

**ONTARIO POWER AUTHORITY
2010 REVENUE REQUIREMENT SUBMISSION
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EB-2009-0347

ONTARIO ENERGY BOARD

IN THE MATTER OF sections 25.20 and 25.21 of the *Electricity Act, 1998*;

AND IN THE MATTER OF a Submission by the Ontario Power Authority to the Ontario Energy Board for the review of its proposed expenditure and revenue requirement for the year 2010.

SUBMISSION FOR REVIEW

1. Pursuant to section 25.22 of the *Electricity Act, 1998* (the “Act”), by letter dated October 1, 2009 the OPA submitted its Business Plan to the Minister of Energy and Infrastructure (the “Minister”). In the Business Plan the OPA set its operating budget for 2010 at \$65.127 million, which is approximately level with its Ontario Energy Board (“OEB”) approved budget for 2009. A number of adjustments result in a requested revenue requirement of \$76.027 million. The Business Plan for the fiscal year 2010 is deemed approved pursuant to section 25.22 (3) of the Act.
2. The OPA hereby submits to the (“OEB”) its proposed 2010 expenditure and revenue requirement for review and approval pursuant to subsection 25.21(1) of the Act.
3. The OPA proposes to charge a usage fee of \$0.551/MWh. The OPA is seeking interim approval of this usage fee effective January 1, 2010, if a final Board Order in this proceeding has not yet been issued by that date.
4. The OPA proposes to continue to charge registration fees of \$10,000 per proposal for electricity supply and capacity procurements. The OPA also proposes to charge non-refundable application fees for the Feed-in-Tariff (“FIT”) program of \$0.50/kWh of proposed Contract Capacity, having a minimum of \$500 and to a maximum of \$5,000. The forecast revenues associated with collection of these registration fees in 2010 is \$375,000.

5. Pursuant to subsection 25.21(2) of the Act, the OPA is seeking the following approvals from the OEB:

- approval of the usage fee and the registration fees described above, or such further or other fees as the OEB may deem appropriate;
- if necessary, interim approval of the usage fee described above, or such further or other interim orders as the OEB may deem appropriate;
- approval of a net revenue requirement comprised of the proposed 2010 operating budget of \$65.127 million and a number of adjustments that result in a net amount of \$76.027 million;
- approval of proposed 2010 capital expenditures of \$1.8 million;
- approval of its proposal to recover through fees the balances of the Government Procurement Costs Deferral Account and the 2009 Forecast Variance Deferral Account;
- approval to continue to recover the balance of Retailer Settlement Deferral Accounts over three years;
- approval of establishment of the 2010 Retailer Contract Settlement Deferral Account, of the 2010 Retailer Discount Settlement Deferral Account, of the 2010 Government Procurement Costs Deferral Account and of the 2010 Forecast Variance Deferral Account, and approval or continuation of such further or other deferral accounts as the OEB may deem appropriate; and
- all necessary orders and directions, pursuant to the *Ontario Energy Board Act, 1998* and the OEB's Rules of Practice and Procedure, as may be necessary in relation to this submission, and execution of the approvals requested in the Business Plan.

6. The OPA proposes the following title for this proceeding: Ontario Power Authority Fiscal 2010 Expenditure and Revenue Requirement Submission for Review ("2010 Revenue Requirement Submission" or "Submission").

7. The OPA proposes that the OEB review of the Submission proceed by way of a written hearing.

8. The OPA may amend its pre-filed evidence from time to time, prior to and during the course of the OEB proceeding. Furthermore, the OPA may seek to have additional

meetings with Board Staff and intervenors in order to identify and address any further issues arising from this submission, with a view to an early settlement and disposition of this proceeding.

9. The OPA requests that a copy of all documents filed with the OEB by each party to this proceeding, be served on the OPA and the OPA's counsel in this proceeding as follows:

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DATED at Toronto, Ontario, this 9th of November, 2009.

