

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. While the cost estimates are still in progress the impact to
5 the IESO will be less than the materiality threshold for the IESO of \$0.95 million (\$190.8M *
6 0.5%¹).
- 7 i. The IESO intends to implement the recommendations of the Cost Allocation Study
8 prospectively and will not seek to recoup unbilled costs from prior years.

¹ Based on the OEB’s Filing Requirements For Electricity Distribution Rate Applications, 2016 Edition for 2017 Rate Applications , Chapter 2, July 14, 2016