AMPCO INTERROGATORY 10

Issue 4.1 – Is the IESO's proposal for a proposed Operating Reserve of $30 million in the Forecast Variance Deferral Account (FVDA) appropriate?

INTERROGATORY

Reference:

- Exhibit F-1-1, page 3

Preamble:

Question(s):

With respect to Table 40, please explain the Surplus/Deficit amounts in each year.

RESPONSE

The surplus or deficit amount each year is calculated as shown in Table 1 below.

Table 1: Actual (2022-2025) and Budget (2026-2028) FVDA Surplus/Deficit

($ Millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Budget	2027 Budget	2028 Budget
IESO Fee Revenue	207.4	213.4	230.1	245.4	309.9	338.3	345.6
IESO Fee - Reserve Restoration	-	-	-	-	18.9	18.9	18.8
Net Expense	(192.4)	(218.2)	(233.9)	(286.2)	(309.9)	(338.3)	(345.6)
Surplus/(Deficit)	**15.0**	**(4.8)**	**(3.8)**	**(40.8)**	**18.9**	**18.9**	**18.8**

Refer to the following exhibits for an explanation of the expense variance drivers for 2023-2025:

- Exhibit D-1-1 – Operations, Maintenance and Administrative Overview, pages 2-3
- Exhibit D-1-2 – OM&A Business Unit Detail

- Exhibit D-1-3 – Staffing and Compensation, pages 1-5

OEB STAFF INTERROGATORY 1

Issue 4.1 – Is the IESO's proposal for a proposed Operating Reserve of $30 million in the Forecast Variance Deferral Account (FVDA) appropriate?

4-OEB Staff-1

INTERROGATORY

Reference:

- Exhibit F-1-1

Preamble:

The OEB approved an increase in the IESO's operating reserve to $10 million in the Decision and Order for the IESO's 2019 Revenue Requirement proceeding (EB-2019 0002). This $10 million operating reserve level has been maintained for the years 2020 2026.

The IESO is proposing an operating reserve of $30 million for the 2026-2028 period.

Question(s):

a) It is noted that the current operating reserve of $10 million represents approximately 4.4%-5.3% of the annual OEB-approved revenue requirement for the period 2019-2026. The IESO's proposed $30 million operating reserve is about 9% of the proposed 2026 revenue requirement. Please elaborate further on this increase in operating reserve. Why is $30 million considered appropriate?

b) The IESO also proposed that if the operating reserve balance reaches above $35 million during the 2026-2028 cycle, it will refund the surplus over $30 million following the publication of its Annual Report on March 31.

   Under the above proposal, please confirm that the actual maximum operating reserve amount that can be retained by the IESO is $35 million.

c) Based on the updated "Detailed Financials" table in response to 1-Staff-3, does the IESO propose any adjustments to the operating reserve restoration amounts for 2026, 2027 and 2028?

RESPONSE

a) The current $10 million operating reserve is insufficient to manage the financial impacts of unplanned or uncertain events over a three-year period. The proposed $30 million operating reserve is approximately three per cent of the IESO's total revenue requirement over the three-year planning period. The restoration of the operating reserve has been phased in the business plan to smooth ratepayer impacts over the three-year planning period and the IESO does not anticipate $30 million in operating reserve until the end of 2028. See Exhibit B-1-2 – 2026-2028 Business Plan, pages 15-16, for more information.

b) No. The IESO has proposed a $30 million operating reserve and does not anticipate $30 million in operating reserve until the end of 2028, see response a). However, for completeness, the IESO has proposed a $5 million materiality threshold such that the IESO's FVDA balance would have to exceed $35 million before rebating a surplus in the IESO's FVDA in the intervening years before the IESO's next revenue requirement application. The IESO's expectation is that this scenario is unlikely.

c) As noted in 1-OEB Staff-3, the IESO is unable to provide an updated "Details Financial" chart. Based on the answer provided in part a) above, the IESO continues to propose that a $30 million operating reserve is appropriate for a three-year planning cycle.

ENERGY PROBE INTERROGATORY 15

Issue 4.1 – Is the IESO's proposal for a proposed Operating Reserve of $30 million in the Forecast Variance Deferral Account (FVDA) appropriate?

4.1-EP-15

INTERROGATORY

Reference:

- Exhibit F-1-1, Page 2

Preamble:

As set out in the IESO's 2026–2028 Business Plan, the IESO proposed, and the Minister approved, an operating reserve of $30 million for the 2026–2028 period.

Questions:

a) Why was the $30 million selected instead of some other amount such as $20 million or $40 million?
b) Please file any calculations that support the $30 million amount.
c) Since the Minister already approved the increase in the operating reserve to $30 million is the IESO's position that the OEB has no choice but to approve it?

RESPONSE

a) See response to 4-OEB Staff-1 part a).

b) See response to 4-OEB Staff-1 part a).

c) The IESO's application reflects the Minister-approved Business Plan, including the proposed increase to the operating reserve. Consistent with its statutory role, the IESO expects that the OEB will review the application and determine whether the proposed revenue requirement (including the operating reserve) should be approved or referred back to the IESO for further consideration with its recommendations.