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August 11, 2026

VIA WEB PORTAL

Crystal Henwood, Clerk of the Board
Nova Scotia Energy Board
1601 Lower Water Street, 3rd Floor
P.O. Box 1692, Unit "M"
Halifax, NS B3J 3S3

Dear Ms. Henwood:

Re: M12898 - NSPI - Distribution Routines CI Various- D055 – Planned Replacement of Deteriorated Equipment (ATO) - \$11,359,822

Please accept the following submissions on behalf of the Consumer Advocate ("CA") in respect of the above-noted matter.

Overview

This matter involves an ATO approval request regarding Distribution Routines D055, where the overspend amounts to \$11,359,822. This is equal to 107% of budget, resulting in a total cost of \$21,980,684 (compared to an original budget of \$10,620,862).

For the reasons that follow, the CA submits that this extraordinary increase in cost has not been adequately justified by NS Power based on the limited information provided in the Application and in NS Power's responses to Information Requests. Given the lack of detail provided by NS Power in support of its request, the CA states that some reduction in cost recovery may be justified. In addition, and to ensure that the Board becomes aware of large variances in distribution routine spending in a more timely manner, the Board may wish to direct NS Power to revise its quarterly capital projects report to include details (Schedule R8) on routines at the routine level.

Background

On June 11, 2026, Nova Scotia Power Inc. (“NS Power”) filed an application for approval of authorization to overspend (“ATO”) with respect to Distribution Routines CI Various – D055. As noted in NS Power’s brief reasons for the ATO:

D055 – Planned Replacement of Deteriorated Equipment

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

The 2025 ACE Plan budgeted approximately \$10.6 million partially based on 2024 Q3F plus inflation for Bin Work, streetlight/service installation and removal, Field Driven Work and individual project estimates. This routine captures the costs to replace deteriorated assets on a planned basis. These can be identified through inspection or customer notification (Bin Work), as an engineering priority (Field Driven Work), as Street Light and Service Removals, or larger discrete capital projects targeting to improve reliability in a given area or with a type of equipment. The Bin Work, Field Driven Work, and Street Light and Service Removals had increased work volumes in 2025 as compared to budget. Bin Work is up by \$10.2 million due to the advancement of higher-priority condition-driven work identified during the feeder inspection program, including projects in the Glace Bay area. Field driven work is up by \$1.7 million due to the increased deficiencies driven by regional operations and regional engineering. Conversely, spending on the individual projects listed under D055 was reduced by \$1.4 million as work was reprioritized to action the more immediate and higher priority work referenced as part of the Bin Work increase. The Street Light/ Service installation and removal increased approximately \$925K, due to updated condition data indicating higher volumes were required.¹

The Report included no information on the underlying causes of the increased cost.

Submissions

The Consumer Advocate has reviewed the materials filed in this matter, including NS Power’s Application and responses to Information Requests, and makes the following submissions.

(a) Sufficiency of Information Provided

On review, the Consumer Advocate is concerned about the sufficiency of the evidence provided by NS Power in support of its Application. The CA raised similar concerns in M12319 about a “lack

¹ Exhibit N-1, Distribution Routine D055 Report

of relevant data” which could (1) “impact NS Power’s ability to accurately forecast costs for Distribution Routines” and (2) “ensure appropriate cost minimization practices are being followed.”² In that matter, the Consumer Advocate pointed to the following areas in which NS Power lacked relevant data:

- Cost and hours to respond to unplanned outage events broken down by device category;
- Types of contracts included in contract costs for distribution routines;
- Labour, contract or material allocation cost by work order;
- Types, locations, or other measures regarding the work required for new customer connections;
- External factors driving costs, such as supply chain issues, shifts in regular/overtime labor breakdown due to other utility programs, etc.; and
- Labour and overhead rates, for some programs.

The Consumer Advocate asserted that the lack of data makes it difficult to identify useful metrics that can be reviewed to determine if changes in practices are driving costs downward.

