotia Energy Board
3rd Floor, 1601 Lower Water Street
PO Box 1692, Unit "M"
Halifax NS B3J 3S3

Dear Ms. Henwood:

Re: M12786 – NSPI – 2025 Storm Restoration Cost Report

These submissions are filed on behalf of the Industrial Group (**IG**).

NSPI reports that its total 2025 storm costs were $16.4 million ($3.6M capital, $12.8M operating). The net operating variance against base rates was $4.9M favourable. Level 3 & 4 actual costs of $3.2M fell $7.2M below the $10.4M base rate allowance, while Level 1 & 2 actual costs of $9.6M exceeded the $7.3M allowance by $2.3M. Since Level 3 & 4 costs were below rates, no Storm Rider Application will be filed for 2025.[1]

We offer comments on five issues.

1. Storm Readying vs. Storm Response: Definitions and Scope

Last year, in Matter M12188, the Board directed NSPI to distinguish between "storm readying" and "storm response" costs, to the extent that is operationally practical. In 2025, NSPI has implemented this distinction for Level 3 Emergency Operations Centre (**EOC**) events only. NSPI states that the trigger point for the transition is the time of the first outage attributed to the storm event.[2]

The readying category is confined to three operating expenses applicable to power line technician (**PLT**) contractors only: mobilization costs, pre-restoration hotel accommodation, and one day of meal per diems.[3] Total readying costs were $118,089 for December 5 and $353,880 for December 19-20, for a total of $471,969.

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1 Exhibit N-1, Report, Figure 9; Exhibit N-2, CA IR-1(a).

2 Exhibit N-3, IG IR-3(a)(ii)).

3 Exhibit N-3, IG IR-2(b), IG IR-3(b)).

The IG acknowledges that this represents progress in response to M12188. However, there are still three issues. First, NSPI confirmed that no formal definitions of "storm readying" and "storm response" exist.[4] The definitions applied in 2025 appear to be *ad hoc*, specific to this report, and not anchored in any policy or operational document. Without formal definitions, the categorization cannot be consistently applied across years or validated against prior commitments.

Second, internal labour, traffic control, and vegetation management contractors are categorically excluded from storm readying costs on the basis that they incur no incremental pre-storm costs.[5] When asked directly whether NSPI has data establishing whether those resources were in fact deployed before storm impact and the dollar value that resulted from that early deployment, NSPI's response was that "internal resources, traffic control, and vegetation management contractors work in their home regions/depots during initial storm response."[6] This does not answer the question.

The IG states that the concern is not the classification itself, but the absence of data to verify it. If verified, the practical significance to customers may be limited since those costs would already be embedded in base rates. However, this is not transparent. Accordingly, if such pre-impact deployment does occur and can be costed, the Board's direction in M12188 to distinguish readying costs "to the level that is operationally practical " may require that those costs be captured. At a minimum, NSPI should be able to confirm, with supporting data, that no incremental costs arise from internal labour, traffic control, and vegetation management contractors, rather than broadly describing where crews are based.

Third, NSPI stated simply that Level 1 & 2 storm costs are not tracked by readying and response categories, without explaining whether such tracking is operationally feasible or has been considered.[7] Given that Level 1 & 2 costs in 2025 exceeded base rates by $2.3M (a 32% variance), additional granularity would assist the Board when storm cost allowances are set in the next General Rate Application.

The IG recommends the Board direct NSPI to:

1. adopt and file formal definitions of "storm readying" and "storm response" for use in all future annual reports;

2. report annually on whether internal crews, traffic control contractors, and vegetation management contractors deployed pre-impact resulted in any incremental costs during any storm event in the reporting period. Where such data exists, NSPI should produce it. Where no such data exists, NSPI should confirm this and explain the basis on which it concludes that no incremental costs were incurred by those resource categories pre-impact.

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4 Exhibit N-3, IG IR-2(a).

