17th August, 2017

Matthew Kellway
Special Assistant to the President & Manager, Central Functions
The Society of Energy Professionals
2239 Yonge St
Toronto, ON M4S 2B5

VIA Canada Post, email and RSS Filing

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Re: EB-2017-0150 Independent Electricity System Operator (IESO)
2017 Expenditure and Revenue Requirement Submission
The Society of Energy Professionals ' Interrogatories to IESO

Dear Ms. Walli,

Please find attached the Society of Energy Professionals' interrogatories to IESO in their 2017 Expenditure and Revenue Requirement Application, EB-2017-0150.

Two (2) hard copies of these interrogatories have been sent to your attention.

Sincerely,

[Original signed by]

Matthew Kellway
Special Assistant to the President & Manager, Central Functions
The Society of Energy Professionals
kellwaym@thesociety.ca

copy: interested parties

INTERROGATORY QUESTIONS

EB-2017-0150 Independent Electricity System Operator (IESO)

2017 Expenditure and Revenue Requirement Application

17th August, 2017

EB-2017-0150: The Society of Energy Professionals' Interrogatory Questions

1.3 Is the IESO's Operating Costs budget of $191.4 million for Fiscal Year 2017 appropriate?

1.3 Society#1
reference: Exhibit A-2-2, Page 13, 1st table.

Budget ($ Millions)	2016	2017	2018	2019
Core Operating Expenses				
Compensation & Benefits	110.3	109.2	110.7	113.8
Professional & Consulting Fees	20.1	17.8	17.7	17.7
Operating & Administration	33.5	35.4	35.6	35.9
Amortization	17.5	18.4	19.6	19.0
Net Interest	0.7	(1.4)	(1.5)	(3.0)
Total Core Operations	182.1	179.4	182.1	183.4
Total Market Renewal Expenses	0.0	12.0	14.0	6.0
Total Expenses	182.1	191.4	196.1	189.4

a) Please explain in detail why the Net Interest expense in 2017 in this table is a credit.
b) Please explain in detail why the Net Interest expense credit increases further in 2018 and 2019.

1.4: Are the IESO's projected staffing levels, salaries, wages, benefits and compensation appropriate and reasonable?

1.4 Society#2
reference: Exhibit A-2-2, Page 7, first para.

> *(iii) Changing Demographics*
> *Challenges and risks are expected to occur at a time when the IESO could see significant changes in its work force. Over the next five years, 27 per cent of the IESO managerial staff and 12 per cent of the senior professional level staff will be eligible for retirement with unreduced pensions. Well over half of these staff are in Information and Technology Services and Market and System Operations. Recruiting, developing and retaining skilled staff will be an ongoing priority for adapting to future uncertainties.*

a) Please explain in detail the strategy the IESO will employ to successfully contend with its “ongoing priority” for adapting to future uncertainties th*e* recruiting, developing and retaining of skilled staff.
b) Please provide for each of 2014, 2015, 2016 and 2017 the annual number of staff who retired and the annual number of staff eligible to retire (for 2017 please provide July actuals and 2017 year end projected).

1.4 Society#3
reference: Exhibit B-3-1, page 2, line 14

> *As of December 31, 2016, there were 675 staff* ...

reference: Exhibit C-2-1, Attachment 4, page 1 “Appendix 2-K “

(in thousands)	2016 Actual
Number of Employees (FTEs)	
Management	109
All Non-Management	556
Total	**665**

a)Please explain the difference between the 2016 staff levels provided in the two references above.

6.1 Is the IESO's treatment of pensions and other post-employment benefits costs appropriate?

6.1 Society#4
reference: Exhibit B-4-1, Pages 2, 3.

> ***As stated in the IESO’s September 2016 submission, any difference between OPEB expenses and OPEB benefit payments in a given year has historically been an over-collection and has subsequently been applied to the IESO’s debt with any resulting decrease in interest charges benefitting Ontario’s ratepayers.*** *If the IESO is required to track interest on any over-collection at the CWIP rate with ultimate disposition in favour of the ratepayer, there would ultimately be no additional benefit for the ratepayer. Any interest charges on the over-collection paid to the IESO’s ratepayers will need to be recovered from those same ratepayers that the interest charges would be paid to as the only means the IESO has to recover the cost of its operations is through its fees. If the Board is supportive of the IESO’s proposed approach, to continue to apply any over-collection between OPEB expenses and OPEB benefit payments in a given year to the IESO’s debt, the IESO submits that the “Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges” sub-account, as specified in the Board’s Report, is not required.*

In a table, for each of 2015 actual, 2016 actual and 2017 proposed, please estimate and provide the following:

a) The over collection of OPEB benefit payments as compared to OPEB expenses.
b) The reduced interest expenses on debt if the values calculated in a) above are applied to the IESO's debt.
c) The interest expense on the values calculated in a) above if the OEB approved CWIP rates are applied.
d) The difference between the values calculated in b) and c) above.
e) The over collection of pension payments as compared to pension expenses
f) The reduced interest expenses on debt if the values calculated in e) above are applied to the IESO's debt.
g) The interest expense on the values calculated in e) above if the OEB approved CWIP rates are applied.
h) The difference between the values calculated in f) and g) above.