

September 18, 2026

lane.myatt@nspower.ca

Lana Myatt
Manager, Regulatory Capital
Nova Scotia Power Incorporated
PO Box 910
1223 Lower Water Street
Halifax, NS B3J 3S8

Dear Ms. Myatt:

**M12898 – Nova Scotia Power Incorporated – Distribution Routines CI Various – D055
– Planned Replacement of Deteriorated Equipment (ATO) – \$11,359,822**

On June 11, 2026, Nova Scotia Power Incorporated (NS Power) submitted an Authorization to Overspend (ATO) application for Board approval in the amount of \$11,359,822. This ATO is related to Distribution Routines D055 – Planned Replacement of Deteriorated Equipment, originally approved by the Board in NS Power's 2025 Annual Capital Expenditure (ACE) Plan, Matter M12012, in the amount of \$10,620,862. NS Power now estimates the total D055 Planned Replacement of Distribution Equipment will cost \$21,980,684; a 107% increase compared to the original amount approved by the Board.

The Board determined that this matter would be conducted by way of a paper hearing and issued a Hearing Order on June 12, 2026, setting out a timeline for Information Requests (IRs), filing of evidence and written submissions. Notices of Intervention were received from the Small Business Advocate (SBA), the Consumer Advocate (CA) and the Industrial Group (IG).

On July 28, 2026, NS Power responded to IRs from the SBA, CA, and Board staff. Written closing submissions were filed on August 11, 2026, and NS Power filed its reply submissions on September 1, 2026. A request for confidentiality, pursuant to *Rule 12* of the *Board Regulatory Rules*, was submitted by NS Power on July 28, 2026, regarding CA IR-5 and its Attachments. The Board approved NS Power's request for these confidentiality requests.

The 2025 ACE Plan included expenditures for D055 Planned Replacement of Distribution Equipment. The D055 code represents capital work associated with Bin Work, which is work identified through NS Power's distribution line inspection program that requires follow-up within one year. It also covers Street Light/Service installation and removal, field-driven distribution work, and individual projects for replacement and upgrades of distribution equipment, such as power poles, crossarms, transformers, or any other components, before they fail and cause unexpected outages.

Of the \$10,620,862 approved for the D055 Routine in the 2025 ACE Plan, NS Power allocated \$1.8 million to Bin Work; \$1.7 million to streetlight and service installation and removal; \$3.7 million to field-driven work; and \$3.4 million to individual distribution-upgrade and replacement projects. In its 2025 ACE Plan application, NS Power noted that the forecast for D055 was developed based on the routine's previous five-year average spending from 2020 through 2024, plus annual inflation of 2.2%.

In the ATO application, NS Power stated that, relative to the original allocation in the 2025 ACE Plan, Bin Work increased by \$10.2 million due to the advancement of higher-priority, condition-driven work identified through the feeder inspection program, including projects in the Glace Bay area. Field-driven work increased by \$1.7 million due to additional deficiencies identified by Regional Operations and Regional Engineering. A \$925,000 increase in Street Light / Service installation and removal was driven by updated condition data indicating higher required volumes. The Utility also reported a \$1.4 million reduction in replacement and upgrade projects due to reprioritization.

The Bin Work increase of \$10.2 million is the main share of the \$11,359,822 ATO amount. In response to Board staff IRs, NS Power stated that the increase reflects higher volumes of deteriorated assets being proactively replaced. NS Power stated that the number of pole replacements under D055 increased by approximately 2.5 times in 2025 compared to 2024. It also noted that feeders 103C-314 in Chéticamp and 50N-410 in Merigomish experienced a higher volume of deficiencies than in previous years. In addition, the Utility cited improvement work in Glace Bay, where it has invested approximately \$4 million to improve system reliability.

NS Power asserted that not proceeding with this work would have exposed the power system to additional reliability risk and increased the likelihood of unplanned failures. Such failures result in customer outages, higher emergency response costs, and missed coordination opportunities, ultimately increasing the number of planned outages and overall program costs.

In response to CA IR-2(d), NS Power noted that although D055 overtime costs have increased in 2025 due to higher work volumes, overtime as a share of total labour expenditures has declined. NS Power stated that this indicates the additional condition-driven work was largely completed using regular-time labour, supported by increased field capacity through additional Power Line Technicians (PLTs) and expanded PLT contractor resources.

