

SETTLEMENT PROPOSAL
Independent Electricity System Operator
2017 Submission for Review

October 3, 2017

TABLE OF CONTENTS

<u>Issue</u>	<u>Description</u>	<u>Page</u>
	Preamble	5
	Overview	8
	The Issues	8
1.0	Revenue Requirement, Operating Costs and Capital Spending	8
1.1	Is the IESO's Fiscal Year 2017 net revenue requirement of \$190.8 million appropriate?	8
1.2	Is the IESO's Registration & Application Fees revenue forecast of \$0.6 million for Fiscal Year 2017 appropriate?	9
1.3	Is the IESO's Operating Costs budget of \$191.4 million for Fiscal Year 2017 appropriate?	10
1.4	Are the IESO's projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate and reasonable?	10
1.5	Is the IESO's Capital Expenditure budget for Fiscal Year 2017 appropriate?	11
1.6	Are the IESO's forecast 2017 operational costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?	12
2.0	Usage Fees	13
2.1	Is the allocation of energy volumes and costs between domestic and export markets reasonable?	13

<u>Issue</u>	<u>Description</u>	<u>Page</u>
2.2	Is the methodology used to derive the proposed IESO Usage Fees and the resulting Fees of \$1.2187/MWh for domestic customers and \$0.9872/MWh for export customers appropriate?	13
2.3	Is the proposed January 1, 2017 effective date for the Usage Fees appropriate?	13
3.0	Registration and Application Fees	14
3.1	Are the registration fees of up to \$10,000 per proposal for electricity supply and capacity procurements, including conservation and load management procurements, appropriate?	14
3.2	Are the non-refundable application fees for standard offer programs, such as the Feed-in Tariff ("FIT") program of \$0.50/kW of proposed Contract Capacity, having a minimum of \$500 and a maximum of \$5,000, appropriate?	14
3.3	Is the \$1,000 application fee for market participation appropriate?	15
4.0	The Deferral and Variance Account	15
4.1	Is the IESO's proposal to retain an Operating Reserve of \$10 million in the Forecast Variance Deferral Account appropriate?	15
4.2	Is the IESO's proposal to clear 2016 Year-End balance in the Forecast Variance Deferral Account that are in excess of the \$10 million operating reserve appropriate?	16
4.3	Is the IESO's proposal to retain, in proportionate quantities, up to \$5 million above the proposed 2017 revenue requirement received from each of the two customer classes, to be used to fund Market Renewal Program costs that occur in 2018 appropriate?	16

<u>Issue</u>	<u>Description</u>	<u>Page</u>
4.4	Should the IESO establish a separate Market Renewal Program Deferral Account?	17
5.0	Commitments from Previous OEB Decisions	17
5.1	Is the IESO's proposed Regulatory Scorecard appropriate?	17
5.2	Are the four Standard Financial Reporting Forms appropriate? Appendix 2-AA (Capital Projects) Appendix 2-JB (Operations and Administration Cost Drivers) Appendix 2-JC (Operations and Administration Programs) Appendix 2-K (Employee Costs)	17
5.3	Are the IESO's costs and savings to implement the Ontario Government Greenhouse Gas Cap-and-Trade Initiative and any new or changing requirements arising from Bill 135 appropriate?	18
5.4	Is the IESO's rationale as to why benchmarking is not possible or appropriate acceptable?	19
6.0	Pensions and Other Post-Employment Benefits (OPEBs) Costs	20
6.1	Is the IESO's treatment of pensions and other post-employment benefits costs appropriate?	20

PREAMBLE

This Settlement Proposal is filed with the Ontario Energy Board (the "OEB" or the ("Board")) in connection with the Submission by the Independent Electricity System Operator ("IESO") for the review of its proposed expenditure and revenue requirements for the fiscal year 2017 and the fees that it proposes to charge during the fiscal year 2017. A decision by the Board approving fees on an interim basis, effective January 1, 2017, was issued on December 29, 2016.

In Procedural Order No. 2, dated July 17, 2017, the Board established the process to address the Submission for Review, up to and including a Settlement Conference and associated activities.

In accordance with Procedural Order No. 2, a Settlement Conference was held on September 14 and 15, 2017. Jennifer Webster acted as facilitator for the Settlement Conference. This Settlement Proposal arises from the Settlement Conference.

