Nova Scotia Energy Board

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

M12833
Decarbonization Deferral Account
2025 Annual Report
Reply Submissions

NS Power

July 24, 2026

NON-CONFIDENTIAL

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1.0 INTRODUCTION

On April 30, 2026 Nova Scotia Power Inc. (NS Power) filed its 2025 Decarbonization Deferral Account (DDA) Annual Report. The Nova Scotia Energy Board (NSEB) determined that the proceeding would be conducted by way of a paper hearing. Notices of Intervention were filed by the Consumer Advocate (CA), Eastward Energy, the IESO-NS, the Industrial Group, Port Hawkesbury Paper and the Small Business Advocate (SBA). The CA and SBA filed Information Requests to NS Power on May 29, 2026 and NS Power filed its responses on June 19, 2026. Both the CA and the SBA filed submissions on July 10, 2026. The following provides NS Power's reply comments to the intervenor submissions.

2.0 CONSUMER ADVOCATE COMMENTS

The CA noted at the outset that NS Power's 2025 DDA Report is responsive to the Board's reporting requirements and is consistent with the DDA Manual. The CA took no issue with the contents of the DDA Report.

The CA's focus was on the issue of securitization which was addressed in sections 2.8 and 2.9 of the DDA Report. The CA made the following comments with respect to the status update on securitization:

> NS Power provided no substantive update as to exactly where things stand with respect to securitization, or whether they have made any progress with the Province on this issue since the conclusion of the 2026-2027 GRA. In response to NSEB IR-2, which sought an update on this item, NS Power simply stated: "Not applicable. There have been no additional updates since the time the report was filed."
>
> The CA remains supportive of securitization, given the obvious benefits to customers. …
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> However, the CA is concerned about the lack of progress on this issue. While NS Power remains hopeful the matter will be concluded in a timely manner, the outcome remains uncertain at this time. Given the importance of this issue, the CA

> believes it would be beneficial if NS Power committed to providing quarterly updates on its efforts to pursue securitization.
>
> Further, with respect to securitization, the CA notes that Figure 2 of the Report suggests that unrecovered costs will total $156M as of December 31, 2029, even if securitization occurs in 2026. In response to CA IR-1, NS Power indicates that even if securitization does not occur until 2027, “there would be no change in the forecast unrecovered balance at December 31, 2029.” However, this response is based on the assumption that the “scope of the securitization transaction remained the unrecovered NBV of assets expected to be within the scope of the DDA as of December 31, 2025.” At this time, it remains unclear to the CA why the scope of the securitization transaction could not be adjusted to include these additional unrecovered costs, and we would seek a further and more detailed explanation from NS Power on this point.

2.1 NS Power Reply

Quarterly Updates on Securitization

NS Power shares the CA's view that securitization represents a significant opportunity to deliver customer value. NS Power remains committed to pursuing this outcome.

Despite this, NS Power submits that annual reporting remains the appropriate timeline for securitization updates. NS Power has been and remains in ongoing dialogue with the Province on this matter. However, the path to securitization is entirely contingent on external legislative and regulatory action that is not within NS Power's control.

NS Power believes that until regulations are in place to enable securitization, quarterly updates would likely repeat the fact that legislative provisions have not yet been proclaimed and would not provide stakeholders or the Board with new information. For this reason, the Company believes that quarterly updates would have minimal value.

NS Power commits to notifying the Board and stakeholders promptly of any material developments outside the annual reporting cycle, and once regulations are in place to enable securitization, NS Power plans to proceed with a regulatory application with pace.

NS Power believes that this approach balances transparency, regulatory efficiency, and the fact that the path to securitization is outside of the Company's control.

<u>Including Forecast Costs in Securitization Transactions</u>

As shown in Figure 2 of the 2025 DDA Annual Report, the $156 million in unrecovered costs forecast at December 31, 2029 consists of:

- $90.4 million in remaining net book value arising from forecast capital additions on DDA assets during the period 2026–2029; and
- $65.6 million in unrecovered decommissioning costs, which represents the forecast of future decommissioning obligations that will not yet have been collected from customers by the end of 2029. These costs will only crystallize once plant decommissioning and site restoration activities have been completed.