In this proceeding, NS Power has not provided evidence that it is collecting most of the categories of data listed above in this proceeding. For example, NS Power could not provide a list of all contractors for D055 with actual expenditures for 2025. NS Power explained this as follows:

Generally speaking, contractors relied upon to complete work within the distribution routines include contractors who perform line work, and contractors who support line work by internal crews, including traffic control, excavation, and other ancillary services.³

NS Power was able to provide information regarding just one contractor that has a Line Services Agreement and actual spending in excess of \$750,000. However, NS Power could not provide detailed accounting including actual expenditures related to this contractor. NS Power explains that its ACE Plan budget includes “forecasts for contracts as a whole and not by individual contractor or vendor.”⁴ NS Power’s inability to provide detailed information makes it difficult, if not impossible, to properly review these expenditures for reasonableness. This is particularly concerning, given that NS Power is requesting to recover \$8.6 million in contracts and consulting costs for D055.

NS Power represents that it is making improvements in data collection and reporting. NS Power states:

Moving forward to improve transparency and reporting for distribution routine spending, NS Power is actively working on developing enhanced tracking in 2026 to

² Nova Scotia Consumer Advocate, Final Submission (August 22, 2025), M12319.

³ Exhibit N-2, CA RIR-5(a).

⁴ Id.

capture spend associated with specific feeder-level projects identified in the Five-Year Reliability Plan.⁵

The Consumer Advocate acknowledges that this will be very useful, but remains concerned as to whether the proposed tracking will be sufficient to avoid similar concerns in the future.

(b) Cost Minimization

In M12319, the CA expressed concerns “as to whether NS Power has maintained effective cost minimization practices” for capital distribution routines.⁶ The Consumer Advocate’s submission provided several examples of data that could be used for cost minimization and specific cost minimization lessons from completed projects that have not clearly been applied across all distribution routines. Drawing from one such example, the submission pointed out that NS Power lacks information on “whether NS Power PLTs or PLT contractors are more cost-effective as well as whether there are any types of distribution routine work where the relative cost advantage is greater or lesser, suggesting priorities in whether NS Power or contractor resources are dispatched.”⁷

In its response in that matter, NS Power stated that that it “continues to pursue efficiency and cost savings” and pointed to “established processes” in arguing against suggestions to expand existing internal review processes.⁸ NS Power also discussed recruitment of power line technicians to reduce the use of contractors, but otherwise did not elaborate on how it does (or does not) apply lessons.⁹ In this proceeding, NS Power explains how this may have helped manage overtime costs in D055 for 2025, as follows:

While the absolute dollar value of overtime costs has increased due to the overall increase in D055 work volume in 2025, overtime as a percentage of total labour expenditures has declined, indicating that NS Power has been able to execute the increased volume of condition-driven work primarily through regular-time labour hours rather than through increased reliance on overtime. This trend reflects NS Power's efforts to expand field resource capacity through recruitment of additional Power Line Technicians and expanded contractor capacity, allowing the increased D055 work to be performed more efficiently during regular working hours.¹⁰

The CA submits that while NS Power’s explanation seems plausible, the company has not provided sufficient data to usefully exclude other potential explanations. For example, NS Power is unable to provide a breakdown of its labour hours across project managers, engineers and

⁵ Exhibit N-3, NSEB RIR-2(b).

⁶ Consumer Advocate, Submission (August 22, 2025), Distribution Routines ATO, M12319 p. 1.

⁷ Consumer Advocate, Submission (August 22, 2025), Distribution Routines ATO, M12319 p. 6.

⁸ NS Power, Reply Submission (September 12, 2025), Distribution Routines ATO, M12319 p. 6-7.

⁹ NS Power, Reply Submission (September 12, 2025), Distribution Routines ATO, M12319 p. 7.

¹⁰ Exhibit N-2, CA RIR-2(d).

other support personnel used to support D055 projects.¹¹ As noted above, NS Power could not provide the actual amount spent on contractors for power line technicians for comparison to its own staff. As a result, it is not clear whether the reduction in overtime cost actually represents cost savings.

