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Delivered by Email

Crystal Henwood
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Nova Scotia Energy Board
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Dear Ms. Henwood:

Re: M12914 - NSPML - 2027-2028 Assessment Application

These submissions are filed on behalf of the Industrial Group ("IG").

NSPML has applied for approval of its first multi-year assessment for recovery of its 2027 and 2028 revenue requirements, in the amounts of \$200.3 million and \$191.5 million, respectively. The Application includes a proposed approach to recover the anticipated 2027 marine survey costs and provides updates on several outstanding matters from prior proceedings.

Overall, the IG supports approval of the Application, subject to continued reporting and Board oversight of various aspects of NSPML's assessments.

The IG offers comments and recommendations regarding the following:

1. NSPML's transition to a multi-year assessment application is a reasonable step toward regulatory efficiency and cost savings;
2. The cadence of future multi-year assessments should remain sensitive to the marine survey cycle, given the scale and influence of that cost on NSPML's O&M forecast;
3. NSPML's proposed approach to expensing the Contracted Marine Survey cost in 2027, with a true-up once the contracted amount is known, is reasonable, subject to future review if there are material changes from current expectations;
4. The LTAMP remains outstanding, and the Board should continue to direct quarterly reporting until completion;
5. The new Long-Term Service Agreement with the HVDC OEM similarly should be updated in the next quarterly reports; and
6. The depreciation study update should remain subject to continued Board oversight and reporting.

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1. MULTI-YEAR ASSESSMENT

The IG supports approval of NSPML's multi-year assessment application for 2027 and 2028. This is the first multi-year filing by NSPML and is a step toward the regulatory efficiency that the Board has repeatedly encouraged.

In response to IRs, NSPML confirmed that the primary enabler to file a multi-year application is that it "now has adequate information in relation to vegetation management and the OEM service agreement and has proposed an approach to Marine Survey costs that accommodates a multi-year assessment application while seeking the most beneficial solution for customers."¹ Additionally, NSPML confirmed that its transition to a condition-based integrated vegetation management program for its Newfoundland transmission assets has materially increased its forecasting confidence. NSPML also stated that with this transition, "it is now more confident in its multi-year outlook and budget requirements for these activities."²

NSPML has also confirmed that moving to a multi-year filing is expected to produce modest regulatory cost savings to be credited to customers, primarily through avoided participation costs for the Consumer Advocate, the Small Business Advocate and the Board.³

This noted improvement in NSPML's forecasting abilities and improved regulatory efficiency supports maintaining multi-year filings in the years to come.

2. CADENCE OF FUTURE MULTI-YEAR ASSESSMENTS

While the IG supports the two-year term proposed in this Application, it submits that the cadence of future multi-year assessments should remain sensitive to the timing of the marine survey, which the Application confirms occurs approximately once every three years and remains the single largest driver of variability in NSPML's O&M forecast.⁴

NSPML's own evidence confirms the scale of this influence. The Application states that marine survey costs are "significant, representing over 40% of maintenance & inspection costs and approximately 20% of total O&M, with potential to increase further."⁵ This is, by a wide margin, the most material and least predictable component of NSPML's forecast, and it is the item around which NSPML's own rationale for the structure of this Application, and the length of any future multi-year term, should be built.

Aligning future multi-year assessment periods with the marine survey cycle, so that the survey itself falls within a single assessment term, or the proposed true-up mechanism is clearly tied to one term, will promote regulatory efficiency and preserve the integrity of the forecasting process.

¹ N-4, NSPML (IG) IR-01(a).

² N-4, NSPML (IG) IR-04(b).

³ N-4, NSPML (IG) IR-01(c).

⁴ N-1, Application, p 21.

⁵ N-1(C), Application, p 10; see also N-4(C), NSPML (IG) IR-06(e) which provides these figures non-confidentially.

Given that the appropriate cadence of the next assessment will necessarily depend on the timing of the next survey and the status of the Contracted Marine Survey cost once known, the IG submits that the Board should expect NSPML to address this alignment explicitly when proposing the term of its next multi-year application.