The IESO and the following intervenors, as well as Ontario Energy Board technical staff ("OEB Staff"), participated in the Settlement Conference:

- Association of Major Power Consumers in Ontario ("AMPCO")
- Building Owners and Managers Association Toronto ("BOMA")
- Canadian Manufacturers & Exporters ("CME")
- Energy Probe Research Foundation ("Energy Probe")
- Environmental Defense
- HQ Energy Marketing Inc. ("HQEM")
- Ontario Sustainable Energy Association ("OSEA")
- Power Workers' Union ("PWU")
- School Energy Coalition ("SEC")
- The Society of Energy Professionals ("Society")
- Vulnerable Energy Consumers Coalition ("VECC")

The Settlement Proposal deals with all of the relief sought in this proceeding. As set out in more detail below, a full settlement has been reached on all issues except for the following two issues:

4.4 Should the IESO establish a separate Market Renewal Program Deferral Account?

and

5.1 Is the IESO's proposed Regulatory Scorecard appropriate?

The IESO and all intervenors listed above have agreed to the settlement described on the following pages, with the exception of Environmental Defence, the PWU, and the Society, which take no position on the settled issues and do not oppose the proposed settlement. Any reference to “Parties” in this Settlement Proposal is intended to refer to the IESO and the intervenors listed above except for Environmental Defence, the PWU and the Society.

All intervenors listed above participated in the Settlement Conference and subsequent discussions. OEB Staff is not a party to the Settlement Proposal. Although it is not a party to the Settlement Proposal, once the Settlement Proposal is filed, OEB Staff will file a submission commenting on two aspects of the settlement: whether the settlement represents an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale is adequate to support the settlement. Also, as noted in the OEB’s Practice Direction on Settlement Conferences, OEB Staff who participated in the Settlement Conference are bound by the same confidentiality and privilege rules that apply to the Parties to the proceeding.

This document is called a “Settlement Proposal” because it is a proposal by the Parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the Parties and the Board. However, as between the Parties, and subject only to the Board’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth below, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the Board in its entirety, then unless amended by the Parties, it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the *Ontario Energy Board Act, 1998*, the Board has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Best efforts have been made to identify all of the evidence that relates to each settled issue. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3, Schedule 1 is referred to as B-3-1. The identification and listing of the evidence that relates to each settled issue is provided to assist the Board.

The Settlement Proposal describes the agreements reached on the issues. The Settlement Proposal provides a direct link between each settled issue and the supporting evidence

in the record to date. In this regard, the Parties are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings agreeing with the proposed resolution of the settled issues. In the event that the Board does not accept the proposed settlement of any issue, then subject to the Parties' agreement on non-severability set out in the final paragraph below, further evidence may be required on the issue for the Board to consider it fully.

None of the Parties can withdraw from the Settlement Proposal except in accordance with Rule 30 of the Board's Rules of Practice and Procedure. Further, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions Parties might take with respect to the same issue in future proceedings.

The Parties acknowledge that this Settlement Conference (including subsequent related discussions) is confidential in accordance with the Board's Practice Direction on Settlement Conferences. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the Board's Practice Direction on Confidential Filings, and the rules of that latter document do not apply. Instead, in this Settlement Conference, and in this Settlement Proposal, the Parties have interpreted "confidential" to mean that the documents and other information provided during the course of the Settlement Conference, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement – or not – of each issue during the Settlement Conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal. Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. However, the Parties agree that "attendees" is deemed to include, in this context, persons who were not physically in attendance at the Settlement Conference but were a) any persons or entities that the Parties engage to assist them with the Settlement Conference, and b) any persons or entities from whom they seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions.

It is fundamental to the agreement of the Parties that none of the provisions of this Settlement Proposal are severable. If the Board does not, prior to the commencement of the hearing of the evidence in this proceeding, accept the provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the Parties agree that any portion of the Settlement Proposal that the Board does accept may continue as a valid Settlement Proposal).

OVERVIEW

The Parties have reached a package settlement of issues in this proceeding (the "Package Settlement"). The Package Settlement does not include certain issues (the "Unsettled Issue(s)"), specifically, Issues 4.4 and 5.1 in the Board-approved Issues List that is attached as Schedule A to Procedural Order No. 2. The agreed upon scope of the Unsettled Issues 4.4 and 5.1 are discussed under those issues in this Settlement Proposal.

Given the IESO's agreement to these settlement terms, the Package Settlement includes acceptance of the IESO's proposals in respect of all issues other than the Unsettled Issues. The Unsettled Issues remain to be determined by the Board.

On the Unsettled Issues, no agreement has been reached on whether to proceed by way of oral or written hearing. Parties have agreed to file written submissions on this with the Board by Thursday, October 5, 2017.