ONTARIO POWER AUTHORITY



by its counsel in this proceeding
Fred D. Cass

2010-2012 **Business Plan**

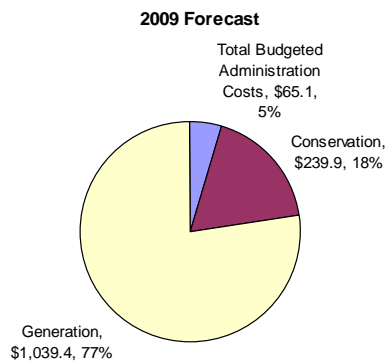
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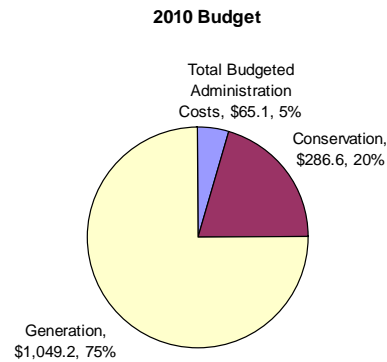
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Highlights of the 2010-2012 Business Plan

In the 2010-2012 business planning period, the Ontario Power Authority (OPA) will continue its efforts to ensure the reliability, sustainability and cost-effectiveness of the province's electricity system for the benefit of Ontario's consumers.



Total spending = \$1,344.4M



Total spending = \$1,400.9M

OPA administration costs remain flat year-over-year at \$65.1 million, despite a significant change in activity needed to implement initiatives related to the Green Energy Act.

The most significant initiatives planned for the 2010-2012 period are:

- managing and optimizing the Feed-in Tariff (FIT) Program and its associated initiatives to encourage the development of renewable energy in Ontario
- participating in regulatory processes and policy development to support the implementation of the *Green Energy and Green Economy Act* (Green Energy Act)
- developing provincial and community integrated plans and electricity service options for remote communities
- integrating conservation into planning Ontario's electricity system by identifying cost-effective potential; anticipating contributions from codes, standards and smart meters; and supporting program implementation
- providing appropriate, sufficient and effective support to facilitate local distribution companies in meeting their conservation targets, and developing funding, support and training resources for all partners to help build the skills and capacity of market participants to deliver conservation

- implementing an energy-efficiency program for directly connected industrial electricity users that will drive lasting improvements in energy use
- establishing and tracking progress against meaningful indicators of a conservation culture, and continuing to track and report progress on meeting Ontario's electricity conservation goals
- contracting for a potential of 11,800 MW of electricity generation resources, through the FIT Program as well as through competitive and bilateral opportunities
- reducing barriers and facilitating involvement in renewable energy projects for households, community groups, municipalities and First Nation and Métis communities
- implementing strategies to improve productivity and develop a culture and structure that drives the achievement of organizational goals
- delivering enhanced community relations to meet communities' needs to be more informed about electricity matters
- doubling the megawatts under contract to more than 23,000 MW and tripling investment in the sector to \$44 billion by 2012.

Message from the Chief Executive Officer

I am pleased to present the Ontario Power Authority's (OPA) business plan for 2010 to 2012.

The environment in which we operate has changed considerably since the OPA developed its first three-year business plan a year ago. The global economic crisis has resulted in a much tighter credit environment for those looking to invest in Ontario's electricity sector, both in conservation and generation. Environmental issues, particularly the need to respond to the climate-change challenge, have sharpened the focus on how the province plans its electricity system.

Of particular significance, government policy has placed a much higher priority on renewable energy and conservation through the introduction of the *Green Energy and Green Economy Act*. The Feed-in Tariff (FIT) Program, a key element of the Act, is the primary vehicle to increase the amount of and participation in renewable energy in Ontario. Aside from encouraging billions of dollars of investment in Ontario's electricity sector, this push for more renewable energy is enabling us to eliminate coal from our supply mix – North America's single largest climate-change initiative. In fact, Ontario is the only jurisdiction in the world to be getting out of coal entirely. Also with the Act, responsibilities for conservation have been redistributed, with local distribution companies (LDCs) taking on a greater role in helping to achieve our aggressive 6,300-megawatt conservation target – once again leading North America in our joint ambition.

These changes have had a profound effect on our operations. The FIT Program shifts the bulk of our procurement activity away from being driven by discrete requests for proposals to more of a focus on standard offer contracting. We have expanded our efforts to engage with First Nation and Métis communities, focusing on building capability and facilitating involvement in potential generation and transmission projects. In addition, we are helping households, community groups and municipalities to participate more than ever in Ontario's electricity sector.

The Power Authority's operations are also increasing in complexity. This is reflected in the significant increase in the number and value of electricity contracts we manage, as well as in the move to a more dynamic, scenario-based planning approach. The OPA continues to have a role in emerging issues, but the issues themselves are more complex – smart grid, carbon mitigation, bioenergy, to name a few.

