Nova Scotia POWER
An Emera Company

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May 29, 2026

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

Re: Application of Short Run Marginal Cost (SRMC) Test to Rates Report for 2025

Dear Ms. Henwood:

In its Order dated August 1, 2004, issued in connection with the 2003 Generic Rate Design Hearing (NSUARB-NSPI P-878), the Nova Scotia Energy Board (NSEB, Board) directed Nova Scotia Power Inc. (NS Power, Company) to apply the Short Run Marginal Cost (SRMC) test to the Company's current rates and to report the results to the NSEB by April 30 of each year.

By letter dated April 24, 2026, NS Power requested an extension to file its 2025 SRMC Report by May 31, 2026. The requested extension was subsequently approved.

In accordance with the NSEB's direction and the approved extension, enclosed is NS Power's 2025 SRMC Test to Rates Report.

Over time, the addition of several time-varying rate classes, significant fuel cost deferrals, and Board directives to expand the SRMC Report to include analysis of price elasticities have materially increased the complexity of the report. As a result, preparation of the SRMC Report now requires a significant commitment of Company resources.

Notwithstanding this effort, the Company notes that rates have consistently satisfied the SRMC test, with only a few isolated exceptions. These exceptions appear to have arisen from unique and temporary circumstances, such as the short-lived spike in annual marginal costs associated with the 2022 war in Ukraine. The SRMC Report has not had an impact on rate-setting outcomes in General Rate Application (GRA) proceedings since the 2009 GRA.[1] Further, as far as the time-varying rates are concerned, their applicability and performance are subject of a separate TVP oversight process and reporting.

In light of the above and in the spirit of advancing regulatory efficiency, NS Power would welcome the opportunity to discuss with Board staff whether the SRMC Report continues to provide value.

Any questions or communications with respect to this report should be directed to the undersigned.

Yours truly,

Mike Willett

Michael Willett
Senior Director, Regulatory

cc: Blake Williams, VP Legal & Regulatory

[1] The 2009 GRA is an only instance in the 23-year history of the issuance of the SRMC Report when the SRMC Test results came to bear on charge of one rate class. The off-peak charge of the Time of Day Tariff has been set in conformance with an average seasonal marginal cost.