THE ISSUES

1.0 Revenue Requirement, Operating Costs and Capital Spending

1.1 Is the IESO's Fiscal Year 2017 net revenue requirement of \$190.8 million appropriate?

With the adjustment made to the Operating Reserve under Issue 4.1 to account for an updated forecast for 2017 MRP costs of \$8.0 million compared to the 2017 MRP operational budget of \$12.0 million, parties agree that the IESO's Fiscal Year 2017 net revenue requirement of \$190.8 million is appropriate.

The IESO has also agreed to conduct a corporate cost allocation study on the charges associated with staff and services the IESO provides to third parties, such as the Ontario Climate Change Solutions Deployment Corporation (“OCCSCD”) and the Smart Metering Entity. The IESO will file this corporate cost allocation study with its next Revenue Requirement Submission.

Evidence:

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister’s Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit A-3-1-2016 Annual Report

Exhibit B-1-1-2017 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2017 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Exhibit B-3-1-2016 Year End Financial, Surplus and Staffing

Exhibit C-2-1-Development of Four Standard Financial Reporting Forms

Attachment 2 - Appendix 2-JB (O&A Cost Drivers)

Attachment 3 - Appendix 2-JC (O&A Programs)

Interrogatories:

Exhibit I, Tab 1.0, BOMA 2.01 to 2.03 and 2.19

Exhibit I, Tab 1.0, CME 3.08

Exhibit I, Tab 1.0, ENERGY PROBE 5.01

Exhibit I, Tab 1.0, VECC 9.06, 9.10, 9.13 to 9.15, 9.18, 9.21, 9.22, 9.24 to 9.26

Exhibit I, Tab 1.1, BOMA 2.04, 2.05, 2.08, 2.09, 2.14, 2.17, 2.18, 2.20, 2.36, 2.39 and 2.40

Exhibit I, Tab 1.1, SEC 7.01 to 7.07

Exhibit I-Tab 1.1, AMPCO 10.1 to 10.5

1.2 Is the IESO's Registration & Application Fees revenue forecast of \$0.6 million for Fiscal Year 2017 appropriate?

As part of the Package Settlement, the Parties accept that the IESO’s revenue forecast of \$0.6 million for registration fees in fiscal year 2017 is appropriate.

Evidence:

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit B-2-1-2017 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Interrogatories:

Exhibit I, Tab 1.2, AMPCO 10.06

1.3 Is the IESO's Operating Costs budget of \$191.4 million for Fiscal Year 2017 appropriate?

As part of the Package Settlement, and subject to the settlement terms agreed to by the IESO set out under Issue 4.1, the Parties accept that the IESO's operating costs budget of \$191.4 million for fiscal year 2017 is appropriate.

Evidence:

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-1-1-2017 Revenue Requirement and Usage Fee Methodology

Exhibit B-3-1-2016 Year End Financial, Surplus and Staffing

Exhibit C-2-1-Development of Four Standard Financial Reporting Forms

Attachment 2 - Appendix 2-JB (O&A Cost Drivers)

Interrogatories:

Exhibit I, Tab 1.3, OEB STAFF 1.01

Exhibit I, Tab 1.3, BOMA 2.14, 2.37 and 2.38

Exhibit I, Tab 1.3, ENERGY PROBE 5.02, 5.03 and 5.23

Exhibit I, Tab 1.3, SEC 7.08 to 7.12

Exhibit I, Tab 1.3, SOCIETY 8.01

Exhibit I, Tab 1.3, VECC 9.04, 9.08 and 9.09

Exhibit I, Tab 1.3, AMPCO 10.07

Exhibit I, Tab 1.3, OSEA 11.01

1.4 Are the IESO's projected staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) appropriate and reasonable?

As part of the Package Settlement, the Parties accept that the IESO's projected 2017 staffing levels and compensation (including salaries, benefits, pensions and other post-employment benefits) are appropriate. As detailed in Issue 5.4, IESO has agreed to undertake a third-party total compensation benchmarking study for both its represented and non-represented employees.