To assist us in navigating this changing environment, earlier this year we re-examined and restated the Power Authority's vision, mission and guiding principles. These can be found beginning on page 7. In taking a fresh look at these fundamental statements, we incorporated some concepts important to us as an organization – partnership, adaptability, looking forward. In our guiding principles, we included some important themes that we identified as imperative to the OPA – transparency, accountability, collaboration and flexibility.

The Power Authority's role in the electricity sector has evolved into that of facilitator, collaborator and enabler. This could be seen earlier this year in the increased levels of consultation and collaboration in the development of the FIT Program – more so than we have ever undertaken before. We met extensively with stakeholders; LDCs; First Nation, Métis and other communities; as well as with other electricity agencies, particularly the Independent Electricity System Operator, Hydro One and the Ontario Energy Board. As another example, the OPA is working closely with and supporting the LDCs to ensure they can assume their new responsibilities for conservation and distributed generation, as well as take full advantage of the opportunities now afforded them as small-scale generators.

In this context, during the 2010-2012 business planning period, the Power Authority will be making strategic investments that are aligned with the government's green energy initiative. We expect to place a greater emphasis on building relationships and partnerships, and to approach communications in a more proactive, integrated way.

By 2012, conservation savings are expected to increase by more than 40 percent, and electricity generation contracts under OPA management will double in megawatts, representing an additional \$30 billion, or tripling, in investment in the sector.

Mindful of the times, we will undertake an increased level of activity in 2010 from within a flat-lined expense budget, despite the rising complexity of issues and the additional roles that the OPA is assuming. Our 2010 expense budget is \$65 million, which represents 4.6 percent of our total spending and reflects an increase in staff of 38 people, 33 of which are directly related to new responsibilities under the Green Energy Act. Spending on compensation and benefits will be offset by a decrease in professional and consulting expenses, as the OPA plans to rely less frequently on external consultants.

Conservation costs will decrease on a year-over-year basis as the Power Authority's role in planning and implementing programs evolves to supporting the LDCs in delivering programs. This will be offset by additional investment related to the FIT Program, conservation awareness and engagement with First Nation and Métis communities.

In everything it does, the Power Authority strives to operate in an open and transparent manner. In 2009, the OPA complied with all government initiatives regarding procurement, expense and staffing level management. For 2010 and beyond, we will continue to remain proactive in enacting and enforcing appropriate governance policies.

To sum it up – Ontario is one of the few jurisdictions to take such a holistic or systemic approach in transforming its electricity system to meet the economic and environmental challenges of today. With substantive initiatives underway in every part of the sector – ambitious conservation, greener generation, significant transmission and long-term planning – Ontario will reap economic benefits and involve more engaged consumers in a smarter, more reliable, cost-effective and sustainable electricity system.

The Ontario electricity sector has come a long way in the past year. So has the Ontario Power Authority. We have enjoyed many successes to date, but there remains much to be done to realize a cleaner and greener supply of electricity for Ontarians. The OPA is ready to fulfill its role in helping to transform the electricity sector in Ontario, to support the rebuilding of critical infrastructure for the economy of tomorrow. This is both a great challenge and a great opportunity. We remain committed to delivering on our mandate and helping Ontario become a world-leading green energy jurisdiction.



Colin Andersen
September 2009

2010-2012 Business Plan

OPA Efficiency Metrics

The Ontario Power Authority sets targets for various measures related to generation and conservation, and tracks its progress toward the targets. The chart below shows that many areas of operations will see both a significant increase in activity year over year as well as improvements in efficiency. Staffing levels will rise in 2010 but will be outpaced by activity levels, resulting in improved metrics for megawatts attained through either procurement or conservation per full-time equivalent staff member.