5 Exhibit N-3, IG IR-2(c).

6 Exhibit N-3, IG IR-2(d).

7 Exhibit N-3, IG IR-3(c).

2. Contractor Costs and Performance Management

For the December 5 event, external contractor operating costs were $626,129, representing 58.4% of total operating costs of $1,072,306. For the December 19-20 event, contractor operating costs were $2,854,386, representing 62.8% of total storm operating costs. Internal labour was $392,864 and $1,453,295 for each event, respectively.[8] No affiliate costs were included in either event.[9]

The cost control framework described by NSPI consists of standardized storm contracts setting out labour rates, reimbursement guidelines, and minimum equipment requirements, as well as post-event invoice review against crew tracking documentation, and the assignment of a NSPI crew lead or designate to each contractor crew in the field.[10] No invoices were challenged or rejected for either event following post-event review.[11]

NSPI does not measure contractor cost per deployed crew, per restoration hour, or by any other productivity metric.[12] Performance metrics are limited to safety compliance checks and adherence to providing required gear.[13]

Where contractors accounted for over 60% of Level 3 operating costs in both 2025 events, the absence of any measurement of crew productivity, such as outage incidents resolved per crew per day, line repairs completed per person-hour, or any other comparable metric, leaves the Board with no basis on which to assess whether the resulting costs were reasonable. There is insufficient insight provided by simply confirming contractors were charged or paid the contractual rates The absence of any performance or productivity metric is inconsistent with the Board's earlier direction to implement a comprehensive system of cost control and performance management.

The IG notes that NSPI has a new software platform planned for Q4 2026 (project C0082274, estimated at $2.2M). The 2026 ACE Plan, Matter M12619, describes this project as “deploy[ing] advanced tools to strengthen emergency preparedness and optimize the deployment of resources to reduce restoration times and remain fiscally responsible.” In response to IRs, NSPI provided the additional salient detail that it expects this software platform to introduce contractor crew productivity metrics as a post-storm reporting capability.[14]

The IG observes that where the new platform is intended to generate metrics, a baseline should be established. If no baseline is established before the platform becomes operational, the initial metrics will have nothing to be compared against to evaluate performance or cost efficiency.

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8 Exhibit N-3, IG IR-4(a)(i-iii).

9 Exhibit N-4, NSEB IR-3.

10 Exhibit N-3, IG IR-4(a)(iv), IG IR-4(a)(vi).

11 Exhibit N-3, IG IR-4(d).

12 Exhibit N-3, IG IR-4(a)(v).

13 Exhibit N-5, SBA IR-1(c).

14 Exhibit N-3, IG IR-10(c).

The IG recommends that in the Board's consideration of the subsequent capital application for CI: C0082275, as a condition of approval (if approved), the Board should direct NSPI to file, prior to platform implementation, a baseline methodology report identifying: (a) the productivity metrics the platform will generate; (b) what equivalent historical data, if any, exists against which those metrics can be compared; (c) where no historical data exists, what proxy measures NSPI proposes; and (d) how platform-generated metrics will be assessed against that baseline in future annual reports.

In addition, once the platform is operational, NSPI should be required to report on the contractor crew productivity data generated by the platform for each Level 3 or Level 4 event in the Annual Storm Cost Reports and compare that data to the established baseline. If not operational, NSPI should provide an implementation timeline.

3. Forecasting Accuracy

The two Level 3 events in 2025 present a contrast in forecasting outcomes. For December 5, NSPI predicted 28,308 customers affected; actual impact was 7,222, i.e., an over-prediction of approximately 74%. For December 19-20, NSPI predicted 54,162 customers affected; actual impact was 198,998, i.e., an under-prediction of approximately 267%. Predicted restoration durations were approximately 36 hours and 42 hours respectively; actual restoration was 30 hours and 51 minutes, and 96 hours and 35 minutes.[15]

When asked whether NSPI was able to provide a qualitative or quantitative assessment of forecasting accuracy or bias across events, NSPI confirmed that it is not, and that review of forecast accuracy is conducted on an event-by-event basis only.[16] NSPI states that its Damage Prediction Model (**DPM**) will be updated with 2025 event data in its planned Q3 2026 annual calibration.[17]

The IG accepts that weather forecasting involves inherent uncertainty and that third-party forecast providers are outside NSPI's direct control. The IG also accepts that a single year's experience involving two events with errors of opposite sign does not establish a pattern. However, the complete absence of any cross-event analysis means that neither NSPI nor the Board can determine whether the DPM has a systematic directional bias, whether the error magnitudes observed in 2025 are within historical norms, or whether the annual calibration process is producing measurable improvements in accuracy over time. Given that it uses contractors for 58-63% of OM&G based on DPM outputs, there is a material interest in understanding the reliability of those outputs.

