

NOVA SCOTIA ENERGY BOARD

IN THE MATTER OF: *More Access to Energy Act*

– and –

IN THE MATTER OF: **AN APPLICATION** by the **INDEPENDENT ENERGY SYSTEM
OPERATOR OF NOVA SCOTIA** made pursuant to Section
29 of the More Access to Energy Act for the review of its
Fee Recovery Mechanism

**EVIDENCE OF
JOHN D. WILSON
ON BEHALF OF
THE CONSUMER ADVOCATE**

Grid Strategies, LLC

OCTOBER 13, 2026

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Attachment 1

Professional qualifications of John D. Wilson

1 **I. Identification & Qualifications**

2 **Q: Mr. Wilson, please state your name, occupation, and business address.**

3 A: I am John D. Wilson. I am the Vice President of Grid Strategies LLC, Bethesda, MD.

4 **Q: Summarize your professional education and experience.**

5 A: I received a BA degree from Rice University in 1990, with majors in physics and history, and
6 an MPP degree from the Harvard Kennedy School of Government with an emphasis in
7 energy and environmental policy, and economic and analytic methods. I have been
8 employed by Grid Strategies since 2023, and previously I performed similar duties as an
9 employee of Resource Insight.

10 Prior to entering consulting in 2019, I was deputy director of regulatory policy at the
11 Southern Alliance for Clean Energy (“SACE”) for more than twelve years, where I was the
12 senior staff member responsible for SACE’s utility regulatory research and advocacy, as well
13 as energy resource analysis. I engaged with southeastern utilities through regulatory
14 proceedings, formal workgroups, informal consultations, and research-driven advocacy.

15 My work has considered, among other things, the cost-effectiveness of prospective
16 new electric generation plants and transmission lines, retrospective review of generation-
17 planning decisions, conservation program design, prudency review, ratemaking and cost
18 recovery for utility efficiency programs, allocation of costs of service between rate classes
19 and jurisdictions, design of retail rates, and performance-based ratemaking for electric
20 utilities.

21 My professional qualifications are further summarized in Attachment 1.

22 **Q: Have you testified previously in utility proceedings?**

23 A: Yes. I have testified more than eighty times before utility regulators in twelve U.S. states
24 and Nova Scotia, and appeared numerous additional times before various regulatory and
25 legislative bodies.

26 **Q: Have you previously provided evidence in other matters before this Board?**

27 A: Yes. I have filed evidence in over thirty matters on behalf of the Consumer Advocate and
28 one matter on behalf of the Minister of Energy. I have also assisted the Consumer Advocate
29 in preparing comments and developing positions in numerous proceedings and stakeholder
30 processes.

31 **Q: On whose behalf are you providing evidence?**

32 A: My evidence is sponsored by the Nova Scotia Consumer Advocate.

II. Introduction and Summary

Q: Please summarize the scope of your evidence.

A: My evidence reviews the IESO Nova Scotia proposal for a fee recovery mechanism for costs related to system planning, energy resource procurement, and interconnection functions. IESO NS notes that the fee recovery mechanism may change when it also has operational control of the grid and responsibility for the Open Access Transmission Tariff ("OATT").

Q: Please summarize your findings and recommendations.

A: With the exception of the true-up mechanism, I find that the IESO NS fee recovery mechanism is reasonable and recommend that the Board accept the proposal. The proposed mechanism promotes revenue stability, administrative simplicity, and reflects an equitable application of cost allocation principles.

For the true-up mechanism, I recommend an alternative. The IESO NS proposal for the true-up schedule neither aligns cost recovery with the IESO NS budget for up to six months, nor is it likely to be aligned with LSE's periodic rate adjustments. Furthermore, and perhaps most important, while the IESO NS proposal is reasonable in certain respects, it results in a bifurcated process for establishing the prudence of actual costs.

As general background, the IESO NS proposal to base its fees on the basis of a budget-based test year rather than a historical test year creates the need for a distinctive process for prudence review. This is further complicated by the limited options available to the Board for imposing remedies should imprudence in expenditures be found. The difficulty of imposing disallowances on cost recovery on a non-profit IESO magnifies the importance of timeliness in issuing management directives from the Board in such circumstances.

