Nova Scotia POWER
An Emera Company

PO Box 910 | Halifax, Nova Scotia | Canada | B3J 2W5

April 30, 2026

Partially Confidential (Attachments Only)

Crystal Henwood
Clerk of the Board
Nova Scotia Energy Board
1601 Lower Water Street, 3rd Floor
Halifax, NS B3J 3S3

Re: NS Power Annual Financial Reports - 2025

Dear Ms. Henwood:

Please accept this correspondence, together with attachments, as Nova Scotia Power Inc.'s (NS Power or Company) Annual Financial Statements Report for 2025.

1. NS Power Annual Financial Statement Filings

In the Nova Scotia Energy Board's (NSEB, Board) letter dated August 6, 2014, regarding NS Power's 2013 Annual Financial Statement filings, the Board directed that the following items are to be provided with this report:[1]

- NS Power Regulated financial statements and other NSEB financial statement filings (**Partially Confidential Attachment 1**)
- NS Power Audited Financial Statements (**Attachment 2**)
- NS Power Management Discussion & Analysis (**Attachment 3**)
- NS Power's Management Information Circular **(Attachment 4)**
- NS Power Annual Information Form (**Attachment 5**)
- Emera Annual Report (**Attachment 6**)

NS Power's legal return on actual regulated average equity was 6.91 percent, calculated using NS Power's legal 2025 earnings of $140.9 million. NS Power's regulated return on equity for 2025 was 8.31 percent, calculated using actual

[1] Letter to NS Power from NSEB, Nova Scotia Power Inc. – Annual Reporting by NSPI Related to the 2013 Financial Statements, M06194/P.701.13, August 6, 2014.

regulated average equity of 34.8 percent, and actual regulated 2025 earnings of $164.6 million.

In the Board's letter dated October 28, 2015 regarding NS Power's 2014 Annual Financial Statements, the Board directed as follows:

> The Board approves discontinuance of [nonfuel cost reductions] reporting, but requests that NSPI continue to provide details of variances in the non-fuel costs, as provided in section two of NSPI's cover letter.
>
> There is no need to file the Chart of Accounts or the Accounting Policies annually, as there will not necessarily be changes in each year. As such, these reports should be filed in the annual financial package, in years when Board approved changes have occurred.[2]

In the Board's letter dated August 27, 2024 regarding NS Power's 2023 Annual Financial Statements, the Board directed as follows:

> The Board accepts this modification [removing the reporting of deferred tax related to timing differences from accelerated tax deductions associated with the South Canoe and Sable wind projects, historically included as Attachment 10] but directs NS Power to alert the Board in future annual financial statement filings if there are any changes to the FAM regarding these tax deductions.
>
> The Board accepts the proposed modification [changing NS Power's Continuity of Rate Base, from a detailed Excel file to a simpler PDF version, included as Attachment 10] and directs NS Power to file the rate base schedule as a PDF version in future filings.
>
> The Board accepts [the changes presentation of] Attachment 16.3 in satisfaction of the continuity of deferred tax liability requirement normally submitted as part of NS Power's annual

[2] Letter to NS Power from NSEB, Nova Scotia Power Inc. - 2014 Annual Financial Reports, (M06828/P-701.14) and Accounting Policies and Procedures (M06835), October 28, 2015.

July filing.[3]

In accordance with the Board's directives, NS Power provides the following additional information:

- Details of variances in the non-fuel costs (Section 2 below)
- Summary of Changes to the Chart of Accounts **(Attachment 7)**
- Revised Chart of Accounts (COA) **(Attachment 8)**

NS Power has also attached the following additional information:

- Summary of Accounts and Balances – Grouped to Regulated Financial Statements **(Attachment 9)**

2. Details of Variances in the Non-Fuel Costs

Details of variances in the non-fuel costs between 2025 actuals compared to the 2024 test year forecast are provided below:

- Increased Operating, Maintenance and General ("OM&G") Expenses – OM&G expenditures increased by $44 million (2024 test year forecast amount of $298 million vs. 2025 actual of $342 million) as shown on page four of **Partially Confidential Attachment 1** which provides details on the variances.