	2009 Forecast	2010 Budget	% Change
OPA budget, \$ millions	\$65.1	\$65.1	0
Total program spending on conservation & generation, \$ millions	\$1,279	\$1,336	4
OPA budget, % total program spending	4.8%	4.6%	-0.2
Number of full-time equivalent (FTE)	199.7	231.2	16
Generation under OPA management (MW)	12,029	16,594	38
per FTE (MW/FTE)	60	72	19
per OPA budget (MW/million budget \$)	185	255	38
In-service capacity under contract (MW)	6,217	14,457	133
per FTE (MW/FTE)	31	63	101
per OPA budget (MW/million budget \$)	96	222	132
Conservation – net cumulative savings (MW, 2005 base)	1,889	2,172	15
per FTE (MW/FTE)	9	9	0
per OPA budget (MW/million budget \$)	29	33	15
Conservation – net savings (MWh)	357,977	523,565	46
per FTE (MW/FTE)	1,793	2,265	26
per OPA budget (MW/million budget \$)	5,501	8,039	46
Budget \$/MWh (excluding FVDA, RCSDA & GPCDA)	\$0.448	\$0.469	5
Budget \$/MWh	\$0.485	\$0.551	14

FVDA = Forecast Variance Deferral Account

RCSDA = Retailer Contract Settlement Deferral Accounts

GPCDA = Government Procurement Cost Deferral Account

Conservation figures for 2009 and 2010 are projections at this time and are subject to verification.

The Ontario Power Authority

The Ontario Power Authority (OPA) is responsible for ensuring a reliable, long-term supply of electricity for Ontario. Its key areas of focus are: leading and coordinating conservation efforts across the province, planning the power system for the long term and ensuring the development of needed generation resources.

The OPA was established by the *Electricity Restructuring Act, 2004* (amending the *Electricity Act, 1998*, and the *Ontario Energy Board Act, 1998*). It is governed by an independent Board of Directors and reports to the Ontario Legislative Assembly through the Minister of Energy and Infrastructure. The OPA is licensed and regulated by the Ontario Energy Board.

Vision

Leading Ontario in the development of North America's most reliable, cost-effective and sustainable electricity system.

Mission

Together with our partners, we ensure that electricity needs are met for the benefit of Ontario both now and in the future. We plan and procure electricity supply from diverse resources and facilitate the measures needed to achieve ambitious conservation targets.

Guiding Principles

Transparency: We carry out our work with openness and integrity.

- Our processes and outcomes are open and clear to both internal and external stakeholders.
- We treat our business partners with fairness and integrity.
- We strive to earn the trust and respect of all those with whom we deal.
- Our communications both internally and externally are clear, candid, open and reliable.

Accountability: We take responsibility for our actions.

- We carry out our responsibilities fairly and with integrity.
- We can be held accountable for our decisions.

Collaboration: We work together toward common goals.

- We combine our strengths to achieve our goals.
- We use our internal and external resources as effectively and efficiently as possible.
- We encourage and reward the contributions of everyone on the team, communicating and celebrating our successes clearly.

Flexibility: We adapt quickly and effectively to changing circumstances.

- We evaluate circumstances objectively and understand the need to respond to changes in our environment.
- We are able to alter our course when and where needed.
- We balance short-term needs with our long-term goals.

Mandate

The Ontario Power Authority was established by *The Electricity Restructuring Act, 2004*, which set out the following objectives for the organization:

- 1) to forecast electricity demand and the adequacy and reliability of electricity resources for Ontario for the medium and long term
- 2) to conduct independent planning for electricity generation, demand management, conservation and transmission and develop integrated power system plans for Ontario
- 3) to engage in activities in support of the goal of ensuring adequate, reliable and secure electricity supply and resources in Ontario
- 4) to engage in activities to facilitate the diversification of sources of electricity supply by promoting the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources
- 5) to establish system-wide goals for the amount of electricity to be produced from alternative energy sources and renewable energy sources
- 6) to engage in activities that facilitate load management
- 7) to engage in activities that promote electricity conservation and the efficient use of electricity
- 8) to assist the Ontario Energy Board by facilitating stability in rates for certain types of customers
- 9) to collect and provide to the public and the Ontario Energy Board information relating to the medium- and long-term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs.

2010-2012 Strategic Objectives

The Ontario Power Authority's 2010-2012 Business Plan is based on the following six strategic objectives:

1. Plan for and facilitate the development of a cost-effective, reliable and sustainable electricity system.
2. Together with our partners, plan, procure and support the development of verified conservation/energy-efficiency resources as identified in the integrated plan and its subsequent iterations. Build capability and enable partners to achieve targets and contribute to a culture of conservation in Ontario.
3. Plan and design standardized tariff-based, competitive and bilateral procurement processes and enter into procurement contracts for generation resources. These procurements and contracts will meet the requirements identified in the integrated plan, ministerial directives and legislation, and incorporate world-class contracting and settlement practices that support investment in electricity.
4. Identify barriers and limitations; develop and/or define methods and solutions to deliver enhanced generation developments through innovation, analysis, assessment and benchmarking, with a view to economic efficiency and environmental sustainability.
5. Develop and maintain organizational capacity to achieve the strategic objectives and be recognized as a strategic partner.
6. Be a trusted and respected source of information in the electricity sector.