Specifically, I recommend that the IESO NS true-up and prudence review occur in the same proceeding in an application filed around the beginning of a fiscal year with a Board Order anticipated by the end of the calendar year. This proceeding would set the cost recovery fee on a calendar year basis rather than on a fiscal year basis.

I recommend that the calendar year fee for FY3 would be calculated based on the CY3 load forecast as filed in an application during FY2 and including the following costs, as approved by the Board:

- FY1 true-up to actual costs and load
- FY2 Q4 budget (Jan – Mar), as approved in the prior year but with any necessary budget updates for Q4 costs (a full FY2 true-up would occur in the FY3 application)
- FY3 Q1 - Q3 budget (Apr – Dec)

Thus, CY3 rates are based on approved budgets (for FY2 Q4 – FY3 Q3) and a true-up for FY1 that includes a prudence review. Further details and an illustration of this process are found on page 11.

1 **III. Monthly Fee**

2 **Q: What is the proposed structure for the fee recovery mechanism?**

3 A: IESO NS proposes a fixed monthly direct charge to Load Serving Entities (LSEs). Its principal
4 arguments in favor of this approach are revenue stability and administrative simplicity.¹

5 **Q: Did IESO NS consider other options?**

6 A: Yes. IESO NS considered different timescales and also considered a usage-based fee rather
7 than a fixed monthly direct charge.

8 Alternatives to a monthly timescale are discussed in the FTI Jurisdictional Scan,
9 including daily (used by National Energy System Operator, or NESO) and weekly (California
10 Independent System Operator, or CAISO). Both NESO and CAISO also collect balancing and
11 other market costs which vary, potentially explaining their preference for a shorter time
12 period.²

13 IESO NS recommends a fixed, rather than usage-based fee for reasons of
14 administrative simplicity. However, IESO NS acknowledges that a fixed fee model diverges
15 from the findings of the FTI jurisdictional scan.³ The IESO NS reply implies that with further
16 organizational maturity, it may be reasonable to migrate to a usage-based fee in the future.

17 **Q: Will a fixed monthly direct charge lead to revenue stability?**

18 A: Yes. As discussed by FTI, a fixed monthly direct charge based on the annual revenue
19 requirement would fully recover IESO NS's forecast revenue requirement, regardless of
20 variations in system usage, which can be considerable in Nova Scotia.⁴

21 In considering a monthly (or, presumably, quarterly) allocation, FTI reasonably points
22 out the disadvantages of monthly adjustments to reflect each LSE's forecast monthly
23 energy consumption. This result would be significant variation in monthly fees, which would
24 lead to frequent over- or under-recovery of the monthly revenue requirement. This
25 variability could require frequent true-up adjustments that, themselves, would often be
26 inaccurate, increasing administrative complexity.⁵ Other than the Alberta Electric System
27 Operator (AESO), which updates its rate on a quarterly basis, FTI's jurisdictional scan
28 suggests that system operators typically update such rates on an annual basis.⁶

¹ Exh. N-1, Application, p. 47.

² Exh. N-1(i), FTI Jurisdictional Scan, Tables 2 and 3.

³ Exh. N-7, NSEB RIR-18.

⁴ Exh N-1(ii), FTI Recommendation, p. 19.

⁵ Exh N-1(ii), FTI Recommendation, p. 19.

⁶ Exh. N-1(i), FTI Jurisdictional Scan, Table 3.

1 Month-to-month revenue stability is aligned with IESO NS costs, which are not
2 expected to vary seasonally. A usage-based fee would result in higher revenues to IESO NS
3 in peak winter and summer months than in other months, requiring an operating reserve
4 to be maintained to cover the lower revenue months. This operating reserve would
5 implicitly or explicitly result in some cost that would be passed through to customers.

