ENERGY PROBE INTERROGATORY 2

2.1 Is the methodology used to derive the proposed IESO Usage Fees and the resulting Usage Fees of $1.2402/MWh for domestic customers and $1.0115/MWh for export customers appropriate?

EP IR #2

INTERROGATORY

Please confirm that the proposed fee increase for domestic customers is 2,4% from 2017 and explain, in detail, the reason for that increase, given that the revenue requirement is the same as 2017.

RESPONSE

The proposed fee increase for domestic customers is 1.76%. Please see the response to OEB Staff Interrogatory 1 at Exhibit I, Tab 1.1, Schedule 1.01 for the reasons for the increase with the revenue requirement remaining the same as 2017.

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ENERGY PROBE INTERROGATORY 4

2.1 *Is the methodology used to derive the proposed IESO Usage Fees and the resulting Usage Fees of $1.2402/MWh for domestic customers and $1.0115/MWh for export customers appropriate?*

EP IR #4

INTERROGATORY

Reference: Exhibit A-2-2, page 19

a) Please update the 2018 budget for the Green Ontario Fund.

b) Given that the province has closed the Green Ontario Fund website, will IESO be reimbursed from the province for any funds spent on the project?

c) What is the current state of the call centre and other operations related to the Green Ontario Fund and will IESO fee payers be on the hook for any of these costs?

RESPONSE

a) b) and c) The budget for the Green Ontario Fund work does not impact the IESO revenue requirement and is outside of the scope of this application. All of the work that the IESO is doing for the Green Ontario Fund is funded separately through a Transfer Payment Agreement with the province. The IESO will be reimbursed for all of its termination and windup costs under this agreement.

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ENERGY PROBE INTERROGATORY 10

2.1 *Is the methodology used to derive the proposed IESO Usage Fees and the resulting Usage Fees of $1.2402/MWh for domestic customers and $1.0115/MWh for export customers appropriate?*

EP IR #10

INTERROGATORY

Reference: Exhibit B, Tab 3, Schedule 1, Attachment 3, page 1

Please explain the $1.2 million overspend (actual versus budget) in the CEO Office.

RESPONSE

The $1.2 million budget variance (actual versus budget) in the CEO Office is primarily due to advisory consulting support in conducting organizational strategy and realignment and leadership review as well as higher NERC membership fees.

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ENERGY PROBE INTERROGATORY 11

2.1 *Is the methodology used to derive the proposed IESO Usage Fees and the resulting Usage Fees of $1.2402/MWh for domestic customers and $1.0115/MWh for export customers appropriate?*

EP IR #11

INTERROGATORY

Reference: Exhibit B, Tab 3, Schedule 1, Attachment 4 Form 2K lines 2 and 8

(a) Please provide a breakout of the increase in Management FTEs and increased $3.8 million payroll costs 2016-2018.
(b) Specifically identify the increases related to MRP and discuss if these Managers and costs are short term/temporary and will end with the project

RESPONSE

(a) The change from 102 management positions in 2016 to 118 positions in 2018 as shown in Form 2K isn't reflective of an increase in headcount, it reflects the impact of prior vacancies. Management salaries from 2016 – 2018 have not materially increased. Lower 2016 and 2017 actual dollars are a reflection of the vacancies described above and the timing of backfills.

(b) In the 2018 budget, there are 6 management positions related to MRP. All of the MRP management positions are temporary roles except for one, which is a regular appointment. All MRP management positions are internal appointments to the program from the core IESO management pool. At the completion of MRP, the management staff filling temporary positions are expected to return to their previous IESO positions. The one regular position in MRP will also end at the completion of MRP and the management staff filling that position will be reassigned within the core operations.

The total cost of all management staff for MRP in 2018 is $1.3 million.

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OEB STAFF INTERROGATORY 9

2.0 Usage Fees

2.1 Is the methodology used to derive the proposed IESO Usage Fees and the resulting Usage Fees of $1.2402/MWh for domestic customers and $1.0115/MWh for export customers appropriate?

Staff IR #9

INTERROGATORY

Reference: Exhibit B, Tab1, Schedule 1, Pg. 2

Preamble:

The Application states: "The domestic usage fee will be calculated using the most recent IESO 18-month forecast of withdrawals in 2018 for use in Ontario, less estimated losses, plus generation embedded in local distribution networks; which is a proxy for the Allocated Quantity of Energy Withdrawn ("AQEW"). The export usage fee will be calculated using the most recent IESO18-month forecast of exports in 2018, which is a proxy for the Scheduled Quantity of Energy Withdrawn ("SQEW"). Line losses will be split between export and domestic customers based on their proportion of the total 2018 forecast energy volumes."

Questions:

a) Please confirm that the methodology (including input assumptions and formulas) used in the Elenchus model to calculate the 2018 domestic and export usage fees are the same as those used to derive the domestic and export usage fees approved in EB-2017-0150.

    i. If applicable, please discuss the rationale for any changes to the model and provide rationale for why these changes are appropriate.

RESPONSE

a) Please see the response to OEB Staff Interrogatory 1 at Exhibit I, Tab 1.1, Schedule 1.01.

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VECC INTERROGATORY 5

VECC-5 – ISSUE 2.1

INTERROGATORY

Reference: Exhibit A-2-2, page 19

a) What is the estimate of gross revenues lost if the new proposed usage fees were implemented as of September 1, 2018 and without any retroactive adjustments?

b) Given the fact that the IESO files its application for 2018 fees at the end of April 2018 what is the rationale/support for retroactive charging of customers for the 2018 period?

RESPONSE

a) Based on the latest 2018 Q2 Forecast Demand, the estimate of gross revenues lost if the new proposed usage fees were implemented and made effective as of September 1, 2018 is $2.32 million, which would result in an operating deficit at the end of 2018.

b) The 2017 usage fees approved by the OEB were approved as interim effective January 1, 2018.

As per section 25(1) of the *Electricity Act*, the IESO shall not submit its proposed expenditure and revenue requirements for the fiscal year and the fees it proposes to charge during the fiscal year to the OEB for review until after the Minister approves the IESO's proposed business plan for the fiscal year. The Minister approved the IESO's 2018-2020 Business Plan on March 19, 2018 and the IESO filed its revenue requirement submission with the OEB on April 30, 2018. As a not-for-profit corporate entity, the IESO must fund its revenue requirement through OEB-approved usage fees collected from customers. If the 2018 proposed usage fees are not approved to be effective January 1, 2018, the usage fees for the remaining portion of the year would have to be adjusted upward accordingly, to collect the required revenues to fund IESO activities.

The IESO's proposed 2018 fees are based on the 2018 forecast demand and total annual budget and resource requirement to support delivery of its mandate and priorities for the 2018 fiscal year. Assuming demand is as forecast approval of the proposed fees effective January 1, 2018 ensures that the IESO receives the annual funding required to deliver the full scope of the mandate articulated in its business plan.

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