

OEB STAFF CLARIFICATION QUESTION 1

Clarification 1-Staff-1

CLARIFICATION

a. 1-Staff-7

The IESO provided a table that shows a breakdown of the pension and OPEB amounts by year (including a separation of OM&A and capital), for 2021 Budget, 2021 Actual, and 2022 Budget.

OEB staff has generated OEB Staff Table 4 which summarizes the total pension and OPEB amounts reflected in the revenue requirements, as well as the percentage changes. OEB Staff

Table 4 – Summary of Pension and OPEB amounts reflected in the Revenue Requirements

	2021 Budget	2021 Actual	2022 Budget	2021 Actual vs 2021 Budget	2022 Budget vs 2021 Actual	2022 Budget vs 2021 Budget		2021 Actual vs 2021 Budget	2022 Budget vs 2021 Actual	2022 Budget vs 2021 Budget
	\$000's							%		
Total OM&A Pension and OPEB amounts in revenue requirements	20,741	20,335	16,665	(406)	(3,670)	(4,076)		-2.0%	-18.0%	-19.7%
Total Capital Pension and OPEB amounts in revenue requirements	2,412	3,083	2,155	671	(928)	(257)		27.8%	-30.1%	-10.7%
Total Pension and OPEB amounts included in revenue requirements	23,153	23,418	18,820	265	(4,598)	(4,333)		1.1%	-19.6%	-18.7%

Questions:

a) Please confirm whether the IESO is in agreement with OEB staff's calculations and values shown in OEB Staff Table 4.

b) If this is not the case, please explain, and update OEB Staff Table 4, as required.

RESPONSE

a) The IESO is in agreement with the calculations; however, minor rounding variances exist due to presentation in thousands of dollars. Table 1 below includes the correct values for the pension and OPEB amounts included in the revenue requirement.

1 **Table 1: Summary of Pension and OPEB Amounts**

				2021 Actual vs 2021 Budget	2022 Budget vs 2021 Actual	2022 Budget vs 2021 Budget
(\$000's)	2021 Budget	2021 Actual	2022 Budget			
Total OM&A Pension and OPEB amounts in revenue requirements	20,741	20,335	16,664	(406)	(3,670)	(4,076)
Total Capital Pension and OPEB amounts in revenue requirements	2,412	3,082	2,154	670	(928)	(258)
Total Pension and OPEB amounts included in revenue requirements	23,153	23,417	18,818	264	(4,598)	(4,335)

2 b) See response to a).

OEB STAFF CLARIFICATION QUESTION 2

Clarification 4-Staff-2

CLARIFICATION

a. 4-Staff-18

Preamble: OEB staff 18 requested that the IESO provide a table that demonstrates total actual and budgeted MRP operating and capital spending to-date. The IESO's response appears to demonstrate actuals against the total MRP budget. I.e., the response shows total expenditures to-date against the MRP's total project cost of \$177.7 million.

Questions:

- a) Please update the table to demonstrate actual operating and capital spending to date against the equivalent budget. That is, demonstrate total operating and capital spending as of June 30, 2022 against the expenditures the IESO anticipated incurring up-to June 30, 2022.

RESPONSE

- a) See Table 1 below for the actual operating and capital expenses for MRP as of March 31, 2022, the most recent month for which up-to-date data is available.

Table 1: MRP Operating and Capital Expenses vs Budget

(\$ millions)	As of March 31, 2022	
	Actual	Budget
Operating Expenses		
Compensation & Benefits	13.7	13.7
Professional & Consulting	6.4	6.9
Operating & Administration	1.0	1.0
Total Operating Expenses	21.1	21.6
Capital Expenses		
Compensation & Benefits	32.2	33.8
Professional & Consulting	6.9	10.3
Operating & Administration	28.4	32.6
Interest	1.1	1.6
Contingency	-	3.5
Total Capital Expenses	68.6	81.8
Total MRP Expenses	89.7	103.4

OEB STAFF CLARIFICATION QUESTION 3

Clarification 5-Staff-3

INTERROGATORY

- a. Exhibit D / Tab 1/ Schedule 3 / Attachment 3 / p. 7 (Mercer Compensation Study)
b. 1-Staff-7

Preamble:

The table "Exhibit 2 – Pension and Savings Program (%) Comparison" in the Mercer Compensation Study shows the IESO's pension value for each employee group considering employer-provided value. This table is based on the employer contributions as a percentage of salary.