- Depreciation and Amortization Expense – Depreciation and amortization expense increased by $9 million (2024 test year forecast amount of $287 million vs. 2025 actual of $296 million) due to increased depreciation in 2025 due to an increase in Property Plant & Equipment in-service.

- Fixed Cost Recoveries – Fixed Cost Recoveries (non-fuel electric revenue) increased by $65 million compared to 2024 test year due to higher residential, commercial and municipal electric sales (2024 test year forecast of $853 million vs. 2025 actual of $918 million).

- Demand Side Management – Demand side management increased by $5 million compared to the 2024 test year (2024 test year forecast of $58

[3] Letter to NS Power from NSEB, Nova Scotia Power Inc. - Annual and Regulated Financial Statements – 2023, (M11662), August 27, 2024.

million vs. 2025 actual of $63 million) due to 2025 reflecting the Board approved increase for EfficiencyOne's spend in the 2022-2025 contract period.

- Provincial grants and taxes – Provincial grants and taxes increased by $5 million compared to the 2024 test year (2024 test year forecast of $44 million vs. 2025 actual of $49 million) due to increased grants issued in lieu of taxes, driven by a higher actual consumer price index increases than forecast.

- Interest Expense – Interest expense increased by $40 million (2024 test year forecast amount of $130 million vs. 2025 actual of $170 million) driven by increased interest rates and volume of short-term debt and decreased interest income.

- Other Income, net – Other income, net decreased by $8 million (2024 test year forecast amount of $41 million vs. 2025 actual of $33 million income) due to decreased non-current service pension costs recoveries due to changes in actuarial assumptions.

- Income Tax (Recovery) Expense –Income tax recovery increased by $36 million (2024 test year forecast income tax expense of nil vs. 2025 income tax recovery of $36 million) primarily due to the clean technology investment tax credits in 2025.

NS Power's regulated earnings in 2025 resulted in an achieved ROE which was below the NSEB-approved range of 8.75-9.25 percent. This marked the fourth consecutive year and the fourth year out of the past five that NS Power's achieved ROE was below the NSEB-approved ROE range.

3. Revised Chart of Accounts, Summary of Accounts and Balances

As noted above, NS Power has attached the Summary of Changes to the Chart of Accounts **(Attachment 7)** to December 31, 2025, as well as the updated Chart of Accounts as at December 31, 2025 **(Attachment 8)**. NS Power respectfully requests Board approval of the updated Chart of Accounts as set out in **Attachment 8**. NS Power has attached the Summary of Accounts and Balances – Grouped to the Regulated Financial Statements to tie into the Statement of Income, Retained Earnings and Balance Sheet **(Attachment 9)**.

4. NS Power Cost of Removal and Deferred Tax Regulatory Account Review Information (M08353)

In accordance with the Board's directives dated July 25, 2018 regarding the Company's financial statement reporting, NS Power provides the following annual information:

- Continuity of rate base that identifies each element of rate base similar to the information provided in Matter M08631, IR-2b **(Attachment 10)**;
- Continuity of fixed assets similar to what was provided in Matter M08631, IR-26 **(Attachment 11)**;
- Continuity of the ARO and COR accounts, with detail by capital work order of ARO or COR liabilities incurred or settled, similar to what was requested in Matter M08631, IR-24 and IR-29 **(Attachment 12.1, 12.2, 12.3** and **12.4)**;
- Reconciliation of depreciation funds collected and how those funds were applied in the continuity of fixed assets, ARO and COR accounts **(Attachment 13)**;
- Continuity of asset retirement obligation balances recorded to accumulated depreciation **(Attachment 14)**; and
- Corporate tax provision working papers supporting the year-end audited financial statements **(Attachment 15.1, 15.2** and **15.3)**.

On October 27, 2021, the Board requested the following modification to the request:

- An addition to the continuity of fixed assets, which discloses the value of retirements associated with each asset group similar to what was provided in Matter M10080, IR-28 b,iii) **(Attachment 11).**

NS Power will provide the following additional information annually by April 30, 2026:

- Annual Decarbonization Deferral Account "DDA" Report, as outlined in the DDA Manual, and as amended in Matter M11220.

