

**Board Staff Interrogatories
2009 Expenditures & Revenue Requirements Submission
Ontario Power Authority
EB-2008-0312**

General (Organizational Resources)

Issue 5.2

Are organizational resources adequate, appropriately managed and suitably allocated amongst the various OPA functions and work groups?

Board Staff question 1

Reference

Exhibit A/Tab 5/Schedule1/page 20

Exhibit A/Tab 5/Schedule1/page 24

Preamble

The OPA states in its 2007 Annual Report at A-5-1 page 24 that it has a \$975 million Line of Credit with the Province of Ontario. It also states in this report at A-5-1 page 20 that it holds various short term investments and it earns interest on these investments.

Questions

- Why are no operating costs (e.g. interest costs) shown for the use of this Line of Credit in the OPA's 2007 Annual Report or in the OPA's Revenue Requirements Submission?

- Does Asset Backed Commercial Paper make up any part of the OPA's short term (or any other) investments? If so, what are the details of the exposure and what impact, if any, does this have on the OPA's interest projections?

Issue 5.2

Are organizational resources adequate, appropriately managed and suitably allocated amongst the various OPA functions and work groups?

Board Staff question 2

References

Exhibit B/Tab 1/Schedule1/page 1

Exhibit B/Tab 2/Schedule1/pages 1 and 2

Exhibit B/Tab 3/Schedule1/page 1

Exhibit B/Tab 4/Schedule1/page 1

Exhibit B/Tab 5/Schedule1/pages 1 and 2

Exhibit D/Tab 2/Schedule1/page 4 Table 3

Preamble

The OPA's 2009 Work Program for its four main functional areas (Power System Planning, Conservation, Resource Procurement and Contract Management and Market/Technology Development) and its Corporate Support function is noted in the pre-filed evidence at B-1-1 page 1, B-2-1 pages 1 and 2, B-3-1 page 1, B-4-1 page 1 and B-5-1 pages 1 and 2 and the resource mix allocated to these activities is shown at D-2-1 page 4 Table 3.

Questions

- What comparisons with other similar organizations has the OPA conducted to assure itself that its operating costs are reasonable?

Issue 5.2

Are organizational resources adequate, appropriately managed and suitably allocated amongst the various OPA functions and work groups?

Board Staff question 3

Reference

Exhibit D/Tab 2/Schedule1/page 2 Table 1, page 3 Table 2

Preamble

The OPA states in its pre-filed evidence that it has changed its approach in its budgeting process. It states that the overhead costs associated with the other Strategic Objectives have now been re allocated to the Corporate Support Objective. In the 2006, 2007 and 2008 fiscal years the OPA previously allocated much of these overhead costs with its associated primary activity.

Question

Please provide revenue requirement information (actual spending as at December 31) for the OPA's five business units for fiscal years 2006, 2007 2008 in the same format as the 2009 budget is presented.

Issue 5.2

Are organizational resources adequate, appropriately managed and suitably allocated amongst the various OPA functions and work groups?

Board Staff question 4

Reference

Exhibit A/Tab 5/Schedule1/page 28

Preamble

Executive compensation for the 2007 fiscal year is shown at page 28 of the OPA's 2007 Annual Report. As is indicated in the Compensation Table, all five individuals on the executive team received 100% of their performance incentive.

Questions

- Does the OPA agree that in most performance management systems, goals are set at a level such that all members of a group do not normally achieve 100% attainment?
- Is the OPA now attempting to implement a performance management system that employs more of a "stretch goal" approach and if not why not?

Issue 6.4

Workforce Hiring Practices

Has the OPA responded appropriately to the expectation of the Board Panel in respect of workforce hiring practices as stated on page 11 of the Decision and Order of the EB-2007-0791 proceeding?

Board Staff Question 5

Reference

Exhibit D/Tab 2/Schedule 1/pages 5-7

Preamble

The OPA states in its pre-filed evidence at pages 5-7 of D-2-1 that the 2009 employee staff level is projected to be 182.4 regular FTEs plus 11.3 temporary FTEs (total of 194), which is up from the 2008 budgeted staff level of 161.4 regular FTEs plus 23 temporary FTEs (total of 184), due mainly to an increased requirement for additional Power System Planning, Human Resource, Business Services and Communications personnel.

Question

- If additional (compared to those available during 2008) OPA resources are unavoidably needed in 2009, could they not be provided by temporary employees or contractors until there is more certainty in the electricity and the energy environment?

General (Usage Fee and Deferral/Variance Account)

Issue 6.1

Is the proposed usage fee reasonable and appropriate?

Board Staff question 6

Reference

Exhibit D/Tab 2/Schedule1/pages 14 and 15

Preamble

The OPA states at D-2-1 pages 14 and 15 that it is proposing a volumetric usage fee that will be collected as part of the Wholesale Market Service Charge and this fee is based on a projected IESO load forecast of 144.7 TWh.