6 **Q: Did the IESO NS filings discuss any other options?**

7 A: Yes. FTI also discusses allocating all IESO NS costs direct to NS Power, similar to the
8 Efficiency One DSM charge. While even simpler than the LSE charge, it outsources the
9 allocation of IESO NS costs to the LSEs to NS Power's cost allocation process, as determined
10 in its rate cases.⁷ This would add complexity to an already-complex NS Power rate case.

11 **Q: What is your recommendation to the Board on the use of a fixed monthly direct charge?**

12 A: I support the IESO NS proposal to use a fixed monthly direct charge to LSEs as the structure
13 for the fee recovery mechanism.

- 14 • I agree that revenue stability is a reasonable objective. Few, if any, of the costs
15 incurred by IESO NS, either now or in the future, will vary significantly with load or
16 energy use.
- 17 • I also agree that administrative simplicity is worthwhile. Without a strong reason to
18 adopt a complicated recovery mechanism, unnecessary accounting and regulatory
19 oversight should be avoided.

20 Accordingly, I fully support this recommendation.

⁷ Exh N-1ii, FTI Recommendation, p. 34.

1 **IV. Allocation on Load Served**

2 **Q: What is the IESO NS proposal for allocation of its revenue requirement to LSEs?**

3 A: IESO NS proposes that the fixed monthly direct charge be allocated to LSEs, who are the
4 only market participants,⁸ based on annual load served. Initially, the charge will be set
5 based on forecast load, but there will be a true-up based on the difference between
6 forecast and actual load served.

7 **Q: Is the IESO NS proposal based on cost-causation?**

8 A: No. FTI finds that, “economic principles provide limited guidance regarding the selection of
9 an appropriate billing determinant.”⁹ I agree fully with FTI’s reasoning on this point and do
10 not repeat it here.

11 **A. *Per-MW Allocation Should Not Be Used***

12 **Q: Do you agree with IESO NS and FTI that a demand-based, or per-MW allocation, should**
13 **not be used?**

14 A: Yes. FTI provides sound reasons against (a) allocating the charge on a per-MW basis and (b)
15 assessing IESO NS fees through the OATT. The OATT is an alternative recovery pathway to
16 direct LSE invoicing. The arguments against using the OATT and a per-MW basis are
17 interrelated. FTI explains it as follows:

18 [OATT] fees are charged based on a MW-month basis. This means that (i) the
19 revenue collected from domestic and export load is not equal to the peak load
20 billing determinant if actual flows differ from the estimated peaks, and (ii)
21 collections by the IESO will vary with system usage over the course of the year.
22 Hence, the IESO could over- or under-recover its revenue requirement. While
23 the ISOs in the benchmarking group have large, diversified territories, often with
24 numerous LSEs, the IESO in Nova Scotia has a smaller system and
25 correspondingly less load diversity, increasing the potential for variability in
26 billing determinants and revenue recovery.¹⁰

⁸ IESO NS acknowledges that in its jurisdiction, there is not a precise definition for “market participant.” Exh. N-5, LEI RIR-2, Att. 3, p. 23. Nonetheless, LSEs are practically equivalent to market participants. Wheeling (intertie) customers are the only candidate for “market participants” identified by IESO NS as not being allocated fee recovery costs. Exh. N-4, IG RIR-3(c). Excluding these customers from fee recovery at this time is appropriate as IESO NS does not yet serve them due to not having OATT responsibilities. Also, IESO NS notes that revenues from these entities would be “limited” at this time. Exh. N-7, NSEB RIR-21(c-e). The limited revenue opportunity is consistent with my understanding from various engagements, such as the FAM Small Working Group, from which I understand that wheeling volumes on Nova Scotia transmission facilities are a very small percentage of total load.

⁹ Exh. N-1(ii), FTI Recommendation, p. 11.

¹⁰ Exh. N-1(ii), FTI Recommendation, p. 17-18.

