

Fee Recovery Mechanism Application
(Nova Scotia Energy Board M13007)

Nova Scotia Independent Energy System Operator (IESO Nova Scotia)
Responses to Consumer Advocate (CA) Information Requests

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Request IR - 1

Please elaborate on Figures 10-13 by:

(a) Providing an illustrative schedule for a future year for Options 1 and 2. It is suggested that Fiscal Year 2027/28 be used to avoid complications involving the decision in M12663.

(b) In your response to (a), include dates for each steps in the filing and decision-making process.

(c) Please explain the rationale for setting FY3 fees in FY3-Q2 (Option 1) or FY2 fees in FY2-Q2 (Option 2) rather than setting FY2 (or FY3) fees in FY1-Q4 (or FY2-Q4).

Response IR - 1

a) True-Up Option 1:

- Q3 2026/2027 – Fiscal Year 2027/2028 Revenue Requirement, Proposed Expenditures, and Fees application submitted to the NSEB.
- Q2 2027/2028
 - Fiscal Year 2027/2028 Revenue Requirement, Proposed Expenditures, and Fees application NSEB Decision received.
 - Fiscal Year 2026/2027 IESO Nova Scotia actual cost variances via DVM determined.

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- 21 • Q3 2027/2028
 - 22 ○ Fiscal year 2028/2029 Revenue Requirement, Proposed Expenditures, and Fees
 - 23 application submitted to the NSEB.
 - 24 ○ Includes Fees Trued-Up on Fiscal Year 2026/2027 IESO Nova Scotia actual
 - 25 cost variances via DVM.
- 26 • Q2 2028/2029
 - 27 ○ Fiscal Year 2028/2029 Revenue Requirement, Proposed Expenditures, and
 - 28 Fees application NSEB Decision received.
 - 29 ○ Cost variance true-up from 2026/2027 IESO Nova Scotia actual costs refunded
 - 30 or charged via NSEB approved Fiscal Year 2028/2029 fees.
- 31
- 32 True-Up Option 2:
 - 33 • Q3 2026/2027 – Fiscal Year 2027/2028 Revenue Requirement, Proposed Expenditures,
 - 34 and Fees application submitted to the NSEB.
 - 35 • Q2 2027/2028
 - 36 ○ Fiscal Year 2027/2028 Revenue Requirement, Proposed Expenditures, and
 - 37 Fees application NSEB Decision received.
 - 38 ○ Fiscal Year 2026/2027 IESO Nova Scotia actual cost variances via DVM
 - 39 determined.

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- Compliance filing submitted to NSEB with fees calculated based on Fiscal Year 2026/2027 IESO Nova Scotia actual cost variances.
- NSEB approval of compliance filing fees received.

b) Please refer to part a).

c) To clarify, the timing of the calculation and submission of fees in either true-up option remains the same: Base Fee Allocation occurs at the time of Revenue Requirement, Proposed Expenditures, and Fees application submission by December 31 of each year (i.e. FY-Q3) - this is consistent with what is shown in figures 11 and 13 of the Application.

The “setting of fees” in FY3-Q2 and FY2-Q2 refers to when IESO Nova Scotia estimates NSEB approval of fees via corresponding Board Decisions (Q2 of each fiscal year), with the difference between the two reflecting when DVM variances of FY1 or either refunded or charged to LSEs.

IESO Nova Scotia does not anticipate fees are either calculated/submitted or set via NSEB Decision in FY-Q4 (January to March).

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Request IR - 2

Regarding the proposal for Option 2, as described on p. 30-37 of the Application, please confirm the following statements. If not confirmed, please explain.

(a) The compliance filing would include the following new information: (i) a report on actual expenditures from FY1 and (ii) recalculated FY1 fees.

(b) The compliance filing would indicate true-up fees for each LSE that reconcile actual FY1 fees received from the LSE with the new information identified in the response to part (a).

(c) The compliance filing would occur after the Board decision on the forecast revenue requirement for FY2 (which would have been filed in December) but before the FY2 fees would go into effect, presumably in June.

(d) The report on actual expenditures from FY1 would necessarily include assumptions about actual expenditures during the final weeks of FY1 in order for it to be filed prior to FY2 fees going into effect.

(e) The report on recalculated FY1 fees would necessarily include assumptions about actual load during the final weeks of FY1 in order for it to be filed prior to FY2 fees going into effect.

(f) The compliance filing would not be subject to a hearing process; prudence review deferred to FY3 application process.

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(g) The total fees for FY2 would be the sum of: (i) fees for each LSE, allocated on a forecast per-MWh basis, based on the Board's decision on the forecast revenue requirement for FY2 and (ii) the true up fees for each LSE as described in part (b).

Response IR - 2

Please also refer to IG IR-11.

a) Confirmed.

b) Confirmed. Per the response to CA IR-1, the compliance filing would adjust NSEB approved fees for FY2 based on the additional actual cost variance from FY1.

c) Confirmed. Under True-up Option 2, if approved by the NSEB, fees for FY2 are assumed not go into effect until the Board approves the compliance filing fees.

d) Please refer to the timing clarifications in CA IR-1. Actual FY1 expenditures would be well known by the time the NSEB issues a decision in Q2 of FY2. The compliance filing would be filed with the NSEB in Q2 FY2 after the NSEB's Decision is received.