In its submissions, the SBA stated that it is positive to see NS Power continuing with its PLT recruitment efforts and the reduction in the percentage of overtime expenses suggests that the increase in PLT's should provide both reliability and financial benefits. The SBA submitted that NS Power should continue to provide updates on its PLT recruitment and hiring efforts.

In its submissions, the CA stated that it remains concerned about the sufficiency of the evidence provided by NS Power in support of its application. It noted that NS Power has not demonstrated that it is collecting most of the identified categories of data. This data includes: cost and hours to respond to unplanned outage events broken down by device category; the types of contracts included in contract costs for distribution routines; labour, contract or material allocation cost by work order; the types, locations, or other measures related to work required for new customer connections; external factors influencing costs, such as supply-chain constraints or shifts in regular versus overtime labor driven by other utility programs; and labour and overhead rates for certain programs. The CA further cited that when requested the Utility could not provide a list of all contractors for D055 with actual 2025



expenditures. The CA stated that NS Power's inability to provide detailed information makes it difficult, if not impossible, to properly assess these expenditures for reasonableness.

The CA acknowledged NS Power's statement that it is making improvements in data collection and reporting, and agreed that such improvements will be useful. Nevertheless, the CA remains concerned as to whether the proposed tracking will be sufficient to prevent similar issues in the future.

The CA also expressed concern about whether NS Power has maintained effective cost minimization practices for capital distribution routines and noted that NS Power could not provide the information on whether NS Power PLTs or PLT contractors are more cost-effective. As a result, the CA submitted that it is unclear whether current PLT dispatch practices are cost-effective. The CA further stated that it remains unknown whether certain types of routine distribution work present greater or lesser relative cost advantages between NS Power crews and contractor resources, which would otherwise help inform dispatch priorities.

The CA further stated that the 2025 overspend on D055 is significantly higher than any prior over-budget amounts, and it remains unclear what is driving the cost increase or how NS Power plans for these activities. The CA also noted that it is unclear when and how the increase in work orders developed for this year. The CA observed that NS Power provided several explanations for the increase. However, in each case the CA believes the information is incomplete or otherwise inadequate. The CA further highlighted that most of NS Power's explanation appears to relate to Field Work, which increased by only 38% from 2023 to 2025, whereas Bin Work costs increased by 308% over the same period. In addition, the CA noted that a particular concern is the \$8 million year-over-year increase in Bin Work costs, resulting in a total increase of more than 300% in just two years.

The CA suggested that the Board could consider making a meaningful reduction in ATO cost recovery. Moreover, to ensure that the Board becomes aware of large variances in distribution routine spending in a more timely manner, the CA submitted that the Board could also direct NS Power to revise its quarterly capital projects report to include routine-level details (Schedule R8).

In its reply submissions, NS Power stated that it provided the causes of the D055 cost variations but acknowledged that certain more granular information and metrics requested by the CA were not available for D055 in 2025. The 2025 cyber incident affected the availability of certain detailed financial information ordinarily accessible through NS Power's PowerPlan software and related systems and used for NS Power's regulatory reporting purposes. NS Power expects to be able to provide this information for 2026, if requested.

NS Power also noted that it does not currently maintain detailed regular and labour person-hour estimates for D055 work as part of its ordinary forecasting or reporting processes. NS Power acknowledged the value of more granular, work-order-level cost information and is continuing its efforts to enhance its tracking and reporting capabilities. However, it noted that implementing enhanced reporting is a significant undertaking, and the Company's ability to do so has been further affected by system integration limitations resulting from the cyber incident. While NS Power cannot currently commit to a timeline for fully enhanced work-order-level reporting, it intends to provide progress updates in future ACE Plan applications regarding the status of this initiative.

Furthermore, NS Power stated that the absence of the requested information by the CA did not affect its ability to manage costs prudently. NS Power stated that cost management for D055 is achieved through established procurement processes, contractor oversight, expenditure monitoring, regular forecast updates, and variance analysis conducted as part



of NS Power's monthly and quarterly financial review processes. Contractors supporting D055 are also engaged through established procurement and contracting processes, including Master Service Agreements, where appropriate, and their work is subject to NS Power's oversight throughout execution. Accordingly, although detailed contractor-level expenditure reporting was unavailable for 2025 due to the cyber incident, NS Power submitted that the controls used to manage contractor costs and ensure that expenditures were prudently incurred remained in place.