(c) Planning Practices – Cost Drivers

On reviewing prior applications concerning Distribution Routine D055, it would appear as though costs are routinely over budget, though the overspend in prior years pales in comparison to the overspend in 2025:

Table 1: Summary of Distribution Capital Routine D055 Cost (2019-2025)¹²

	Bin Work	Field Driven Work	Street Light and Service Removals	Capital Projects	Distribution Capital Routine Total		
					Budget	Actual	Variance
2018	n.a.	n.a.	n.a.	n.a.	6,952,404	7,958,040	1,005,636
2019	1,925,070	1,288,320	1,290,827	n.a.	6,976,402	7,042,951	66,549
2020	2,929,890	1,516,798	1,357,957	n.a.	7,757,970	8,016,667	258,697
2021	4,571,900	1,811,154	1,128,045	1,687,489	7,411,523	9,198,587	1,787,064
2022	2,567,200	3,630,286	1,119,659	1,371,683	8,316,064	8,688,829	372,765
2023	2,953,982	3,920,592	1,995,714	927,125	8,545,860	9,797,413	1,251,553
2024	3,857,084	4,857,028	2,324,084	1,473,983	8,790,476	12,512,179	3,721,703
2025	12,052,623	5,419,607	2,646,542	1,861,911	10,620,862	21,980,684	11,359,822

It is unclear what is driving the cost increase or how NS Power plans for these activities.

One suggestion by NS Power is that a backlog in “deficiencies” developed from 2022 that only began to be addressed sometime in 2024. NS Power states:

The primary costs and drivers of D055 are determined by asset condition data from ongoing feeder inspection programs, customer notifications, and regional engineering assessments identifying deficiencies. NS Power observed an increase in the volume of high-priority deficiencies identified through its feeder inspection programs of approximately 2,100 items in 2022 and 2023 to approximately 3,800 in 2024 and 2025 that would require intervention under D055 in 2025.¹³

¹¹ Exhibit N-2, CA RIR-3(b).

¹² Exhibit N-2, CA RIR-1 and RIR-3; Exhibit N-3, NSEB RIR-2(b); Exhibit N-1, 2022 ACE Plan, M10366; Exhibit N-1, 2021 ACE Plan, M09920; Exhibit N-1, 2020 ACE Plan, M09499; and Exhibit N-1, 2019 ACE Plan, M08984.

¹³ Exhibit N-2, CA RIR-3(c).

However, this statement is the only evidence provided by NS Power regarding “items” identified through its feeder inspection program. There is no information as to what these “items” might be.

Ultimately, as shown in Table 1 above, most of the cost increase was Bin Work, which increased from \$3.0 million in 2023, to \$3.9 million in 2024, to \$12.1 million in 2025, a 308% increase in just two years.

NS Power provides several explanations for this increase, but in each case the information is incomplete or otherwise inadequate.

First, NS Power suggests that the cost increase may simply be in response to administrative changes. NS Power explains:

With the implementation of CI 46075 – IT – T&D WAM Phase 2 – Work Management and Scheduling & Dispatch, work orders from 2024 onwards are now structured differently than in prior years, encompassing a broader range of work in a single work order compared to prior years. For D055 in particular, there is additionally a focus on driving meaningful/complex reliability improvements in alignment with the Five-Year Reliability Plan, further broadening the elements in a single work order and obscuring any relevance on a cost per work order basis. While Bin Work typically involves straightforward like-for-like replacements, Field Driven Work includes more complex installations that require engineering support. For example, stepdown transformer replacements can exceed \$150,000 per installation due to the material cost of the transformer, the need for structural upgrades (larger poles, pole-mounted platforms), crane rental, and engineering analysis to determine appropriate transformer sizing and configuration.¹⁴

Most of this explanation appears to relate to Field Work, which “only” increased by 38% from 2023 to 2025. In contrast, Bin Work costs increased by 308% over the same time frame. As background, NS Power reports that work orders for Bin Work roughly doubled from 2023 to 2025. For the years 2022-2024, the cost per work order was in the range of \$3,300 to \$3,900. But then in 2025, the cost increased to over \$7,000.¹⁵

It is unclear whether NS Power might suggest that the roughly doubling of cost per work order for Bin Work is attributable to a “broader range of work.” This understanding appears to be contradicted by its statement that Bin Work “involves straightforward like-for-like replacements.”¹⁶ Unfortunately, deeper analysis of Bin Work is not possible, as NS Power does

¹⁴ Exhibit N-2, CA RIR-4(a).

¹⁵ NS Power does not have a count of work orders for January 2025, so this is an estimate extrapolated from 11 months of work order data.

