

1 OEB STAFF INTERROGATORY 12

2 **5.0 Commitments from Previous OEB Decisions**

3 **5.3** *Has the IESO adequately explained how the results of the Cost Allocation study are*
4 *being implemented?*

5 **Staff IR #12**

6 INTERROGATORY

7 Reference: Exhibit C, Tab 3, Schedule 1, Pg.1

8 Preamble:

9 The cost allocation study completed by BDR North America Inc. provided several findings and
10 recommendations related to the IESO's cost allocation methods. In response to these
11 recommendations, the IESO has provided a high-level description of the actions it will take to
12 address identified concerns.

13 Questions:

14 a) Please indicate how and when the IESO intends to address to following recommendations
15 provided by BDR:

16 i. Management time: That is, what process will the IESO engage to ensure time spent by
17 senior managers on non-core functions is appropriately allocated?

18 ii. Smart Metering Entity: How will the IESO address BDR's finding that the incremental
19 cost approach used by the IESO to allocate costs is not appropriate?

20 b) Based on the findings of BDR, please estimate the total amounts (i.e., a dollar value) the
21 IESO failed to charge for management and SME services.

22 i. Does the IESO intend to recoup any of the undercharged amounts? If so, what process
23 will the IESO use to recoup unbilled costs?

24 RESPONSE

25 a) The IESO received, and submitted to the OEB, BDR's Cost Allocation Study on July 16, 2018.
26 At this time, the IESO is preparing an estimate of the unallocated costs and formulating its
27 approach to implement the study's recommendations. Further details will be provided in
28 the IESO's next revenue requirement submission.

29 i. Please see the response to (a) above.

30 ii. The IESO accepts BDR's recommendations and will move to include an allocation of

- 1 supporting costs, including Human Resources, Information and Technology and
- 2 Payroll, to the Smart Metering Entity (“SME”).

- 3 b) Estimates of the unallocated costs are in progress and will be provided in the IESO’s next
- 4 revenue requirement submission.

- 5 i. The IESO intends to implement the recommendations of the Cost Allocation Study
- 6 prospectively and will not seek to recoup unbilled costs from prior years.

1 ENERGY PROBE INTERROGATORY 14

2 5.3 Has the IESO adequately explained how the results of the Cost Allocation Study are
3 being implemented?

4 **EP IR #14**

5 INTERROGATORY

6 **Reference:** Exhibit C, Tab 3, Schedule 1 Plus Attachments and BDR Report Page 4

7 Preamble: BDR believes that senior decision-makers represent a cost, and provide value to all
8 business activities, and that therefore some component of such costs are appropriately included
9 in the fully allocated costs of those activities. Such an allocation, if adopted by the IESO, could
10 reasonably be applied to Market Renewal and the SME.

- 11 a) What specifically has IESO done with this recommendation?
12 b) What Executive/management Time Allocation approach does IESO now use?
13 c) How will his change in future?

14 RESPONSE

- 15 a) and c) Please see the response to OEB Staff Interrogatory 12(a) at Exhibit I, Tab 5.3,
16 Schedule 1.12.
17 b) Executive and management time and associated costs are allocated to the business unit that
18 they support.

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ENERGY PROBE INTERROGATORY 15

2 5.3 *Has the IESO adequately explained how the results of the Cost Allocation Study are being*
3 *implemented?*

4 **EP IR #15**

5 INTERROGATORY

6 **Reference:** Exhibit C, Tab 3, Schedule 1 Plus Attachments and BDR Report Page 5

7 Preamble: As with any rate regulated service provider, the regulator has a mandate to ensure
8 that the regulated fees and charges recover only the costs of providing those services. Therefore,
9 if a regulated entity such as the IESO uses its staff, systems, assets or other resources to provide
10 other services, the fairly determined cost of providing the other services must be deducted from
11 the revenue requirement used in determining the charges for the regulated services.

12 Please provide an estimate of the amount and types of costs that would be tracked and allocated
13 relative to 2018 O&M budgets.

14 Specifically for SME and MRP how are the costs presently allocated, including non-core
15 functions and management/governance costs?

