RE: IESO - Follow up question

From: Kim Marshall <kim.marshall@ieso.ca>
To: Umar Saeed <usaeed@psabcanada.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Cc: Michael Puskaric <mpuskaric@psabcanada.ca>
Date: Fri, 01 Dec 2017 08:24:58 -0500

Umar, here are responses to your question. Just so you know, I received input from OPG on these. Please feel free to bring up any other questions you have.

Would it be the IESO or would it be OPG that would ultimately go to the Ontario Energy Board to recover these costs?

As per the legislation, OPG as the Financial Services Manager, provides the clean energy adjustment recoverable for a specific period to the OEB who establishes the rate for specified consumers.

If it is the IESO, my understanding is the OFHPA creates the deferral and variance account that enables the IESO to recover costs from future rates. If it is OPG, would they already have a deferral and variance account to house these costs until it is recovered? Or does the legislation apply to OPG as well?

The IESO has the original right to recover from future rates. This creates the regulatory asset, like the fair hydro predecessor – RPP . The IESO previously held the RPP variance (differences of Time of use rates versus actual costs) and provided the balance semi-annually to the OEB to support a rate setting process that permitted inclusion of the variance in future rates of RPP consumers.

Parts of the legislation do apply to OPG. For OFHP, the IESO's right to recover the regulatory asset and any obligations will be transferred to the financing entity (Fair Hydro Trust). Once OPG sets up the Fair Hydro Trust and purchases this asset from the IESO, OPG will consolidate the asset in its financial statements.

Finally, when it comes time to recover those costs, would it go through the OEB prudence review or is that not necessary as a result of the OFHPA legislation?

The OFHPA legislation covers the OEB oversight. The OEB shall set rates (cents/kwh) at which specified consumers are to be invoiced based on the clean energy adjustment, forecast electricity consumption of specified consumers, and costs/fees charged by the Financial Services Manager (OPG). The Act specifies the types of costs and fees the Financial Services Manager can recover. If the OEB disagrees with a cost/fee that the Financial Services Manager has submitted, it can refuse to approve them as described in the legislation.

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From: Umar Saeed [mailto:usaeed@psabcanada.ca]
Sent: November 28, 2017 11:12 AM
To: Cindy.Veinot@ontario.ca; Kim Marshall
Cc: Michael Puskaric
Subject: IESO - Follow up question

Dear Kim and Cindy,

We wanted to thank you again for your time the other day. I am going through my notes and I had a few questions for clarification.
I suspect these will be fairly straightforward for you to answer, but I also want to be respectful of your time and if they are too complicated – please let me know.

Would it be the IESO or would it be OPG that would ultimately go to the Ontario Energy Board to recover these costs?
If it is the IESO, my understanding is the OFHPA creates the deferral and variance account that enables the IESO to recover costs from future rates. If it is OPG, would they already have a deferral and variance account to house these costs until it is recovered? Or does the legislation apply to OPG as well?
Finally, when it comes time to recover those costs, would it go through the OEB prudence review or is that not necessary as a result of the OFHPA legislation?

I want to ensure I am understanding the process for recovering costs through future rates and the role of the OEB, OFHPA accurately.
I know this is a busy time for both of you and your help is very much appreciated.

Sincerely,
Umar

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