NS Power also stated that increased PLT staffing and contractor availability were not the only factors influencing overtime utilization. The Company believes that these outcomes suggest that greater workforce capacity enabled the Company to complete more reliability work while reducing its reliance on overtime. A reduction in new customer work relative to prior years also contributed to this increased capacity by allowing additional resources to be directed toward condition-driven replacement activities.

NS Power disagrees with the CA's assertion that the causes of the D055 variance are unclear. It stated that the ATO application and IR responses explain that the variance was driven by an increase in condition-driven replacement work identified through NS Power's feeder inspection and asset management programs. Consistent with NS Power's asset management framework, the Company uses condition and criticality scores to assess the risk associated with an asset and identify and prioritize areas requiring mitigation. Replacement activities under D055 are then prioritized based on those risk assessments and further informed by execution constraints, resource availability, and subject matter expert judgment. As information becomes available, work may be reprioritized to ensure that resources are directed to the highest-priority risks.

In response to Board IR-2, NS Power noted that work-order counts do not provide a complete picture of work volume, as individual work orders can encompass widely varying scopes and numbers of assets. The Company suggested that a more reliable indicator is the volume of asset replacements by type. NS Power is actively developing enhanced tracking for 2026 to capture spending associated with specific feeder-level projects identified in the Five-Year Reliability Plan.

The Board acknowledges NS Power's comments that its established procurement processes, contractor oversight, and expenditure monitoring should provide assurance that costs are being managed prudently. However, the Board shares the CA's concern that there is a gap in the evidence NS Power provided in support of its application, a point that NS Power also acknowledges in its response. The Utility should have been able to provide the requested information to demonstrate that due process was followed and that the costs incurred or estimated were reasonable and just. The Board recognizes NS Power's inability to produce this information as a result of the cybersecurity incident, as well as its efforts to develop enhanced tracking mechanisms for distribution routines in 2026.

The Board is of the view that the spending under D055 routine was necessary to improve system reliability. Accordingly, the Board approves the ATO amount \$11,359,822 on the basis that these are planned reliability projects. They should cost less than emergency repairs, help prevent emergency failures, and minimize the risk of longer and more widespread customer outages.

Nonetheless, the Board directs NS Power to provide, in the 2027 ACE Plan, a detailed breakdown of the D055 expenditures incurred in 2026. The breakdown should be organized by the cost categories listed in Board IR-2(a) and include a detailed description of the work performed; the hours allocated for each work order; the name of the entity that performed the work; the associated cost; the relevant feeder number; the operating region; and a cost-



benefit analysis comparing the total cost of having the work performed by external contractors with the estimated cost of completing the work using internal resources.

Furthermore, the Board recognizes that NS Power is actively working to improve the tracking and reporting of distribution-routine spending. The Board therefore directs NS Power to submit a timeline for this initiative in the 2027 ACE Plan and to consider including the categories of data identified by the CA noted above.

Yours very truly,



Steven M. Murphy, MBA, P.Eng.
Member

c. All Parties



NSEB APPROVAL SHEET

Project Title: Distribution Routines

CI Number: Various

Date: June 11, 2026

Expenditure Profile			Type of Filing	
Year	Budget Amount	Project Actuals	☐	Capital Project Authorization
D055	10,620,862	21,980,684	☐	Unforeseen and Unbudgeted (U&U)
			☐	Planned & Advanced (P&A)
			☐	Subsequent Approval Item
			☒	Authorization to Overspend (ATO)
			☐	Scope Change
			☐	Final Cost (FIN)

COMMENTS

Actuals vs ACE for the year ending December 31, 2025

Planned Replacement of Deteriorated Equipment (D055)

2025 ACE (\$)	2025 Actuals (\$)	Variance (\$)
10,620,862	21,980,684	11,359,822

Submitted on behalf of NOVA SCOTIA POWER INCORPORATED

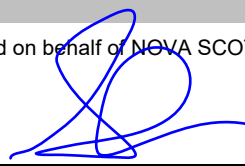


Authorized Signatory
Dave Pickles
Chief Operating Officer

DATE

June 11, 2026

Approved on behalf of NOVA SCOTIA ENERGY BOARD



DATE

September 18, 2026