16 RESPONSE

17 Please see the response to OEB Staff Interrogatory 12(b) at Exhibit I, Tab 5.3, Schedule 1.12.

18 A detailed description of the current cost allocation for the SME and MRP can be found in the
19 Cost Allocation Study provided by BDR at Exhibit C-3-1, Attachment 1. Please refer to pages 11-
20 12 for the SME and pages 12-13 of the study for the MRP.

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VECC INTERROGATORY 13

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 2 VECC-13 – ISSUE 5.3
 3 INTERROGATORY

4 Reference: Exhibit A-3-1/page 28

- 5 a) Please provide the segment expenses in the format provide in section 12 for 2016 and the
 6 forecast amounts for 2018 and 2019 if available.
 7 b) Please list the proposed changes to SME cost allocation that the IESO intends to implement.
 8 c) Do the allocations in 2018 reflect BDR’s recommendations for full allocated cost allocations
 9 with respect to SME costs? If not why not.

10 RESPONSE

- 11 a) Please see below for the table for 2016 & 2017. This table is a part of the annual report and
 12 created at year-end each year. It is not available for 2018 and 2019.

	2017 Core Operations	2017 Other Govt Programs	2017 Smart Metering Entity	2017 Market Sanctions & Payment Adjustments	2017 Total
<i>(in thousands)</i>					
Compensation & Benefits	114,502	212	2,803	2,151	119,668
Professional & Consulting	19,516	2,445	14,209	407	36,577
Operating & Administration	34,890	39	4,641	703	40,273
Amortization	18,204		2,825		21,029
Interest	1,801		238		2,039
Less: Recoveries	(3,776)			-	3,776
Total Expenses	185,137	2,696	24,716	3,261	215,810

	2016 Core Operations	2016 Other Govt Programs	2016 Smart Metering Entity	2016 Market Sanctions & Payment Adjustments	2016 Total
<i>(in thousands)</i>					
Compensation & Benefits	107,402	-	2,661	2,180	112,243
Professional & Consulting	18,810	-	14,659	770	34,239
Operating & Administration	34,386	-	5,705	705	40,796
Amortization	19,577		3,861		23,438
Interest	1,341		540		1,881
Less: Recoveries	(3,848)			-	3,848
Total Expenses	177,668	-	27,426	3,655	208,749

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Exhibit I
Tab 5.3
Schedule 10.13 VECC 13
Page 2 of 2

- 1 b) Please see the response to OEB Staff Interrogatory 12(a) at Exhibit I, Tab 5.3, Schedule 1.12.
- 2 c) Please see the response to OEB Staff Interrogatory 12(a) and (b)(i).

1 VECC INTERROGATORY 14

2 VECC-14 – ISSUE 5.3

3 INTERROGATORY

4 Reference: Exhibit C-3-1 Attachment 1/section 3.3.2

- 5 a) Please explain how the executive/senior management time for non-core and core functions
6 is being allocated post the BDR study.
- 7 b) Please list the executive/senior managers (by position) which do not allocate costs to the
8 various core IESO functions and non-core IESO activities.
- 9 c) Please provide the sum dollar amount of executive/senior management costs in 2017 that
10 were allocated to core and non-core IESO functions.

11 RESPONSE

12 a) Please see the response to OEB Staff Interrogatory 12(a) at Exhibit I, Tab 5.3, Schedule 1.12.

13 b) All executives charge their time to various core functions that they support. They are:

- 14 • Peter Gregg, President and CEO
- 15 • Barbara Anderson, Vice-President and Chief Financial Officer
- 16 • Alex Foord, Vice-President, Information and Technology Services and Chief Information
17 Officer
- 18 • Mike Lyle, Vice-President, General Counsel and Corporate Secretary
- 19 • Terry Young, Vice-President Policy, Engagement and Innovation
- 20 • Leonard Kula, Vice-President, Planning, Acquisition and Operations, and Chief
21 Operating Officer
- 22 • Marcia Mendes-d'Abreu, Vice-President, Human Resources

23 Please see the response to OEB Staff Interrogatory 12(a).

24 c) Please see Exhibit B-3-1, Attachment 4.

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