1 Further, IESO Nova Scotia points out that it “would expect that NS Power would [] pass on
2 associated costs for recovery from their customers not already subject to an OATT based
3 IESO fee, based on a Cost of Service methodology determined by NS Power.”¹¹

4 FTI links a per-MW allocation to increased revenue variability, which would require
5 more extensive true-ups. FTI states that incorporating the IESO NS recovery mechanism
6 into the OATT “would increase risk for over - and under-recovering the IESO’s costs.”¹²
7 Another disadvantage is that NS Power’s cost allocation – to both retail and certain
8 wholesale customers – would be fixed between rate cases, even if the data underlying the
9 billing determinant(s) changes significantly between rate cases.¹³

10 Thus, both now and when IESO NS assumes further responsibilities, including
11 administration of the OATT, the relatively high variability in monthly and annual peak
12 demand suggests that from both a revenue stability perspective and an equity perspective,
13 the IESO NS decision not to pursue either a per-MW cost allocation or to use the OATT as
14 the revenue recovery mechanism is reasonable.

15 ***B. Recommendation in Favor of per-MWh allocation***

16 **Q: How does IESO NS reach its recommendation in favor of a per-MWh allocation?**

17 A: IESO NS explains its recommendation to allocate on the basis of LSE volumetric load served
18 (MWh) as follows:

19 FTI also considered two other key factors when proposing energy consumption
20 (MWh) be used as the allocator rather than peak usage (MW): (1) MWh charges
21 are the most common type of charge applied to LSEs among the benchmarking
22 group in the FTI Jurisdictional Scan, and (2) energy consumption (MWh) is
23 generally a more stable than peak usage (MW) which is important in the
24 proposed methodology which relies on forecasts.¹⁴

25 **Q: Do you agree with IESO’s allocation recommendation?**

26 A: Yes. I agree that IESO NS has identified this is the most equitable outcome based on
27 principles of cost allocation.

28 Where a specific cost driver cannot be identified, it is more equitable to allocate cost
29 based on the commodity being delivered – electricity – rather than a relative share of
30 market demand at some particular time (peak demand). In my view, applying principles of
31 cost allocation in this way is most closely aligned with pricing of most key commodities
32 purchased by small and large customers alike.

¹¹ Exh. N-7, NSEB RIR-20.

¹² Exh. N-1(ii), FTI Recommendation, Figure 22.

¹³ Exh. N-1(ii), FTI Recommendation, Figure 22.

¹⁴ Exh. N-4, IG RIR-8(b).

V. True-Up Mechanism

Q: Why does IESO NS require a true-up mechanism?

A: The proposed true-up mechanism, or Deferral and Variance Mechanism (DVM), is necessary to ensure accurate revenue recovery. IESO NS's proposed base allocation is straightforward – allocating approved cost recovery based on each LSE's share of the annual load forecast, as discussed above.

However, as proposed, during the first part of the fiscal year – up to six months – would reflect the costs and relative LSE loads for the previous year. This is because the fee for a given fiscal year would not be approved and placed into effect until sometime in Q2 of that fiscal year. This disconnect between costs and rates means that it is unlikely that true-ups can be avoided.

Furthermore, true-ups could be larger in years in which the IESO assumes significant new responsibilities, experiences a precipitous shift in costs, or when there is a significant market shift – such as an expansion of RtR load.¹⁵ The Board is familiar with the irregularity of what would seem to be predictable costs, for example in the case of NSPML.

Q: Is there an alternative to a true-up mechanism?

A: There is not a good alternative in the case of a non-profit entity such as IESO NS. FTI correctly lays out the case for a true-up mechanism, as follows:

True-up mechanisms are required because ISOs are non-profit entities; they cannot keep over-collection of the revenue requirement and should not be exposed to revenue requirement shortfalls. Over- or under-recovery can occur because of two reasons: (1) the actual IESO Core Costs will naturally vary from the forecast revenue requirement in the filing, and (2) depending on the billing determinants chosen, the revenue recovered from charges can be higher or lower than forecast when setting the fees.¹⁶

In theory, an alternative to a true-up mechanism is the use of a future test year. However, because a future test year is merely a longer-term version of the IESO NS budget-based revenue requirement, such an approach does not fully avoid the necessity of a true-up. A future test year involves a greater degree of uncertainty in the costs likely to be incurred and thus is unlikely to reduce rate variability over the long term.