3. MARINE SURVEY COST RECOVERY APPROACH

In the Application, NSPML has proposed an approach to recovery of the 2027 marine survey cost whereby an initial Placeholder Marine Survey is included in the 2027/2028 Assessment, with the Contracted Marine Survey cost to be filed once known and trued up into the 2027 assessment, all of which is subject to a prudence review at NSPML's next assessment application.⁶

NSPML states that expensing the Marine Survey Cost in the year it is incurred, based on an initial estimate with a true-up to the Contracted Marine Survey cost once known, remains preferable to multi-year smoothing. This assertion was tested in IRs, and it appears that smoothing, whether collected before or after the survey, is likely to impose net carrying-cost impacts on customers. Any pre-collection creates an opportunity cost by displacing higher-earning balances in NSPML's FAM, while any post-collection deferral requires NSPML to finance the gap externally at its own incremental cost of borrowing.⁷

Accordingly, the structure proposed appears to reasonably balance the interests of NSPML and ratepayers. NSPML has explained, and the IG accepts, that cost certainty for the marine survey was not achievable at the time of filing because of supplier market conditions and competing opportunities, and that locking in pricing earlier to achieve certainty would likely increase, rather than decrease, costs to customers.⁸ This explanation appears reasonable, and it would not serve customers' interests to force a procurement timeline that sacrifices competitive procurement for the sake of earlier cost certainty.⁹

NSPML will continue to bear the risk that a subsequent prudence review results in a finding that departs from the Contracted Marine Survey cost it submits for recovery, and NSPML has confirmed that it is not seeking any Board direction as to the future recovery mechanism for marine survey costs beyond the true-up proposed in this Application. This appropriately preserves both NSPML's accountability for the amount ultimately recovered and the Board's and intervenors' ability to test the prudence of that amount once the procurement process is complete.¹⁰

On the question of the WACC treatment associated with the true-up, the IG notes that NSPML has proposed, as an "incentive" to provide timely notice of the Contracted Marine Survey cost, that it will not seek a WACC adjustment on any shortfall collected in the months preceding notice, provided that notice is given before year-end 2026. NSPML's evidence indicates that the magnitude of this concession is very modest in dollar terms (~\$423)¹¹, and despite how framed

⁶ N-1, Application, pp 9-13.

⁷ N-5, NSPML(NSEB) IR-10; and see N-4(C)(i) IG-IR-8, Att.1 Excel and N-4, NSPML (IG) IR-9(a).

⁸ N-1, Application, p 10; and N-4, NSPML (IG) IR-06(e).

⁹ N-1, Application, p 10.

¹⁰ N-4, NSPML (IG) IR-06(d).

¹¹ N-4, NSPML (IG) IR-7.

in the application, was not truly intended to induce timely behaviour but rather to simplify the process.¹² The IG accepts NSPML's commitment not to seek WACC in this scenario.

For all these reasons, the IG supports approval of NSPML's proposed marine survey cost recovery approach for this assessment. Given that the marine survey interval is not a fixed three-year cycle but will be reassessed by NSPML at the close-out of each survey based on operational, environmental, and other variables¹³ and that the Contracted Marine Survey cost itself remains subject to review for prudence at NSPML's next assessment application, the IG submits that this approval should be without prejudice to the Board's or intervenors' ability to revisit the appropriateness of in-year expensing versus smoothing at a future assessment, particularly if survey costs grow materially as a share of O&M, if the survey interval or scope changes, or if NSPML's relative cost of capital or borrowing capacity shifts. The Board may wish to direct that this treatment be reassessed at that time rather than treated as a fixed, permanent methodology.

4. LTAMP

The LTAMP remains incomplete. As the Board will recall, in its 2026 Assessment Decision the Board directed NSPML to provide quarterly status reports on the commercial in-service LTAMP until the related true-up application is filed with the Board, having previously found that "[t]he completion of the LTAMP is important to the Board's oversight role and the certainty needed to proceed with multi-year assessments."¹⁴

In response to IG IR-16(a), NSPML confirmed that resolution was not achieved in 2026 as previously anticipated, and that "the commercial process involves more than NSPML and is material and extremely complex" such that NSPML "cannot accurately predict or guarantee the timing of a resolution; if not in 2026, it could be 2027 or beyond depending on the pathway to resolution as determined through the steps ahead."¹⁵

NSPML's confidential Q3 2026 update (M13142, N-1(C), Attachment 5) explains the reason for this further delay and the status of the process with NLH.

The IG notes the explanation provided for the continued delay of the LTAMP, however, the LTAMP has now been outstanding for several years beyond the timeline originally contemplated by the Joint Operating Agreement, and the matter remains material both to the Board's oversight role and to the ultimate allocation of costs between NLH and NSPML (or rather, NSPI ratepayers).