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e) Yes, subject to the clarification on timing provided in response in part d) above. Pursuant to Application 4.2 and Figure 13, the compliance filing True-Up Option 2 also allows for FY1 load actuals to be adjusted in the compliance filing, and is methodologically consistent with matching actual load served with the cost variances in the same FY time period.

f) Confirmed.

g) Confirmed plus an actual load allocation adjustment for FYI variances based on FY1 actual load pursuant to the response in part e) above.

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Request IR - 3

Regarding Option 2, please explain how errors in assumptions about actual expenditures and load during the final weeks of FY1 (see IR-2 parts d and e) would be considered, if at all, in any filings.

Response IR - 3

Please refer to CA IR-1 and IR-2. By the time a compliance filing is submitted under True-Up Option 2 sometime in Q2 of FY2, actual expenditures and corresponding variance are expected to be well known and internally vetted by IESO Nova Scotia.

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Request IR - 4

With reference to Figure 13, if parties are not satisfied with use of a compliance filing in Option 2, please provide the views of IESO NS on a mid-year rate adjustment to account for the true-up. For example, a mid-year adjustment on the following schedule, assuming a paper hearing that proceeds such that a Board decision is issued in November.

- An August 1 true-up filing application, instead of a July true-up compliance filing
- A paper hearing with a Board decision on the true-up issued in November, instead of an August decision including the true-up along with the FY1 allocation adjustment and FY2 base fee
- A December 1 true-up rate adjustment effective during the December 1 – November 30 period

If the above schedule is not considered reasonable, please provide your own suggested variation on Option 2 that is both expedited relative to Option 1 but also allows for review of the true-up rather than use of a compliance filing.

Please also comment on whether the IESO is aware of any reason that an effective date of January 1 for a true-up adjustment could have advantages for any of the LSEs in terms of their standard schedules for customer rate adjustments.

Response IR - 4

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The benefits associated with True-Up Option 2 are as follows as noted in the Application:

- In the event of an over-recovery of IESO Nova Scotia's revenue requirement, the corresponding refund is provided to LSEs earlier; and
- In the event of an under-recovery of IESO Nova Scotia's revenue requirement, the corresponding earlier collection from LSEs reduces carrying-costs.¹

In other words, variances in IESO Nova Scotia's actual expenditures calculated via the DVM are dealt with on a significantly timelier basis to the benefit of Load Serving Entities: one-year in advance as compared to True-Up Option 1.

While the CA's suggested mid-year adjustment and timeline would appear to result in timelier adjustments, it would nevertheless push NSEB approval of the incorporation of variances into fees back by several months, eroding some of the stated timeliness benefits of the proposed True-Up Option 2. Also, a mid-year adjustment with a written-hearing proceeding would create a regulatory framework where Revenue Requirement, Proposed Expenditures, and Fees application related proceedings would last the entirety of the calendar year, significantly reducing regulatory efficiency.

IESO Nova Scotia acknowledges the concern related to postponed prudency review, but notes that prudency review will nevertheless occur in the next Revenue Requirement, Proposed Expenditures,

¹ IESO Nova Scotia Fee Recovery Mechanism Application, page 32 of 48, lines 6-10. The earlier collection reduces IESO Nova Scotia's carrying costs that are recovered in its revenue requirement.

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44 and Fees application, submitted in less than six months after a fee variance compliance filing under
45 True-Up Option 2.

46
47 For these reasons, IESO Nova Scotia does not believe that variations of True-Up Option 2 or the
48 CA's suggested mid-year adjustment offer material advantages over Option 2 as proposed.

49
50 With respect to whether an effective date of January 1 for a true-up adjustment could have
51 advantages for any of the LSEs, advantages or disadvantages of the timing of true-up adjustments
52 have not been communicated to IESO Nova Scotia by the LSEs and so is not aware of whether
53 this is a material concern. IESO Nova Scotia notes that, ultimately, the timing of true-up
54 adjustments is largely contingent on the timing of the NSEB issuing its corresponding Decisions.

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Request IR - 5

Regarding both options, please comment on whether carrying costs on over- or under-recovered amounts from FY1 (see p. 31 of the Application) that are incurred in FY2 or FY3 would be (i) fully recovered through the true-up adjustment or (ii) as costs incurred in the respective year and recovered through either the approved fees or the respective true-up adjustment.

Response IR - 5

Carrying costs incurred would be fully recovered in the respective year through approved fees via the Revenue Requirement, Proposed Expenditures, and Fees applications. The finance line item in each application would account for associated carrying costs projected for any over or under recovered amounts from a prior fiscal year. The finance costs would form part of the base allocation of revenue requirement in fees for that fiscal year. Please also refer to IG IR-11 c) and SBA IR-9.