

PROPOSED GENERAL RATE APPLICATION SETTLEMENT AGREEMENT

Reached in collaboration with key customer representatives, the proposed settlement agreement for the 2022-2024 general rate application (GRA) addresses both fuel and non-fuel rates. If approved by the Nova Scotia Utility and Review Board (UARB), the settlement will implement Bill 212 - the provincially legislated cap of 1.8 per cent total on non-fuel rates for 2023 and 2024.

The proposed settlement agreement also includes a storm rider for the years 2023-2025 to provide clarity around the recovery of costs for major storms and extreme weather events in future, as well as a Demand Side Management (DSM) Rider. The DSM Rider will support initiatives to increase efficiency in Nova Scotia and help reduce energy costs for customers.

Key elements of the proposed settlement agreement are outlined below. The full agreement can be found on the [UARB's website](#) under matter M10431 or on Nova Scotia Power's website at <https://www.nspower.ca/docs/default-source/default-document-library/gra-settlement-agreement>.

ANNUAL RATE INCREASE

If approved, the costs included in the settlement agreement would mean a total rate increase of 6.9 per cent each year for 2023 and 2024. This includes both fuel and non-fuel increases. In addition, any under- or over-recovery of fuel costs in 2023 would also be addressed through the Fuel Adjustment Mechanism (FAM) process that is currently in place.

DECARBONIZATION DEFERRAL ACCOUNT (DDA)

The purpose of the DDA is to recover decommissioning costs and undepreciated costs of coal plants in a managed and cost-effective manner for customers over time. A consultative process with stakeholders will be undertaken to establish and define the scope of the Decarbonization Deferral Account. A report and recommendation will be submitted to the UARB for approval by June 30, 2023.

CUSTOMER CHARGE

In the GRA, Nova Scotia Power proposed a customer charge of \$22/month by the end of 2024 to help ensure proper alignment of its fixed and variable costs. This increase would bring Nova Scotia more in line with other Canadian jurisdictions, including electric utilities within Atlantic Canada. Instead, the Settlement Agreement will result in a charge of \$19.17/month for residential customers and \$21.28/month for small business customers.

STORM RIDER

Nova Scotia is experiencing more severe weather. Under the Settlement Agreement, a Storm Rider is being proposed to allow Nova Scotia Power to apply to the UARB to recover costs for severe storms like Juan, Dorian and Fiona (level three and four storms which activate our Emergency Operations Centre) from customers if/when they occur. Nova Scotia Power can apply to the UARB if the amount exceeds \$10.2 million in 2023, \$10.4 million in 2024, and \$10.4 million in 2025. The Storm Rider will end after the recovery of any 2025 storm costs.

DEMAND SIDE MANAGEMENT (DSM) RIDER

The Settlement Agreement proposes the DSM Rider, which will be put in place to allow Nova Scotia Power to track efficiency spending separate from general rates, so that increases or decreases in EfficiencyOne's spending do not have to go through a general rate application. Nova Scotia Power will make an annual application to the UARB for approval of the DSM Rider.

EQUITY RATIO/RETURN ON EQUITY/EARNING SHARING MECHANISM/EARNINGS BAND

Consistent with Bill 212's amendments to the Public Utilities Act, the Settlement Agreement proposes an equity thickness of 40 per cent and a return on equity of 9 per cent for rate setting purposes, which results in a proposed earnings band of 8.75 per cent to 9.25 per cent return on equity on an actual five-quarter average equity ratio of up to 40 per cent.

Consistent with Bill 212's amendments, as part of the Settlement Agreement, Nova Scotia Power is withdrawing its request for a revised earnings sharing mechanism.

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NOVA SCOTIA POWER'S OPERATING MODEL

Nova Scotia Power is a cost-of-service utility, which means we collect revenue based on the total cost of operation to generate and deliver electricity to customers.

We operate in an open and transparent environment. The Nova Scotia Utility and Review Board (UARB) provides independent regulatory oversight of public utilities. Its role is to set electricity rates for Nova Scotia Power customers and ensure consumers receive safe and reliable service.



NOVA SCOTIA POWER GENERAL RATE APPLICATION 2022-2024

Electricity rates for customers are set through a public review known as a general rate application (GRA). On January 27, 2022, Nova Scotia Power filed a general rate application with the UARB requesting a rate increase in 2022, 2023 and 2024, and included evidence to support the rate request.

The GRA was subject to a full regulatory process with over 30,000 pages of information placed on the record, including Nova Scotia Power's initial application and supporting documents, 19 pieces of intervenor evidence, 700 Information Requests (IRs) with over 1900 questions to Nova Scotia Power, as well as NS Power's Rebuttal Evidence and Fuel Update. The oral hearing lasted nine days and resulted in 71 undertakings, concluding on September 23, 2022.

On November 8, 2022, the Nova Scotia Government passed legislation to limit rate increases to no more than 1.8 per cent in total over the 2022-2024 period, excluding increases related to fuel and electricity conservation and efficiency (Demand Side Management or DSM).

Nova Scotia Power worked with customer representatives to bring the GRA process to a conclusion through a settlement that adheres to Bill 212.

Nova Scotia Power announced it reached a settlement with customer representatives on November 24, 2022. The proposed settlement is now with the UARB for its consideration and next steps.