¹⁵ Exh. N-4, IG RIR-5.

¹⁶ Exh. N-1(ii), FTI Recommendation, p. 14.

1 **A. IESO NS Recommended Design Pros and Cons**

2 **Q: What is the IESO NS recommendation for the true-up design?**

3 A: IESO NS recommends that the true-up should occur immediately; in IESO's terminology, the
4 true-up for FY1 would occur through rates set for FY2. Compared to the other true-up
5 schedule evaluated by IESO NS (Option 1), this avoids deferring the true-up a further year,
6 distancing revenue recovery (or refund) from the year in which costs are incurred.¹⁷

7 **Q: Do you agree that Option 2 will achieve a full true-up?**

8 A: No. While I agree that IESO NS's recommended Option 2 is preferable to Option 1, it will
9 not fully true-up cost recovery because it relies on unvetted data. In Option 2, after the
10 Board's decision on the FY2 revenue requirement, IESO NS would make a compliance filing
11 that includes the following new information: (i) a report on actual expenditures from FY1,
12 (ii) a report on actual LSE loads (MWh) from FY1, and (iii) recalculated FY1 fees.¹⁸

13 The lack of vetting is acknowledged by IESO NS. As it would be impractical for
14 prudence review of FY1 actual costs to occur during the FY2 revenue requirement and rate-
15 setting proceeding under the Option 2 schedule, IESO NS proposes deferring prudence
16 review to the FY3 proceeding. This introduces a further possibility of FY1 cost recovery
17 adjustments being made in FY3 rates.¹⁹

18 **Q: Is it necessary to implement new rates in Q2 of the fiscal year as proposed by IESO NS?**

19 A: No. There is no particular advantage cited by IESO NS to implementing new rates at some
20 point in Q2 (e.g., August or September), rather than at either the beginning of the IESO NS
21 fiscal year or at the beginning of the calendar year.

22 **Q: Do you support the IESO NS proposal for a true-up mechanism?**

23 A: No. The IESO NS proposal for the true-up schedule neither aligns cost recovery with the
24 IESO NS budget for up to six months, nor is it likely to be aligned with LSE's periodic rate
25 adjustments. Furthermore, and perhaps most important, it does not allow for prudence
26 review concurrent with the setting of the true-up.

¹⁷ Exh. N-1, Application, p. 36.

¹⁸ Exh. N-3, CA RIR-2.

¹⁹ It remains unclear exactly how the Board will deal with any finding of imprudence, as a disallowance would impair the proper function of a nonprofit entity such as IESO NS.

B. Recommended Alternative

Q: What is your recommendation for a true-up mechanism?

A: I recommend that the IESO NS recovery fee be updated annually on January 1. This has three advantages:

- Assuming IESO NS does, in fact, have “well known” actual costs by mid-July, this allows five months for consideration of actual costs, potentially including any prudence challenge that may arise, with full information being provided in the filing.²⁰
- Assuming that the proceeding can be completed on schedule, this approach avoids any further true-up of FY1 costs.
- A calendar year fee change provides a more convenient date for retail rate adjustments, assuming that LSEs file rate adjustments at the calendar year.

Q: Why is a timely prudency review important?

A: The IESO NS proposal to base its fees on the basis of a budget-based test year rather than a historical test year creates the need for a distinctive process for prudency review. Furthermore, as a non-profit, disallowance of cost recovery would create a deficit for IESO NS that would require obtaining funds from some source in order to maintain creditworthiness. Any alternative source of funds is likely to be similar to the fee recovery mechanism itself, making a disallowance ineffective as a consequence for imprudent actions.

The alternative consequence for imprudent action is a management directive from the Board. Such a directive is most effective if it is implemented in a timely manner so that ongoing imprudent expenditures are curtailed or imprudent management oversight is corrected prior to any repetition of the imprudent behavior. Thus, there is a public interest in designing a true-up mechanism that does not result in a delay in review of actual expenditures.