Evidence:

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit A-3-1-2016 Annual Report

Exhibit B-1-1-2017 Revenue Requirement and Usage Fee Methodology

Exhibit B-3-1-2016 Year End Financial, Surplus and Staffing

Exhibit C-2-1-Development of Four Standard Financial Reporting Forms

Attachment 3 - Appendix 2-JC (O&A Programs)

Attachment 4 - Appendix 2-K (Employee Costs)

Exhibit C-3-1-IESO Costs and Savings to Implementing Ontario Government Greenhouse Gas Cap-and-Trade Initiative

Interrogatories:

Exhibit I, Tab 1.4, OEB STAFF 1.02 to 1.04

Exhibit I, Tab 1.4, CME 3.02, 3.07

Exhibit I, Tab 1.4, ENERGY PROBE 5.04 to 5.06, 5.11

Exhibit I, Tab 1.4, PWU 6.01

Exhibit I, Tab 1.4, SEC 7.13, 7.16

Exhibit I, Tab 1.4, SOCIETY 8.02, 8.03

Exhibit I, Tab 1.4, VECC 9.11

Exhibit I, Tab 1.4, AMPCO 10.08, 10.09

1.5 Is the IESO's capital expenditure budget for Fiscal Year 2016 appropriate?

As part of the Package Settlement, the Parties accept that the IESO's capital expenditure budget for fiscal year 2017 is appropriate.

Evidence:

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit A-3-1-2016 Annual Report

Exhibit B-1-1-2017 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2017 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Exhibit C-2-1-Development of Four Standard Financial Reporting Forms

Attachment 1 - Appendix 2-AA (Capital Projects)

Attachment 2 - Appendix 2-JB (O&A Cost Drivers)

Interrogatories:

Exhibit I, Tab 1.5, OEB STAFF 1.05

Exhibit I, Tab 1.5, BOMA 2.15

Exhibit I, Tab 1.5, CME 3.03 to 3.06

Exhibit I, Tab 1.5, ENERGY PROBE 5.10

Exhibit I, Tab 1.5, SEC 7.17 and 7.18

Exhibit I, Tab 1.5, VECC 9.12

Exhibit I, Tab 1.5, AMPCO 10.10 and 10.11

Exhibit I, Tab 1.5, OEB STAFF 1.06

Exhibit I, Tab 1.5, BOMA 2.07, 2.32, 2.35, 2.42 and 2.45

1.6 Are the IESO's forecast 2017 operational costs for the Market Renewal Program appropriate in the context of the scope and timing of the overall project?

The updated forecast for 2017 MRP costs is \$8.0 million, a reduction of \$4.0 million as compared to the 2017 MRP operational budget of \$12.0 million. As part of the Package Settlement, and subject to the settlement terms agreed to by the IESO set out under Issue 4.1, the Operating Reserve amount has been reduced from \$10 million to \$6.0 million to reflect this update. With the offsetting reduction in the Operating Reserve to account for the updated 2017 MRP forecast, the Parties accept that the IESO's forecast 2017 operational costs for the Market Renewal Program budget for fiscal year 2017 are appropriate.

Evidence:

Exhibit A-1-1-Submission

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit A-3-1-2016 Annual Report

Exhibit B-1-1-2017 Revenue Requirement and Usage Fee Methodology

Exhibit B-2-1-2017 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Exhibit B-3-1-2016 Year End Financial, Surplus and Staffing

Interrogatories:

Exhibit I, Tab 1.6, CME 3.01

Exhibit I, Tab 1.6, ENERGY PROBE 5.07 to 5.09, 5.24, and 5.26 to 5.29

Exhibit I, Tab 1.6, PWU 6.02 to 6.04

Exhibit I, Tab 1.6, SEC 7.14 and 7.15

Exhibit I, Tab 1.6, VECC 9.01 and 9.07

Exhibit I, Tab 1.6, AMPCO 10.12 to 10.23

Exhibit I, Tab 1.6, OSEA 11.02 to 11.03

2.0 Usage Fees

2.1 Is the allocation of energy volumes and costs between domestic and export markets reasonable?

As part of the Package Settlement, the Parties accept that the allocation of energy volumes and costs between domestic and export markets are reasonable.

Evidence:

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-1-1-2017 Revenue Requirement and Usage Fee Methodology

Interrogatories:

Exhibit I, Tab 2.0, ENERGY PROBE 5.12 and 5.13

Exhibit I, Tab 2.0, VECC 9.03, 9.17, 9.19 and 9.20

Exhibit I, Tab 2.1, OEB STAFF 1.07

2.2 Is the methodology used to derive the proposed IESO Usage Fees and the resulting Fees of \$1.2187/MWh for domestic customers and \$0.9872/MWh for export customers appropriate?

As part of the Package Settlement, the Parties accept that the methodology used to derive the proposed IESO Usage Fees and the resulting Fees of \$1.2187/MWh for domestic customers and \$0.9872/MWh for export customers are appropriate.