The Restoration, Planning Performance (**RPP**) Lead's notes in the December 19-20 Post Event Critique (**PEC**) acknowledge internally that the "[m]odel wasn't what expected" and flags the need to "[r]efine the model without over skewing/impacting different types of storms."[18] The IG agrees.

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15 Exhibit N-3, IG IR-5(a).

16 Exhibit N-3, IG IR-5(g).

17 Exhibit N-3, IG IR-9(c)

18 Exhibit N-3, IG IR-8, Attachment 1.

Starting with the 2026 Annual Report, the IG recommends the Board direct NSPI to develop and file a multi-year assessment of DPM forecast accuracy, which would include predicted versus actual customer impact for all Level 3 and Level 4 events over the reporting period, along with analysis and commentary on whether errors suggest any directional bias, and the results of the annual calibration process.

5. Storm Level Classification and the No-Downgrade Rule

NSPI confirmed that storm levels are set on pre-storm estimates and once declared, are not reduced during the event regardless of actual impacts.[19] The IG asked NSPI to confirm whether a conservative restoration estimate effectively locks in a higher-cost response model. NSPI disagreed with this characterization, pointing to Hurricane Fiona as a case where the Level 4 designation was appropriately maintained through Day 8 despite fewer than 50,000 customers remaining without power, and stating that contractors are released as soon as there is no productive work remaining.[20]

The example proffered of hurricane Fiona falls at the extreme end of storms; in a genuinely major event the IG accepts the operational need to maintain a level 4 designation. The IG's concern is narrower and structural. The concern arises specifically at the Level 2/3 boundary, for events involving fewer than 50,000 customers, where restoration duration is the sole determinant of the storm level.

Where fewer than 50,000 customers are forecast to be affected, the anticipated restoration duration exclusively drives whether a storm is classified as Level 1, 2, or 3.[21] In those circumstances, a conservative restoration estimate can result in a Level 3 designation rather than Level 2, which means that operating costs exceeding base rates are potentially recoverable through the storm rider rather than borne by shareholders.[22]

NSPI's response to this concern is that it relies on analytical tools to reduce unwarranted conservatism, and that rider applications require Board approval. This does not address the asymmetry. There is no corresponding mechanism under the current framework to correct for over-declaration. The December 5 event illustrates this concretely: a Level 3 declaration and mobilization of 108 external contractors resulted in actual impacts of 7,222 customers restored in under 31 hours.

NSPI has indicated that it assesses resource deployment as events progress. The IG recommends that the Board direct NSPI to formalize that practice to the extent necessary to produce a verifiable record, and to report on any Level 3 event involving fewer than 50,000 customers in each Annual Report where actual impacts tracked materially below the declared level. This reporting should include: (a) at what point during the event a resource assessment was conducted; (b) what information about actual versus forecast impact was available at that point; and (c) what deployment decisions, if any, followed from that assessment.

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19 Exhibit N-1, Report, Section 7; Exhibit N-3, IG IR-6.

20 Exhibit N-3, IG IR-7(a).

21 Exhibit N-3, IG IR-6(b),

22 Exhibit N-3, IG IR-7(b).

The IG further recommends that for any Storm Cost Recovery Rider application involving a Level 3 event where fewer than 50,000 customers were affected and restoration duration was the sole determinant of the Level 3 designation, the Board should require NSPI to demonstrate specifically: (a) the basis for the pre-storm restoration duration forecast; (b) a comparison of forecast against actual restoration duration and customer impact; (c) where both were materially below Level 3 thresholds, why the forecast was not unduly conservative; and (d) the incremental costs directly attributable to the Level 3 designation over a Level 2 response. Where NSPI cannot satisfy that standard, the Board should have a defined basis to disallow the portion of costs attributable to the elevated designation. Rider recovery should not operate as an automatic pass-through for costs arising from a conservative forecast at the lower boundary of Level 3 eligibility.