Strategic Objective 1

Plan for and facilitate the development of a cost-effective, reliable and sustainable electricity system.

Strategic Context

The power system planning function at the Ontario Power Authority (OPA) develops and maintains integrated power system plans for Ontario in accordance with government policies. These plans are at both a provincial and community level. Implementing components of these plans requires ongoing planning input. This input is most visible at public consultations, procurement process rollout and at some regulatory proceedings.

The most significant electricity policy development that has had an impact on the planning of Ontario's electricity system is the Green Energy Act. The Act provides for an increased emphasis on conservation and renewable energy. It is designed to meet the needs of Ontarians for a cost-effective, reliable and sustainable electricity system and stimulate both economic growth and job creation.

To enable and accelerate the development of renewable sources of energy, a different approach to power system planning is being adopted. It begins with assessing the availability of transmission capacity in detail and making that information transparent and accessible to developers and community proponents. The second stage in the approach is to develop additional transmission in response to renewable energy projects when and where it is economic to do so. The third stage is to coordinate other resources that will complement renewable resources. These include other types of generation, storage and contracts to maintain the operability and reliability of the electricity system.

Ontario's plans are being developed in a context of several uncertainties – first, in predicting demand and, second, in anticipating the amounts and location of renewable supply. This is in addition to the significant transformation already underway to replace coal-fired generation and refurbish nuclear units.

A global recession has reduced demand in Ontario, particularly in the industrial sector, and the nature of the economic recovery is not clear. Additionally, as the economy recovers and restructures, unprecedented levels of investment in conservation are taking hold. Investments made by the Power Authority since 2005, as well as the results of government initiatives, have accounted for 40 percent of the current decline in demand. The Green Energy Act increases the emphasis on conservation by making it a core activity of local distribution companies (LDCs) and by focusing on energy efficiency in the building code.

The success of conservation, the nature of the economic recovery, the amount of renewable energy development, the introduction of new uses such as electric vehicles and electric mass transit, and anticipated policies on carbon use all further emphasize the need for a scenario-based approach to planning and close monitoring of trends and conditions as they evolve.

Initiatives

The planning division will focus on implementing a larger role for decentralized generation, storage and renewable energy technologies, taking into account the early participants in the new Feed-in Tariff (FIT) Program. Ongoing support to developing projects will continue through analysis and assistance during regulatory and environmental assessments.

The Power Authority will also continue to develop scenarios and strategies to identify and mitigate risk, as well as address cost and operability issues, with a focus on areas of the province with urgent and emerging reliability issues. Community service plans will still be developed, refined and implemented. Engagement will continue with First Nation and Métis communities on planning the province's electricity system, and the OPA will continue to participate in regulatory proceedings related to power system planning.

The Power Authority is responsible for performing the transmission availability test for applicants to the FIT Program. If transmission is not available for applicants to connect a project that is deemed economic through an economic connection test, the proposed projects will serve as input to planning where upgrades to transmission infrastructure are required.

Other initiatives that will continue include working with all levels of government to integrate electricity service into official plans, developing remote community electricity service options, supporting infrastructure development through the regulatory process and stakeholder engagement, and planning and integrating conservation into the demand forecast and as a resource option. The Power Authority will also continue to fulfill its obligations to electricity standards authorities as a planning coordinator for Ontario.

The projection of electricity costs and analysis on carbon policy options as they apply to the electricity sector are expected to be other significant issues during the planning period.

The OPA will work with Ontario's nuclear operators on developing reasonable refurbishment schedules and options to ensure a reliable supply of electricity.

LDCs will figure more prominently in planning the province's electricity system as they implement several initiatives contained in the Green Energy Act. In doing so, they take on additional responsibilities, which include strengthening their individual distribution systems, achieving conservation targets, incorporating distributed generation and investing in smart grid technologies. In addition, LDCs will be involved in integrating renewable energy projects in their service territories and will provide information on load forecasts. To maintain a provincial perspective, the Power Authority will seek to establish closer relationships with the LDCs to share information needed for electricity planning and to support them as necessary in their new and expanded roles.

