

1 OEB STAFF INTERROGATORY 8

2 4.0 The Deferral and Variance Account

3 4.1 Is the IESO's proposal to retain an Operating Reserve of \$10 million in the Forecast
4 Variance Deferral Account appropriate?

5 4.1 Staff – 8

6 INTERROGATORY

7 Reference: Exhibit B-1-1, p. 9 Preamble:

8 On p. 9 of Exhibit B-1-1 the IESO indicates that it continue to retain an operating reserve of \$10
9 million in 2017 in response to this potential volatility in spending driven by changes in the
10 volume of activities and the external environment.

11 Question:

12 a) Does the IESO plan to return the balance in FVDA at the time of OEB decision, or the
13 balance in the FVDA above the \$10 million in Operating Reserve at the end of 2017?

14 RESPONSE

15 a) In this application, the IESO is seeking the Board's approval to clear the 2016 year-end
16 balance in the FVDA that is in excess of the \$10 million operating reserve. The IESO will not
17 rebate any funds in the FVDA until it receives the Board's approval to do so.

18 b) The IESO realizes that the Board may choose to make the IESO's proposed 2017 usage fees
19 effective on a date after January 1, 2017. Should the proposed fees be made effective on a
20 date after January 1, 2017, the IESO would like to note that the IESO's 2017 revenues from its
21 usage fees will be negatively impacted as the current interim fees are lower than the
22 proposed 2017 usage fees. To mitigate this potential impact, the IESO believes it would be
23 reasonable to apply the \$12.5 million surplus from the 2016 year-end balance in the FVDA to
24 any resulting IESO revenue shortfall. The IESO will only use the surplus funds in the FVDA
25 to fund any IESO revenue shortfall after receiving the Board's approval to do so.

26 c) Should the Board approve use of the surplus in this manner, the IESO proposes that any
27 funds from the 2016 surplus used to fund the revenue shortfall in 2017 be customer specific.
28 For further clarity, surplus funds collected from domestic customers in 2016 would only be
29 used to fund the shortfall from domestic usage fees in 2017, and surplus funds collected

1 from export customers in 2016 would only be used to fund the shortfall from export usage
2 fees in 2017.

1 SEC INTERROGATORY 19

2 4.0 The Deferral and Variance Account

3 Issue 4.1

4 Is the IESO's proposal to retain an Operating Reserve of \$10 million in the Forecast Variance
5 Deferral Account appropriate?

6 INTERROGATORY

7 [B-2-1, p.1-2] For each year since the Forecast Variance Deferral Account, or similar operating
8 reserve account, was established for the IESO (or its processors organizations, please provide
9 details regarding how much of the reserve was actually used.

10 RESPONSE

11 Please refer to the response to Energy Probe Interrogatory 1 at Exhibit I, Tab 1.0, Schedule 5.01.

12 Post-merger (since January 1, 2015), the IESO has not used any funds in the operating reserve
13 account.

14 In 2007, the IESO had an operating loss of \$4.309 million. This resulted in a decrease to the
15 accumulated surplus from \$5 million to \$691 thousand.

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