NS Power will provide the following additional information annually by July 7, 2026:

- Corporate tax returns and any notices of assessment or reassessment received since the prior filing year; and
- A five-year average actual corporate tax expense, this should be the balance that would be included in any revenue requirement, which should include any adjustments required if the annual balance does not reconcile to the audited financial statements, similar to that provided in Matter M08631, IR-40.

In prior years, as part of its July filing, the Company as provided a continuity of deferred tax liability, with detail of the annual and accumulated temporary differences that reconcile to the deferred tax regulatory asset, similar to that provided in Matter M08631, IR-40, with detail of the annual and accumulated temporary differences.

5. NS Power Unrecognized Tax Benefits (M09168)

In the Board's letter dated February 7, 2020 regarding M09168 NS Power's 2018 Annual Financial Statements, the Board directed as follows:

> The Board would like a better understanding of the adjustments to date and as this matter unfolds to understand whether ratepayers have or are going to incur additional costs as well.
>
> The Board would like NS Power to begin including an update with the annual financial statements until this matter is resolved. This reporting should include an analysis of the tax savings achieved or repaid annually in each year since 2006 resulting from deducting the disputed costs versus capitalizing. NS Power should also report, annually (from 2006 in the first report) net income and any earnings in excess of the earnings cap (if applicable).

NS Power and the Canada Revenue Agency (CRA) are currently in dispute with respect to the timing of certain expenditures for its 2006 through 2010 and 2013 through 2016 taxation years that are capitalized for accounting purposes but claimed as deductible repairs and maintenance (R&M) for tax purposes. As at December 31, 2025, the taxation years for 2017 and beyond have not yet been reassessed by CRA. Any material reassessments received after that date will be reported on in the Company's quarterly financial statements.

Please see **Confidential Attachment 16.1** for details of the net income tax benefit recorded in each calendar year's financial statements since 2006 with respect to this issue. To explain the adjustments to date, this attachment includes the net income tax benefits of all R&M expenditures deducted for tax purposes since 2006, whether or not in dispute with the CRA.

As at December 31, 2025, NS Power has prepaid $55 million of the amount in dispute and assessed to date, as required by CRA.

Please see **Attachment 16.2** for regulated net income and any earnings in excess of NS Power's approved ROE range from 2006 – 2025.

In the Board's letter dated December 16, 2020 regarding Matter M09677 NS

Power's 2019 Annual Financial Statements, the Board directed as follows:

> In 2018, the Board's Decision letter included a directive to file information related to an $8.6 million adjustment recorded in 2018 associated with unrecognized tax benefits. In response to this directive, NS Power provided Attachments 16.1 and 16.2 to provide further information. The Board followed up with IRs to obtain a breakdown of who benefitted from the savings related to these tax benefits, and what funds were used for these payments. The Board directs NS Power to provide this additional information with future financial statement filings.

In 2019, NS Power provided additional information in response to IR-22. In 2025, NS Power provided the same information requested by the Board in IR-22 within **Confidential Attachment 16.3** and **Confidential Attachment 16.4**.

6. <u>Request for Confidentiality</u>

Pursuant to Rule 12 of the Board Regulatory Rules, NS Power requests confidential treatment of certain portions of the Regulated Financial Statements as set out in **Partially Confidential Attachment 1** and **Confidential Attachment 16.1, 16.3 and 16.4**. NS Power's support for its request is provided below in accordance with Rule 12(4).

With respect to **Partially Confidential Attachment 1**, NS Power considers the internal budget information provided in the Regulated Financial Statements as confidential. Created once a year, this information is commercially sensitive as it includes business information not publicly disclosed. Knowledge of these details would allow a sophisticated user of the statements, or the investment community, to speculate on the activities and financial results of the Company. Releasing this information could allow certain market participants to gain an advantage when negotiating with NS Power. This could result in higher prices to the detriment of customers.

Confidential Attachments 16.1, 16.3 and 16.4 contain information relating to matters currently in dispute with the CRA that would not have otherwise been prepared or made available, but for that dispute. Public disclosure of this information could have an adverse impact on the Company's interest in the ongoing litigation.

Any questions with respect to this matter should be directed to my attention.

Yours truly,

Annie Beth Sampson
Manager, Regulatory

c. Chris Smith
Blake Williams