Q: Why might a calendar year fee change be more convenient for retail rate adjustments?

A: While I have not conducted a survey of actual practices by all of Nova Scotia’s retail electric utilities, it is my general experience that retail rate adjustments are often timed to go into effect on January 1. To the extent that such adjustments would include updates in the IESO NS fee allocation to a utility, this would avoid the need to forecast the fee adjustment or otherwise true-up the fee recovery in the retail electric utility rates.

²⁰ Should a prudence challenge be particularly complex or contentious, the Board could order provisional fees and allow the proceeding to continue beyond December for a final decision in the matter.

1 **Q: How do you recommend aligning the fee with costs so that fees go into effect on January**
2 **1, at the beginning of Q4?**

3 A: Instead of basing the recovery fee on a budget year that begins at approximately the same
4 time as the IESO NS application is filed, I recommend that IESO NS submit a budget
5 approximately one year in advance. Using the convention in the IESO NS application, near
6 the end of FY1 (early in CY2), IESO NS would file its FY2 application, including:

- 7 • Estimated FY1 true-up costs, including evidence explaining any substantial deviation
8 from FY1 budget costs
- 9 • FY2 budget, which would have been approved in the prior annual proceeding but
10 could include proposed material updates for Q4 costs at the discretion of IESO NS
- 11 • FY3 budget, which would be presented for the first time
- 12 • CY3 fees, based on the above data

13 Initial data requests could be filed on the application in late May. Then, mid-way through
14 the proceeding (in mid-July), IESO NS would make a supplemental filing to supply the actual
15 FY1 costs, any necessary load forecast updates, and a revised CY3 fee calculation. There
16 should be an opportunity for parties to file further data requests on the supplemental filing
17 as well as clarifications on responses to the initial data requests.

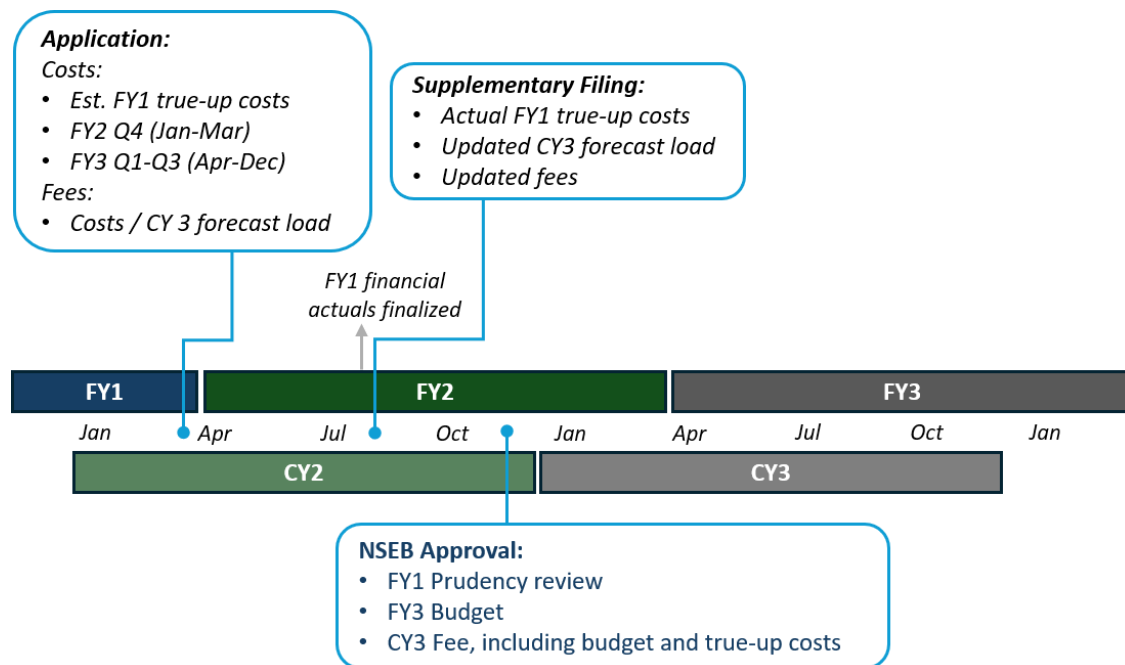
18 The CY3 monthly fixed fee would be calculated based on the CY3 load forecast and
19 the following costs, as approved by the Board:

- 20 • FY1 true-up to actual costs and load
- 21 • FY2 Q4 budget (Jan – Mar), as approved in the prior year but with any necessary
22 budget updates for Q4 costs (a full FY2 true-up would occur in the FY3 application)
- 23 • FY3 Q1 - Q3 budget (Apr – Dec)

24 One additional advantage of a CY-based fee calculation is that it aligns the load forecast
25 with the annual load forecast approach used by NS Power. The IESO NS proposal would
26 require using portions of two NS Power load forecasts. This is not a large issue, but it does
27 simplify the review process particularly where load forecast methods may change from year
28 to year.

29 As noted above, IESO NS proposes to set its fee on a schedule that will be misaligned
30 for as much as six months. A CY-based fee calculation reduces the misalignment of costs
31 with fee recovery by using inputs from the relevant quarters of each approved fiscal year
32 budget. The timeline of filings and inputs for my reaccommodation is illustrated in Figure
33 1.

Figure 1: Timeline of Filings and Inputs, as Recommended



Q: Is this schedule feasible?

A: I believe so. As a model, I considered the June 30, 2026 hearing order for the 2027/2028 NSPML revenue requirement and cost assessment application (M12914). That application has information requests due on July 28, which could be consistent with a supplemental filing in mid-July. The timeline assumes no oral hearing and requires reply submissions by November 12. This would allow for an order prior to January 1 that sets the fees for each LSE. In circumstances where prudency issues are too complex to be resolved on that schedule, the Board's order could identify how a final decision in the matter might address the potential for further adjustment to fees.

In my proposal, I assume that the initial application would be filed somewhat earlier, and since the supplementary filing would be limited to cost and load data, the burden on parties to file new or revised IRs based on the supplementary filing would not be large.

Q: What are the drawbacks of your recommendation?

A: The main additional disadvantage introduced by this proposal is the increased uncertainty of requiring IESO NS to propose a FY3 annual budget at an earlier date, approximately one year in advance of FY3. However, in comparison to NS Power and NSPML, a budget forecast should be more straightforward as the timing of capital projects will have little or no influence on its annual budgets, which are currently proposed for Operating, Maintenance and Administration costs only.

This uncertainty will be larger for budgets spanning a period where IESO NS expects to take on new responsibilities, such as the OATT.

1 **Q: Do you have any concerns with the IESO NS suggestion that it could use most recent actual**
2 **loads in place of forecast loads for MEUs?**

3 A: No, I agree that this could be a reasonable way to reduce administrative burdens for the
4 MEUs without causing a substantial increase in the true-up over time.

5 ***C. Treatment of Carrying Costs***

6 **Q: How would carrying costs be considered in your recommendation?**

7 A: As confirmed by IESO NS, there is no need for the complexity of the NS Power FAM AA/BA
8 process. The FAM true-up is complicated due to monthly cost allocation, including carrying
9 cost at WACC. In this case:

10 Carrying costs incurred would be fully recovered in the respective year through
11 approved fees via the Revenue Requirement, Proposed Expenditures, and Fees
12 applications. The finance line item in each application would account for
13 associated carrying costs projected for any over or under recovered amounts
14 from a prior fiscal year. The finance costs would form part of the base allocation
15 of revenue requirement in fees for that fiscal year.²¹

16 IESO NS does not currently anticipate applying carrying costs to the true-up balance.²²

17 **Q: Does this conclude your evidence?**

18 A: Yes.

²¹ Exh. N-3, CA RIR-5.

²² Exh. N-6, MEU RIR-1(c).