Evidence:

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-1-1-2017 Revenue Requirement and Usage Fee Methodology

Interrogatories:

Exhibit I, Tab 2.2, BOMA 2.31

2.3 Is the proposed January 1, 2017 effective date for the Usage Fees appropriate?

As part of the Package Settlement, the Parties accept that the proposed January 1, 2017 effective date for the Usage Fees is appropriate.

Evidence:

Exhibit B-1-1-2017 Revenue Requirement and Usage Fee Methodology

Interrogatories: NA

3.0 Registration and Application Fees

3.1 Are the registration fees of up to \$10,000 per proposal for electricity supply and capacity procurements, including conservation and load management procurements, appropriate?

As part of the Package Settlement, the Parties accept that the registration fees of up to \$10,000 per proposal for electricity supply and capacity procurements, including conservation and load management procurements, are appropriate.

Evidence:

Exhibit A-1-1-Submission

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-2-1-2017 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Interrogatories:

Exhibit I, Tab 3.0, VECC 9.02 and 9.16

Exhibit I, Tab 3.0, OSEA 11.04Exhibit I, Tab 3.1, BOMA 2.30

3.2 Are the non-refundable application fees for standard offer programs, such as the Feed-in Tariff ("FIT") program of \$0.50/kW of proposed Contract Capacity, having a minimum of \$500 and a maximum of \$5,000, appropriate?

As part of the Package Settlement, the Parties accept that the non-refundable application fees for standard offer programs, such as the FIT program of \$0.50/kW of proposed Contract Capacity, having a minimum of \$500 and a maximum of \$5,000, are appropriate.

Evidence:

Exhibit A-1-1-Submission

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-2-1-2017 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Interrogatories: NA

3.3 Is the \$1,000 application fee for market participation appropriate?

As part of the Package Settlement, the Parties accept that the \$1,000 application fee for market participation is appropriate.

Evidence:

Exhibit A-1-1-Submission

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-2-1-2017 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Interrogatories: NA

4.0 The Deferral and Variance Account

4.1 Is the IESO's proposal to retain an Operating Reserve of \$10 million in the Forecast Variance Deferral Account appropriate?

On October 3, 2017 the IESO filed updated evidence showing an updated forecast for 2017 MRP costs of \$8.0 million, a reduction of \$4.0 million as compared to the 2017 MRP operational budget of \$12.0 million. Parties have agreed to account for this reduction by reducing the amount of the operating reserve to \$6.0 million from \$10 million and have agreed that the IESO will refund this \$4.0 million after receiving Board approval of this Settlement Package.

As part of the Package Settlement, the Parties accept that the IESO shall retain an Operating Reserve of \$6.0 million in the Forecast Variance Deferral Account.

Evidence:

Exhibit A-1-1-Submission

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-2-1-2017 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Interrogatories:

Exhibit I, Tab 4.0, VECC 9.23

Exhibit I, Tab 4.1, OEB STAFF 1.08

Exhibit I, Tab 4.1, SEC 7.19

4.2 Is the IESO's proposal to clear 2016 Year-End balance in the Forecast Variance Deferral Account that are in excess of the \$10 million operating reserve appropriate?

As part of the Package Settlement, the Parties accept the IESO shall retain \$6.0 million in the Operating Reserve for the reasons discussed under Issue 4.1 above, and that the IESO's proposal to clear 2016 Year-End balance in the Forecast Variance Deferral Account that are in excess of the revised \$6.0 million operating reserve is appropriate.

Evidence:

Exhibit A-1-1-Submission

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-2-1-2017 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Exhibit B-3-1-2016 Year End Financial, Surplus and Staffing

Interrogatories:

Exhibit I, Tab 4.2, OEB STAFF 1.09

Exhibit I, Tab 4.2, AMPCO 10.24

4.3 Is the IESO's proposal to retain, in proportionate quantities, up to \$5.0 million above the proposed 2017 revenue requirement received from each of the two customer classes, to be used to fund Market Renewal Program costs that occur in 2018 appropriate?

As part of the Package Settlement, the Parties agree that the IESO will not retain, in proportionate quantities, up to \$5.0 million above the proposed 2017 revenue requirement received from each of the two customer classes, to be used to fund Market Renewal Program costs that occur in 2018 as originally proposed.