The development of a smart grid will be better defined in the near term as the province develops a strategic map for its evolution in Ontario. It will enable the increasingly distributed nature of the electricity system as more local generation and conservation are implemented.

We will achieve Strategic Objective 1 by:

- developing provincial and community integrated plans and electricity service options for remote communities
- supporting the development of transmission projects
- integrating conservation into planning Ontario's electricity system by identifying cost-effective potential; anticipating contributions from codes, standards and smart meters; and supporting program implementation
- providing information on cost, price, operability and reliability to provide context and support decisions about infrastructure development over the long term
- contributing to ongoing FIT Program implementation by providing transmission system availability information and conducting economic connection tests
- participating in regulatory processes and policy development to support the implementation of the Green Energy Act.

By 2012, you will see that we have achieved this objective when:

- Required generation, conservation and transmission options are being developed and implemented to meet Ontario's electricity needs for the period after 2014.
- Provincial and community integrated plans and remote community electricity service options have been developed with sufficient consultation. Scenarios that recognize uncertainties and opportunities are developed, and flexibility is preserved to respond to a wide range of futures.
- Information on cost, price, operability, conservation opportunities and reliability has been provided to enable sound decisions about the electricity infrastructure development over the long term.
- Renewable energy supply is being successfully integrated into Ontario's electricity system, and transmission infrastructure upgrades are being planned when and where it is economic to incorporate more renewable energy sources.
- Ontario's planning obligations to electricity reliability standards authorities are being met.

By year-end 2010, we will have achieved these milestones:

- The OPA is conducting economic connection tests in support of the FIT Program.
- A planning outlook has been provided to stakeholders.

- The Power Authority is supporting the implementation of the integrated plan by working with project proponents in regulatory proceedings.
- The OPA is supporting the implementation of local area plans.

Strategic Objective 2

Together with our partners, plan, procure and support the development of verified conservation/energy-efficiency resources as identified in the integrated plan and its subsequent iterations. Build capability and enable partners to achieve targets and contribute to a culture of conservation in Ontario.

Strategic Context

The Green Energy Act has introduced significant changes to the way conservation is implemented in Ontario. In the future, local distribution companies (LDCs) will be responsible for their own individual conservation targets and for initiatives to meet those targets. The Power Authority remains responsible for meeting or exceeding the overall provincial target, which is a peak-demand reduction of 6,300 megawatts (MW) by 2025. The OPA will play a key role in facilitating the implementation of the government's green energy vision by working closely with the LDCs as they broaden their conservation responsibilities.

During the planning period, the Power Authority must remain flexible to respond to an evolving marketplace and be able to mobilize resources in support of LDC efforts. Conservation savings are expected to increase by more than 40 percent to 2012. Supporting the implementation of the Green Energy Act will see the OPA managing data tracking, reporting against the planned targets and providing support services as necessary, as the design and delivery of retail conservation initiatives migrates to the LDCs. The Power Authority will also work to better understand and verify the impact of smart meters and time-of-use rates on conservation, because these tools depend on a behavioural change to affect a decrease in electricity use.

The OPA will continue its work on conservation initiatives for transmission-connected customers, improving codes and standards, and building capability for a more robust conservation services industry.

Initiatives

Working together with LDCs will be critical to achieving Ontario's conservation objectives. Power Authority initiatives during the planning period will include collaborating with LDCs to address local reliability requirements through integrated solutions as well as developing a plan to roll out small renewable energy projects under the microFIT Program (for projects 10 kilowatts or less in capacity). Working with the LDCs, the OPA will also establish and update risk mitigation plans to provide for conservation reserves/buffers for the overall provincial target.

Together with its partners, the OPA will work with LDCs to provide conservation initiatives and other appropriate, sufficient and effective support to help them meet their individual conservation targets. Funding, support and training resources will be developed for all partners to help build skill and capacity to deliver conservation.

The Power Authority will continue to be involved in the design and delivery of conservation initiatives during the planning period; however, its role is expected to transition as LDCs take on

greater responsibility for these functions. It is anticipated that the OPA will continue to provide province-wide programs and conservation initiatives for industrial customers that are directly connected to the transmission grid.