As the substantial majority of these costs are forecasts of future activity and have not yet been incurred, including these costs in a securitization transaction is not feasible. Credit rating agencies and bond investors require certainty. As a result, securitized bonds are backed by a regulatory asset with a defined value and an irrevocable customer charge. This scenario would require the NSEB to issue a financing order for charges that have not yet been incurred.

NS Power agrees with the CA that increasing the scope of the securitization transaction has the potential to increase customer value. However, there is a limit to the size of the transaction before the financing costs of securitization bonds would increase. Once the timing of a potential securitization transaction becomes clear, the Company will work with its capital market advisors and propose to include additional incurred costs in the transaction if doing so continued to provide value to customers at the prevailing bond interest rate. This could include such items as additional costs incurred on DDA assets since December 31, 2025 or other deferred costs.

3.0 SMALL BUSINESS ADVOCATE COMMENTS

The SBA's comments summarized the history of the DDA and noted that its previous request for information about the benefits of securitization as opposed to the DDA had been answered in the 2025 DDA Report.

The SBA focused on the status of the legislation which will enable securitization:

> What continues to remain unknown is the status and timing of legislation allowing the use of securitization; the credit market response to NS Power pursuing securitization; and potential changes in retirement dates of the thermal units included in the DDA.
>
> The SBA appreciates the helpful context that NS Power has provided in the 2025 DDA Report but still seeks further insight into the progress for obtaining legislative amendments to allow securitization. The SBA would also like to understand what the impact would be for anticipated benefits with only 2 full years remaining in between the end of 2027 and the 2030 deadline for Federal and Provincial decarbonization requirements if securitization was to occur during 2027 rather than 2026. The information provided in the 2025 DDA Report was less than detailed in that respect, with NS Power stating only that it remains hopeful that the legislative requirements required to pursue securitization will be concluded in a timely manner.

3.1 NS Power Reply

While the 2030 deadline for Federal and Provincial decarbonization requirements drives the forecast retirement date for assets within the scope of the DDA, it does not constrain the amortization period for recovery of the costs associated with these assets. Securitization would still provide significant benefits to customers if the transaction were to occur in 2027.

The primary impacts of a delay in the securitization transaction include a delay in receiving the value of the lower financing costs and potential interest rate risk which could narrow or expand the spread between NS Power's weighted average cost of capital and the prevailing bond rate for a securitization transaction.

Provided securitization does not occur in advance of the next DDA report, NS Power commits to providing an updated analysis that illustrates the forecast benefit of securitization as compared to recovery through amortization of the DDA assets in the 2026 Annual Report.

3.2 Future DDA Work

The SBA made the following comments about the future of the DDA and securitization:

> The SBA respectfully submits that this 2025 DDA Report, while inclusive of helpful scenario analyses of the financial benefit of securitization, represents only the current status of the DDA account and more work is required with respect to how the DDA will be addressed moving forward, whether through securitization or other means.

3.3 NS Power Reply

NS Power acknowledges the SBA's concern and remains cognizant of Board direction in M12451 which stipulates that the deferral of depreciation and financing costs associated with assets within the scope of the DDA is approved only until December 31, 2027. This is clear direction that if a securitization transaction is not achieved during the 2026-2027 period, NS Power must propose another avenue for recovery of these costs. Currently, NS Power remains committed to working with stakeholders to achieve a path to securitization and remains hopeful that the associated benefits can be delivered to customers in the near future.

4.0 CONCLUSION

NS Power appreciates the engagement of the Consumer Advocate and Small Business Advocate on this matter and acknowledges their interest in achieving the significant customer benefits that securitization would deliver.

While NS Power shares the intervenors' desire for progress on securitization, the path forward remains contingent on the enactment of enabling regulations by the Province, which are not in the Company's control. NS Power is committed to working constructively with the Board, stakeholders, and the Province to advance securitization and will notify all parties promptly when material developments occur.

NS Power remains mindful of the Board's direction in M12451 that the securitization deferral is approved through December 31, 2027, and that alternative cost recovery mechanisms must be addressed if securitization does not proceed during that timeframe. The Company will continue to provide annual updates through the DDA reporting process and will work toward an expedited submission to the Board should the necessary regulations be put in place.