The table 1 "Breakdown of Pension and OPEB Amounts" in the response to 1-Staff-7 shows, amongst other items, the pension and OPEB amounts included in the 2022 Budget revenue requirement. These amounts are computed by the IESO's actuary and include components such as the employer's current service cost.

Questions:

- a) Please confirm that the amounts reflected in the Mercer Compensation Study to calculate the 50th percentile positioning are driven by the level of employer contributions for pension and OPEB, and are different than the amounts reflected in the revenue requirements, which are determined by the IESO's actuary. If this is not the case, please explain.
- b) Please discuss the extent to which the amounts the IESO has recovered, or proposes to recover in the revenue requirement for pension and OPEB, were used in the Mercer Compensation Study to calculate the 50th percentile positioning. If this is not the case, please explain.

RESPONSE

- a) This is confirmed. The total remuneration reflected in the Mercer Compensation Study to calculate the 50th percentile positioning are determined by Mercer's study methodology using the IESO's actual remuneration practices and amounts as inputs, including pension and OPEB. Mercer's methodology allows for the comparison of different remuneration structures across different companies. The same methodology and assumptions are used to calculate the pension values for all companies in the benchmark in order to ensure consistent treatment across different entities and comparability of total remuneration. Mercer's study methodology is consistent between the 2018 and 2022 total remuneration reports prepared for the IESO and also used for all other clients, including studies completed for other utilities organizations. The amounts reflected in

1 the study are different than the amounts reflected in the revenue requirement, which
2 are determined by the IESO's actuary.

3 b) The amounts the IESO has recovered, or proposes to recover in the revenue
4 requirement for pension and OPEB were used in the Mercer compensation study to
5 calculate the 50th percentile positioning. See response to a).

SEC, EDA CLARIFICATION QUESTIONS

CLARIFICATION

Questions:

a) In the last proceeding the budget for MRP was 177.7 million, including contingency. Is the IESO still forecasting to be within the 177.7 envelope, even considering the delay that was identified in evidence?

b) Reference: 4.1 SEC 16 Attachment 4 (MRP Schedule Report)

In the MRP Schedule Report there is a Baseline Schedule BL-4 and a Baseline Forecast BL-4. What is the difference between these two things?

c) How should the Minister's approved Business Plan be linked to the forthcoming MRP schedule changes?

RESPONSE

a) Per the response to Schedule 2 – 4.0 AMPCO 10, the current forecast MRP budget is \$177.7 million, and per the response to Schedule 1 – 4.1 OEB STAFF 19 cii, the 2022 budget remains unchanged. Also as identified in Schedule 1 – 4.1 OEB STAFF 19, the IESO is currently working with vendors and stakeholders to translate detailed design to rules, manuals and system requirements and through this process we are compiling the information necessary to more accurately build out an updated timeline. As a part of the schedule review exercise the IESO is undertaking, the IESO will also evaluate any changes to the total MRP budget.

b) The baseline schedule is the current schedule and the IESO compares actual progress against that schedule (the green column). The schedule forecast represents a planning exercise to determine potential schedule changes that would be required to meet the baseline schedule. As seen in the column comparing actuals to the schedule forecast, the IESO's actuals are still below this schedule, which is why the IESO has identified in response to IRs that the IESO is compiling the information necessary to more accurately build out an updated timeline.

c) In the Minister's February 3, 2022 letter, the Minister approved the IESO's Consolidated Business Plan and budget for 2022. Per the IESO's response to Schedule 1 – 4.1 OEB STAFF 19 cii, the 2022 MRP budget remains unchanged. Any changes to the MRP schedule or budget would be a part of future business plans which would go to the Minister for approval.