Evidence:

Exhibit A-1-1-Submission

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-2-1-2017 Registration and Application Fees, the Forecast Variance Deferral Account and Capital Expenses

Exhibit B-3-1-2016 Year End Financial, Surplus and Staffing

Interrogatories:

Exhibit I, Tab 4.3, OEB STAFF 1.10

Exhibit I, Tab 4.3, CME 3.09

Exhibit I, Tab 4.3, ENERGY PROBE 5.14, 5.15 and 5.25

4.4 Should the IESO establish a separate Market Renewal Program Deferral Account?

The Parties have not agreed upon Issue 4.4. This is an Unsettled Issue and no agreement has been reached on whether to proceed by way of oral or written hearing. Parties have agreed to file written submissions on this with the Board by Thursday, October 5, 2017.

The Parties also note that while the issue refers to the establishment of a deferral account, the disputed issue is about the creation of a specific variance account related to the Market Renewal Program.

The Parties also agree the scope of this contested issue includes not just the establishment of the account, but also, i) any related changes to the approved Forecast Deferral Variance Account that may be required as a result of the creation of a separate Market Renewal Program Deferral Account, ii) any additional reporting requirement the IESO should be required to undertake regarding the Market Renewal Program.

5.0 Commitments from Previous OEB Decisions

5.1 Is the IESO's proposed Regulatory Scorecard appropriate?

The Parties, and Environmental Defence, have not agreed upon Issue 5.1. This is an Unsettled Issue and no agreement has been reached on whether to proceed by way of oral or written hearing. Parties have agreed to file written submissions on this with the Board by Thursday, October 5, 2017.

The Parties, and Environmental Defence, also agree the scope of the Unsettled Issue includes whether there are any studies or other further analysis that the IESO should be required to undertake in relation to or as part of a Regulatory Scorecard. The agreement on the scope of this issue should not be construed as the Parties agreeing that the IESO should be required to undertake any studies or other further analysis, just that the question should be considered during the hearing of the Unsettled Issue.

5.2 Are the four Standard Financial Reporting Forms appropriate?

- Appendix 2-AA (Capital Projects)

- Appendix 2-JB (Operations and Administration Cost Drivers)

- Appendix 2-JC (Operations and Administration Programs)

- Appendix 2-K (Employee Costs)

Parties have agreed that in future Revenue Requirement Submissions, the IESO will file these forms modified as described below:

- a) Appendix 2-AA will be in the format filed in this Revenue Requirement Submission as shown in Attachment 1.
- b) Appendix 2-JB will include opening and closing balances allowing parties to see year-over-year variances as shown in Attachment 2.
- c) Appendix 2-JC will be formatted in the same manner as the table provided in response to VECC Interrogatory 26 at Exhibit I, Tab 1.0, Schedule 9.26 and which is shown in Attachment 3.
- d) Appendix 2-K will be formatted in the same manner as the table provided in response to AMPCO Interrogatory 27 at Exhibit I, Tab 5.2, Schedule 10.27 and which is shown in Attachment 4.

As part of the Package Settlement and with the modifications to the Standard Financial Reporting Forms described above, Parties accept that the four Standard Financial Reporting Forms are appropriate.

Evidence:

Exhibit C-2-1-Development of Four Standard Financial Reporting Forms

Attachment 1 - Appendix 2-AA (Capital Projects)

Attachment 2 - Appendix 2-JB (O&A Cost Drivers)

Attachment 3 - Appendix 2-JC (O&A Programs)

Attachment 4 - Appendix 2-K (Employee Costs)

Interrogatories:

Exhibit I, Tab 5.2, AMPCO 10.26 and 10.27

5.3 Are the IESO's costs and savings to implement the Ontario Government Greenhouse Gas Cap-and-Trade Initiative and any new or changing requirements arising from Bill 135 appropriate?

The Parties take no specific position on the appropriateness of the IESO's cost and savings to implement Ontario Government Greenhouse Gas Cap-and-Trade Initiative and any new or changing requirements arising from Bill 135. Those costs are subsumed within Issues 1.0 and 1.3, which have been settled. As part of the Package Settlement, the Parties do accept that the IESO has appropriately reported on the cost and savings to implement the Ontario Government Greenhouse Gas Cap-and-Trade Initiative and

any new or changing requirements arising from Bill 135, as required to do by the approved Settlement Proposal in EB-2015-0175.