The IG submits that the Board should continue to direct NSPML to file quarterly progress reports on the status of the LTAMP, sufficient to allow the Board and intervenors to understand the status and expected timeline for resolution, consistent with the Board's existing direction.¹⁶ The IG does not propose a date certain for completion, given the information provided in the Q3 Update, but

¹² N-6, NSPML (SBA) IR-2.

¹³ N-4, NSPML (IG) IR-9(c).

¹⁴ M12394 NSPML 2026 Decision, 2026 NSEB 10, paras 28, 35-38; citing NSPML 2025 Decision, 2024 NSUARB 199, para 38.

¹⁵ N-4, NSPML (IG) IR-16(a).

¹⁶ M12394 NSPML 2026 Decision, 2026 NSEB 10, para 36.

submits that ongoing, regular reporting remains the appropriate mechanism for the Board to maintain visibility over the LTAMP pending its resolution with further directions as necessary.

5. LONG-TERM SERVICE AGREEMENT

The existing Long-Term Service Agreement (“**LTSA**”) with the HVDC OEM, Hitachi, expires at the end of Q1 2027, and the Application and NSPML's Maintenance & Inspections forecast for 2027 and 2028 rely on indicative pricing drawn from renewal negotiations that had not concluded as of the date of the Application.¹⁷

In response to IG IR-3(a), NSPML confirmed that the new LTSA has not yet been executed, and that the current agreement will expire in March 2027, with the new agreement expected to be in place prior to that expiration date.¹⁸ NSPML has also confirmed that it does not anticipate material changes to the LTSA's base pricing structure, although certain new line items (Other Tech Support, Maritime Link Models, and Materials/Consumables) have been added to the 2027 and 2028 forecast to reflect costs that were previously absorbed within the warranty period or the original EPC agreement, and are not new services under the agreement.¹⁹

Given that the new LTSA remains unexecuted as of the filing of this Application, and that it may directly affect a material component of NSPML's Maintenance & Inspections costs for the balance of the current assessment period and beyond, the IG submits that the Board should direct NSPML to confirm, at the earliest of its next quarterly report or any required compliance filing, whether the new LTSA has been executed and, if so, to file a copy (with any commercially sensitive pricing filed on a confidential basis), together with an explanation of any material changes in scope, pricing structure or duration as compared to the existing agreement and their impact (if any) on the Assessment. If the new LTSA remains unexecuted at that time, NSPML should confirm the status of negotiations and the expected execution date.

6. DEPRECIATION STUDY

NSPML has confirmed that the Cable Protection Project is substantially complete, with final completion (including as-built drawings and contract close-out) expected in Q4 2026, and that it remains committed to filing an updated depreciation study once the project is complete, consistent with the Board's 2026 Assessment Decision.²⁰

The IG supports this commitment and agrees that the Board should determine the appropriate process for reviewing that study once filed.

¹⁷ N-1, Application, p 8.

¹⁸ N-4, NSPML (IG) IR-03(a).

¹⁹ N-4(C), NSPML (IG) IR-03(c)-(d).

²⁰ N-04(C), NSPML (IG) IR-11(a)-(b).

CONCLUSION

The IG respectfully requests that the Board:

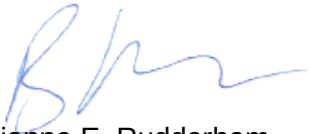
1. Approve NSPML's 2027 and 2028 multi-year Assessment in the amounts of \$200.3 million and \$191.5 million, respectively;
2. For purposes of this Assessment, approve NSPML's proposed approach to recovery of the Contracted Marine Survey cost, including the Placeholder Marine Survey amount, the proposed true-up mechanism, the associated WACC treatment, and the deferral of the prudence review of the Contracted Marine Survey cost to NSPML's next assessment, all without prejudice to revisit the treatment of marine survey costs in a future assessment application, including if the survey interval, scope or cost materially changes from current expectations;
3. Direct that NSPML's next multi-year assessment application address the alignment of the proposed assessment term with the timing of the marine survey cycle;
4. Direct NSPML to continue filing quarterly progress reports on the status of the LTAMP and related true-up process to be filed with the Board;
5. Direct NSPML to confirm, at the earliest of its next quarterly report or its next assessment application, the status of the new LTSA; and
6. Direct NSPML to file the depreciation study with the Board following substantial completion of the Cable Protection Project.

Thank you for the opportunity to provide these submissions.

Yours truly,



Nancy G. Rubin, K.C.



Brianne E. Rudderham

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c. Participants in M12914