EP, ED and REASCWA CLARIFICATION QUESTIONS

CLARIFICATION

Questions:

- a) Can IESO provide historic and current Pension Contribution Ratios (PCR) for Management, Society and Union employees. The PCR is the ratio of Employee to Employer Contributions. Data from 2017-2022 will assist in understanding the Comments from Mercer in their report.
- b) For the Corporate Relations, Stakeholder Engagement, and Innovation Business Unit – provide a breakdown by sub-group of the increase of 6 FTEs from 2021 Actual to 2022 Budget.
- For the Corporate Services Business Unit – provide a breakdown by sub-group of the increase of 7 FTEs from 2021 Actual to 2022 Budget and a description of what those FTEs will be working on.
- For the Planning, Conservation and Resource Adequacy Business Unit – provide a breakdown by sub-group of the 12 FTEs from 2021 Actual to 2022 Budget.

RESPONSE

- a) The IESO responded to Schedule 7 – 1.2 EP 7 with the employee and employer contribution ratios for 2019 to 2021. The IESO's actuary does not break the contribution down by jurisdiction (Society, PWU, and non-represented), and this information is not readily available and cannot be provided within the timelines of the settlement conference. The IESO has updated the data provided for EP-7 to include 2017 and 2018.

Table 1: Cost Sharing Ratio per Pension Valuation

	2021	2020	2019	2018	2017
Employer contribution ratio	1.0	1.0	1.0	1.0	1.0
Employee contribution ratio	0.8	0.8	0.7	0.7	0.6

- b) Per the response to Schedule 2 – 1.2 AMPCO 4, the IESO has provided the following breakdowns for incremental FTEs between 2021 Actual and 2022 Budget across sub-groups within the identified Business Units, and a description of the work of the sub-groups. For a full listing of Business Units and sub-groups with associated OM&A budgets, see Exhibit D-1-1 Attachment 3 - OM&A Business Unit Table (Appendix 2-JC).

Table 2: Corporate Relations, Stakeholder Engagement, and Innovation (6 Total Incremental FTE)

Sub-Group	FTEs	Description of Work
VP Office	1	Responsible for executive oversight of the Business Unit and associated support staff.
Corporate Affairs	3	Responsible for stakeholder and community engagement, government affairs, communications, and indigenous relations.
Innovation, Research and Development	2	The group is responsible for facilitating innovation and sector evolution by supporting, leading, or participating in initiatives that will increase the reliability or cost-effectiveness of the electricity system through its Innovation Roadmap, including supporting innovation through the Grid Innovation Fund

Table 3: Corporate Services (7 Total Incremental FTE)

Sub-Group	FTEs	Description of Work
Corporate Finance	2	Manages and is responsible for asset stewardship, controls and transaction processing; supports decision making and strategy development through leading budgeting and business planning, providing timely and quality analysis and special purpose reports (e.g., Board of Directors, Province of Ontario); manages and is responsible for the IESO's overall treasury related activities (liquidity, debt), the external insurance risk programs, the IESO markets' credit risk framework, and the IESO pension plan's investments. The activities carried out by the Corporate Finance relate to ensuring appropriate controls exist and are implemented to validate the IESO's management of public funds.
Settlements	2	Oversees and reconciles funds from the electricity market by collecting funds from buyers; transferring funds to sellers; collecting transmission tariffs; as well as settling the transmission rights market.
Enterprise Change	2	A project management office leading and supporting change initiatives impacting business units and liaising with other business units on capital programs and business planning.

Facilities	1	Manages the operation and maintenance of IESO's owned and rented facilities.
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Table 4: Planning, Conservation and Resource Adequacy (12 Total Incremental FTE)

Sub-Group	FTEs	Description of Work
Resource Planning	1	Developing integrated power system plans to meet the projected electricity service requirements for Ontario customers at both the regional and provincial levels.
Transmission Planning	1	Regional integrated planning, bulk transmission planning, associated community and stakeholder outreaches and providing support to procurements undertaken by the IESO through performing assessments and testing of connections availability.
Resource & System Adequacy	10	Develops a resource adequacy framework with mechanisms to procure capacity in three distinct time frames: short, medium and long term. This group is responsible for the development and procurement of resources required to ensure the adequacy of the electricity system, this includes Capacity Development & Integration, Capacity Auction & Ancillary Services, Resource Acquisition and Transmission & Supply Acquisition.