Evidence:

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-1-1-2017 Revenue Requirement and Usage Fee Methodology

Exhibit C-3-1-IESO Costs and Savings to Implementing Ontario Government Greenhouse Gas Cap-and-Trade Initiative

Interrogatories:

Exhibit I, Tab 5.3, BOMA 2.10 to 2.13, 2.33 and 2.34

Exhibit I, Tab 5.3, ENERGY PROBE 5.22

Exhibit I, Tab 5.3, PWU 6.05

Exhibit I, Tab 5.3, VECC 9.05

Exhibit I, Tab 5.3, AMPCO 10.28 and 10.29

Exhibit I, Tab 5.3, OSEA 11.05

5.4 Is the IESO's rationale as to why benchmarking is not possible or appropriate acceptable?

As part of the Package Settlement, the Parties accept that the IESO's rationale for why it is not possible or appropriate to undertake a comprehensive overall benchmarking study is acceptable. The IESO has agreed to conduct a total compensation study, including all components of compensation and benefits, for its represented and non-represented staff, excluding the IESO executives. IESO executives are excluded from the study as the IESO is already conducting an executive compensation benchmarking study as part of the development of its Executive Compensation Framework in accordance with the Broader Public Sector Executive Compensation Framework regulation (O. Reg. 304/16) which came into force in 2016 for implementation in 2017. The IESO will hire a third-party consultant to undertake the study of represented and non-represented staff in 2018 to ensure that the most recent market data is used and will file the study in its 2019 Revenue Requirement Submission.

Evidence:

Exhibit C-2-1-Development of Four Standard Financial Reporting Forms

Attachment 3 - Appendix 2-JC (O&A Programs)

Exhibit C-4-1-Cost Benchmarking

Exhibit C-5-1-Conservation Information Provided to Intervenors

Interrogatories:

Exhibit I, Tab 5.4, OEB STAFF 1.12

Exhibit I, Tab 5.4, BOMA 2.41 and 2.43

Exhibit I, Tab 5.4, ENERGY PROBE 5.19 and 5.20

6.0 Pensions and Other Post-Employment Benefits (OPEBs) Costs

6.1 Is the IESO's treatment of pensions and other post-employment benefits costs appropriate?

As part of the Package Settlement, the Parties accept that the IESO's treatment of pensions and other post-employment benefits costs is appropriate.

Evidence:

Exhibit A-2-2-2017-2019 Business Plan – February 1, 2017

Exhibit A-2-3-Minister's Letter Approving the 2017-2019 Business Plan – March 21, 2017

Exhibit B-4-1-Other Variance Accounts - Pensions and Other Post-Employment Benefits (OPEBs)

Interrogatories:

Exhibit I, Tab 6.0, BOMA 2.44

Exhibit I, Tab 6.1, OEB STAFF 1.13 to 1.16

Exhibit I, Tab 6.1, ENERGY PROBE 5.21

Exhibit I, Tab 6.1, SOCIETY 8.04

Attachment 1

Appendix 2-AA Capital Projects Table

Appendix 2-AA				
Capital Projects Table (Note 1)				
Change Initiatives/Projects (in millions)	2016 Actual	2017 Plan	2018 Plan	2019 Plan
Energy Management System (EMS) Refresh	2.8	-	-	-
Capacity Auction & DR Auction	3.0	-	-	-
NERC CIP Projects	5.0	-	-	-
Outage Management System Replacement	1.2	-	-	-
Identity Access Management	-	2.1	-	-
Operations Readiness Initiatives	0.5	2.5	3.0	-
Market Information System (MIS) Refresh	1.9	2.0	1.7	-
Infrastructure refresh (building services, software licenses & computer hardware)	0.5	2.5	2.5	2.3
Enterprise Cyber Security Management Refresh	-	2.0	-	-
Conservation Demand Management Information System (CDM IS)	0.4	1.0	0.4	1.0
Corporate Website including consolidation and enhancement to Save-on-Energy	1.6	1.5	1.0	1.5
CRS Replacement & Migration	-	1.0	2.0	2.0
Financial Systems Upgrade	1.4	1.0	1.5	1.0
MACD Enforcement Support Tool and related projects	-	1.0	0.5	1.0
FIT, microFIT and other upgrades	-	1.0	0.7	0.4
Oracle Archetype Expansion and Oracle batch	-	1.0	1.0	-
Wallboard Refresh	-	1.0	-	-
System Logging and Analysis Upgrade Qradar	-	-	2.0	-
Tier 1 Storage Refresh	-	-	-	2.0
ETP Refresh	-	-	-	1.0
Total Capital Projects (\$1M and above)	18.4	19.6	16.3	12.2
Other Capital Projects	5.4	5.4	8.7	11.0
Market Renewal	-	-	20.0	40.0
Total Capital Projects	23.8	25.0	45.0	63.2
Note 1: 2017-2019 Plan replicates the IESO 2017-2019 Business Plan, see Exhibit A-2-2				