Questions

- Please provide any information that you are aware of from other agencies comparable to the OPA regarding raising funds to meet their operating requirements.
- Please provide information on any other options (other than a fee based on energy usage) that were considered by the OPA to provide cost recovery for its operating requirements.

Issue 6.2

Is the proposed disposition of variance and deferral accounts reasonable and appropriate?

Board Staff question 7

Reference

Exhibit D/Tab 1/Schedule1/page 1

Preamble

The OPA states at D-1-1 page 1 that it is proposing to recover for the 2009 fiscal year the accumulated balance in the Government Procurement Cost Deferral Account and approximately a third of the accumulated balances in the various Retailer Contract Settlement Deferral Accounts.

Question

- Please provide information on any other options (e.g. recovery over a shorter or longer period) that were considered by the OPA for handling the disposition of its deferral and variance accounts, and why they were rejected.

Power System Planning

Issue 1.1

Is the Operating Budget of \$5.79 million allocated to Strategic Objective # 1 (Power System Planning) reasonable and appropriate?

Board Staff question 8

Reference

Exhibit B/Tab 1/Schedule1/page 4
IPSP Pre file C-11-1 pages 129 and 130

Preamble

The OPA states at B-1-1 page 4 that it intends to purchase a new Energy Production and Cost Forecasting Model simulation package in 2009. The OPA has used its existing PROSYM and PSM Portfolio Screening Model packages for its work on the first IPSP (IPSP Pre file C-11-1 pages 129 and 130).

Questions

- Please indicate the deficiencies that the OPA has identified with the existing PROSYM and PSM Energy Production models and what additional features that the OPA is seeking with the new Energy Production simulation package.
- Please provide information on the estimated cost of the new Energy Production simulation package that the OPA is proposing.

Conservation

Issue 2.1

Is the Operating Budget of \$5.7 million allocated to Strategic Objective # 2 (Conservation) reasonable and appropriate?

Board Staff question 9

Reference

Exhibit B/Tab 2/Schedule1/page 15 Table 3
IPSP Pre file D-4-1 Attach 4 pages 2, 3, 8 and 9 Tables 3, 4, 10 and 11

Preamble

The Long Term conservation work plan as stated in the IPSP pre filed evidence (Reference noted above) states that the OPA plans to deliver a stream of conservation programs with an annual cost of approximately \$300M - \$400M and that these programs would consist of 150MW - 300MW of annual peak demand reduction and 1TWh – 2TWh of annual energy savings.

Questions

- Please provide information to illustrate that the resources that the OPA has assembled (B-2-1 page 15 Table 3) to carry out its conservation program are comparable (on a program equivalence basis) with those of other similar agencies (for example in New York, Vermont or California).

Supply Procurement and Contract Management

Issue 3.1

Is the Operating Budget of \$7.73 million allocated to Strategic Objective # 3 (Supply Procurement and Contract Management) reasonable and appropriate?

Board Staff question 10

Reference

Exhibit B/Tab 3/Schedule1/page 1

Preamble

The OPA states at B-3-1 page 1 that in 2009 the Procurement and Contract Management Group will procure needed resources, manage contracts with successful proponents and provide settlement for parties who have achieved commercial operation.

Question

- Please provide information to support the contention that it is necessary for the OPA to carry out the day to day contract management and settlement function in-house rather than out-source this activity.

Barriers to Resource Development

Issue 4.1

Is the Operating Budget of \$1.03 million allocated to Strategic Objective # 4 (Barriers to Resource Development) reasonable and appropriate?

Board Staff question 11

Reference

Exhibit B/Tab 4/Schedule1/pages 3 and 4

Preamble

The OPA states at B-4-1 pages 3 and 4 that it will work with stakeholders and attempt to address the impact of an increasing Global Adjustment Mechanism (GAM).

Question

- Please provide information on how the OPA will develop solutions to deal with an increasing GAM and describe the work plan and resource requirement that the OPA is proposing to put forward for this activity?

Market/Technology Development

Issue 4.2

Is it appropriate for two government agencies to both be involved in market development activities?

Board Staff question 12

Reference

Exhibit B/Tab 4/Schedule1/pages 3 and 4

Preamble

The OPA states at B-4-1 pages 3 and 4 that its plans for Market Development are to facilitate the trading of Heat Rate contracts, research the operation of forward markets in other jurisdictions and examine the role of Customer Entitlement Agents

Question

- Please provide information to on why it is efficient and effective for both the OPA and the IESO to be carrying out concurrent market development activities and describe other “more streamlined alternatives” that could be utilized to deal with market development in the province.