5. Post-Event Critique and Lessons Learned

NSPI maintains that the "Lessons Learned" section of the December 19-20 storm report fulfils its commitment made in the context of the 2024 Annual Report proceeding, Matter M12188, to provide "more specific and detailed comments."[23]

In response to Board IRs in the Storm Outage Analysis report for the December 19-20 event, Matter M12728, NSPI filed the "associated action items."[24] Three action items were identified as potentially reducing OM&G, avoiding contractor mobilization, or improving restoration times: (1) update the DPM in the planned Q3 2026 annual calibration, with no special considerations arising from this storm; (2) explore additional drone contractors for when helicopters cannot fly; and (3) continue overnight damage assessment teams with a dedicated lead triaging non-outages. NSPI acknowledged that it is not possible to directly measure the outcomes associated with these items. This is especially so considering there are no baselines, targets, or timelines attached to any of them. Indeed, the first action item, the Q3 2026 DPM calibration, would have occurred regardless of the December 19-20 event. It is not a lesson specific to this event.

The PEC document filed as Attachment 2 to IG IR-8 contains substantially more operational candour than the formal Lessons Learned section: it identifies specific system limitations, resourcing competition with neighbouring utilities, dispatcher staffing gaps, and IT access issues during the event. This material would be of value to the Board if included as part of each Storm Report and in the Annual Report.[25]

The IG recommends the Board direct NSPI to ensure that lessons learned in future annual reports are tied to specific, measurable outcomes with baselines and target dates, and that material findings from the PEC process, including operational and safety findings, are reflected in the annual report rather than confined to internal records.

CONCLUSION

It is respectfully requested that the Board direct NSPI to:

1. Adopt and file formal definitions of "storm readying" and "storm response" for use in all future annual reports.

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[23] Exhibit N-3, IG IR-8(a).

[24] Exhibit N-3, IG IR-8(b) att.1.

[25] Exhibit N-6, See also, Att.1, refile IG IR-9.

2. Report annually on pre-impact deployment of internal crews, traffic control contractors, and vegetation management contractors, including whether any incremental costs resulted during any storm event in the reporting period; where such data exists, NSPI should produce it, and where it does not, NSPI should confirm that and explain the basis for concluding that no incremental costs were incurred.

3. Within the subsequent capital application for CI: C0082275, or as a post-filing requirement prior to platform implementation, provide a baseline methodology report identifying: (a) the productivity metrics the platform will generate; (b) what equivalent historical data, if any, exists against which those metrics can be compared; (c) where no historical data exists, what proxy measures NSPI proposes; and (d) how platform-generated metrics will be assessed against that baseline in future annual reports.

4. Once the platform is operational, report on the contractor crew productivity data generated by the platform for each Level 3 or Level 4 event in the Annual Storm Cost Reports and compare that data to the established baseline. If not operational, NSPI should provide an implementation timeline.

5. Develop and file a multi-year assessment of DPM forecast accuracy, including predicted versus actual customer impact for all Level 3 and Level 4 events over the reporting period, and include an analysis of directional bias and the results of the annual calibration process.

6. Formalize its in-event resource reassessment practice to the extent necessary to produce a verifiable record, and to report in each Annual Report on any Level 3 event involving fewer than 50,000 customers where actual impacts tracked materially below the declared level.

7. For any Storm Cost Recovery Rider application involving a Level 3 event affecting fewer than 50,000 customers where restoration duration was the sole determinant of the Level 3 designation, require NSPI to demonstrate specifically:

    - the basis for the pre-storm restoration duration forecast,

    - a comparison of forecast versus actual restoration duration and customer impact,

    - where both were materially below Level 3 thresholds, why the forecast was not unduly conservative, and

    - the incremental costs directly attributable to the Level 3 designation over a Level 2 response.

8. Ensure that the lessons learned included in future annual reports are tied to specific, measurable outcomes with baselines and target dates and include the material findings from the PEC process, including operational and safety findings.

Thank you for the opportunity to make these submissions.

Yours truly,

Nancy G. Rubin, K.C.

Brianne E. Rudderham

NGR/BER/cj

cc Participants in M12786