Attachment 2

Appendix 2-JB Cost Drivers Table

Example Appendix 2-JB for 2018 (values are for illustrative purposes only)

(in thousands)	2017 Actual	2018 Test Year
Previous Year Actual	181,581	190,556
Compensation & Benefits	7000	3500
Professional & Consulting Fees	4000	-100
Operating & Administration	1700	200
Amortization	-1500	1200
Interest	-2225	-100
Total Actual/Application Year Budget	190,556	191,364

2018 Budget

(in thousands)	2018 Test Year
Previous Year Actual	181,581
Compensation & Benefits	7976
Professional & Consulting Fees	4119
Operating & Administration	1618
Amortization	-1227
Interest	-2703
Application Year Budget	191,364

Attachment 3 Appendix 2-JC Programs Table

Business unit/Department	2016 Actual (\$M)	2017 Budget (\$M)	2018 Budget (\$M)
CEO	7.3	7.3	7.3
CEO Office	5.9	5.7	5.7
Internal Audit	1.4	1.6	1.6
Market & System Operations	32.0	33.0	32.8
VP Office	1.6	1.7	1.7
System Performance	5.5	-	-
Reliability Assessments	3.0	-	-
Connections & Registration	3.0	-	-
Operational Effectiveness	3.9	-	-
System Operations	11.4	-	-
Market Forecasts & Integration	2.4	-	-
Operations Change Initiatives	1.1	-	-
Market Operations	-	15.9	15.1
Power System Assessments	-	8.6	9.0
Operations Integration	-	6.9	7.1
Market & Resource Development	18.2	20.0	20.6
VP Office	13.1	14.0	14.5
Contract Management	2.2	3.4	3.4
Resource Development & Strategy	1.2	2.1	2.1
Markets	1.7	0.6	0.6
Conservation & Corporate Relations	16.6	17.6	18.6
VP Office	12.9	13.6	14.6
Conservation Performance	0.9	1.0	1.0
Alliance & Marketing	0.4	0.4	0.6
Program & Partner Services	0.4	0.2	0.3
Stakeholder & Public Affairs	2.0	2.2	2.0
Information & Technology Services	46.3	45.8	46.1
VP Office	1.3	1.0	1.0
Organizational & Governance Support	13.0	12.9	13.0
Business Solutions	14.8	14.7	14.8
Technology Services	17.2	17.3	17.4
Planning, Legal, Indigenous Relations & Regulatory Affairs	14.5	16.2	16.3
VP Office	10.2	11.0	11.1
Corporate Counsel	1.5	2.1	2.1
Board	0.7	0.7	0.7
Regulatory Affairs	1.6	1.4	1.4
First Nations & Metis Relations	0.4	0.5	0.5
Resource Integration	0.1	0.2	0.2
Transmission Integration	0.1	0.2	0.2
Corporate Services	16.8	16.4	16.8
VP Office & Corporate Controller	4.0	3.6	4.0
Financial Planning & Analysis	1.3	1.5	1.6
Treasury Operations	1.7	1.8	1.8
Human Resources	4.7	3.9	3.9
Settlements	5.2	5.5	5.5
Market Assessments & Compliance Division	3.0	3.8	3.9
Market Renewal	-	12.0	14.0
Corporate Adjustment	26.9	19.3	19.7
Total	181.6	191.4	196.1

Attachment 4

Appendix 2-K Employee Costs Table

(in \$ millions)	2016 Actual	2017 Budget
Number of Employees (FTEs)		
Executive	7	7
Management	102	110
Non-Management Regular	524	577
Non-Management Temporary	32	18
Total	665	712
Total Salary and Wages		
Executive and Board	3.0	3.3
Management	15.8	18.1
Non-Management Regular	56.6	65.8
Non-Management Temporary	3.5	1.7
Total	78.9	89.8
Total Benefits		
Executive	0.9	0.8
Management	6.9	5.9
Non-Management Regular	22.1	20.6
Non-Management Temporary	0.7	0.4
Total	30.6	27.6
Total Compensation (Salary, Wages & benefits)		
Executive and Board	3.9	4.0
Management	22.7	24.0
Non-Management Regular	78.7	87.4
Non-Management Temporary	4.2	2.0
Total	109.5	117.5