¹⁶ Exhibit N-2, CA RIR-4(a).

not track cost, feeder number, number of customers served, or other data for Bin Work projects.¹⁷

Second, the increase in work orders may be related to the identification of deteriorated equipment in 2025. NS Power states that some work orders had been deferred (“re-prioritized”) from earlier inspection cycles into 2025 and were then combined with new equipment deficiencies identified in 2025. NS Power explains:

The higher-priority condition-driven work advanced in 2025 was identified through NS Power's Feeder Inspection program as requiring near-term replacement to mitigate reliability and safety risks that could not be deferred without compromising system performance and public safety obligations. For example, in 2025 NS Power replaced approximately 2.5 times the amount of poles when compared to 2024. Deferring planned replacements under D055 increases the risk that deteriorated equipment will fail, requiring more costly emergency reactive replacement. All work completed under D055 is assessed and consistent with the asset management mechanism where the condition and criticality of assets determine when mitigating measures are required. The impact to an individual routine's budget is not a consideration when determining the timing of required investment in an asset, thus NS Power would not have considered deferring any of this work to 2025 for that reason. The additional work completed under this routine in 2025, would have led to other distribution work that was considered to be lower risk to be deferred as resources were allocated to the higher priority work in D055.¹⁸

However, other statements by NS Power undercut this explanation. NS Power states that it (presumably reasonably) deferred work from earlier years into 2025. Yet the Company also suggests that such deferrals are undesirable, as “Deferring planned replacements under D055 increases the risk that deteriorated equipment will fail, requiring more costly emergency reactive replacement.” It is unclear when and how the increase in work orders developed.

Third, NS Power further undercuts this explanation by arguing that the volume of work is only a “contributor” to the cost increase. NS Power states:

The volume of deficiencies is not directly correlated to all D055 investment in 2025 but does reflect a contributor to the increased investment in 2025. The significant variance to actual spending reflects NS Power's dynamic prioritization approach, where higher-priority condition-driven work identified during the year necessitated reprioritization and deferral of lower-priority discrete projects.¹⁹

¹⁷ Exhibit N-3, NSEB RIR-6(a).

¹⁸ Exhibit N-3, NSEB RIR-4(a).

¹⁹ Exhibit N-2, CA RIR-3(c).

A final contradiction is that while NS Power states that it cannot provide geographic or other detailed cost data for Bin Work and Field Driven Work costs, which it states are tracked “at the regional account or project level and not at the individual work order level with the granular detail requested,”²⁰ it does claim that D055 work in the Glace Bay area cost approximately \$4 million.²¹ How this cost is estimated is not explained.

(d) Conclusion

For all of the foregoing reasons, the CA submits that NS Power has not provided substantial evidence to justify its spending on distribution routines, and specifically:

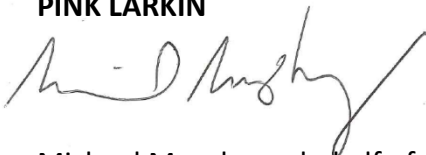
- NS Power is unable to provide evidence as to which contractors and consultants were paid \$8.6 million under this contract, making it impossible to review these expenditures to determine if they were prudent;
- NS Power is unable to provide any detail regarding how it has increased power line technician resources in a manner that improves cost-effectiveness;
- NS Power has provided incomplete or otherwise inadequate information explaining why each element of D055 increased in cost. Of particular concern is the \$8 million year-over-year increase in Bin Work costs – accumulating to a cost increase of over 300% in just two years.

Given the magnitude of overspending and lack of evidence provided to demonstrate that NS Power has effective cost minimization practices, the CA submits that the Board may wish to consider making a meaningful reduction in cost recovery. Moreover, to ensure that the Board becomes aware of large variances in distribution routine spending in a more timely manner, the Board could also direct NS Power to revise its quarterly capital projects report to include details (Schedule R8) on routines at the routine level.

The Consumer Advocate thanks the Board for the opportunity to participate in this matter and provide these submissions.

Yours truly,

PINK LARKIN

A handwritten signature in black ink, appearing to read "Michael Murphy", with a stylized flourish at the end.

Michael Murphy on behalf of
David Roberts, Consumer Advocate
MTM/aw

²⁰ Exhibit N-3, NSEB RIR-6(a).

²¹ Exhibit N-2, CA RIR-9(b).