Other initiatives planned for this period include activities to both increase awareness and increase the Power Authority's ability to measure awareness, as well as new strategies to accelerate conservation savings. In this initiative, the OPA will actively seek information from other jurisdictions (such as California, British Columbia and Vermont).

A key focus for the planning period will be to implement a program that will provide financial incentives for industrial consumers that are directly connected to Ontario's transmission system to support their efforts in "greening" their operations and practices. These industries will receive incentives to invest in equipment retrofits, adopt innovative process changes and commit to achieve and maintain specified conservation targets. The program is configured to drive lasting improvement in energy use with an estimated total savings of 250 to 300 MW after five years.

The OPA will also develop a strategy to ensure the development of a more robust conservation service industry, one which is able to deliver and install the range and volume of conservation measures needed to meet the provincial conservation target, by helping to build capability in the industry.

The Power Authority intends to work closely with the Ministry of Energy and Infrastructure and others to coordinate and consolidate conservation program offerings into a "one-stop shop" for Ontario consumers to access information and participate in these initiatives. This will include coordinating with natural gas companies on opportunities for conservation.

A key ongoing initiative is building and maintaining public awareness of the importance of electricity conservation with consistent messaging to support the development of a culture of conservation. This will continue to be a focus during the planning period and will include OPA-developed marketing initiatives, materials, advertising campaigns and events where appropriate. The momentum that began with a province-wide Energy Conservation Week in 2008 and 2009, together with the Count Me In! pledge drive and Community Challenge Day in 2009, will be fostered in the coming years with similar province-wide campaigns as well as local initiatives undertaken by the LDCs.

The evaluation, measurement and verification (EM&V) of conservation initiatives will continue to be a key focus during the 2010-2012 period. The OPA has been a leader in developing an EM&V framework that provides a consistent and systematic methodology for tracking and evaluating the effectiveness and impacts of conservation programs funded by the Power Authority. Other provinces are considering adopting the Power Authority's framework. The Ontario Energy Board has endorsed the OPA's Measures and Assumptions List, which provides standard assumptions about conservation measures (e.g., energy savings, costs) for use by LDCs in the design and screening of potential conservation programs. The Power Authority will continue to update and enhance this list and will also provide other resources, such as market research and training, to support LDCs in designing and delivering their own initiatives.

The OPA will continue to administer the Conservation Fund and the Technology Development Fund during the planning period. The Conservation Fund provides funding for action-oriented, sector-specific electricity conservation pilot projects that inform the development of future conservation programs and build marketplace capability. Both unsolicited pilot projects and those in response to topic-specific calls for expressions of interest will be considered for funding.

The Technology Development Fund supports projects that promote the development and commercialization of technologies or applications that have the potential to improve electricity supply or conservation. It will focus on funding projects that align with the OPA's market transformation plan, as well as those that have the potential to result in innovations that maximize impacts on conservation and supply.

The Power Authority will also continue to work for more efficient building codes and appliance and equipment standards of all kinds, but particularly for those applications that most affect the growth in peak demand. These changes require long lead times and involve enacting regulations or legislation, but they will make a significant contribution to achieving Ontario's conservation target in the long term.

We will achieve Strategic Objective 2 by:

- providing appropriate, sufficient and effective support to help LDCs to meet their conservation targets
- providing conservation initiatives for transmission-connected customers
- developing funding, support and training resources for all partners to help build the skills and capacity of market participants to deliver conservation
- establishing and tracking progress against meaningful indicators of a conservation culture
- continuing to track and report progress on meeting Ontario's electricity conservation goals
- establishing risk mitigation plans to provide for conservation reserves/buffers.

By 2012, you will see that we have achieved this objective when:

- Annual conservation/energy-efficiency savings, as identified in the integrated plan and subsequent iterations, are achieved.
- Effective relationships are built with conservation partners and stakeholders in which collaboration, guidance, satisfaction and education objectives are met.
- Internal expertise and knowledge of best practices are built to effectively support the evolving skill needs of partners.

- The energy-efficiency program for directly connected industrial users continues to achieve expected results and is driving lasting improvements in energy use through the installation, commissioning and operation of energy-efficiency measures.
- Year-over-year increases in conservation awareness are observed.
- Risk mitigation plans are updated annually to provide for conservation reserves/buffers.

By year-end 2010, we will have achieved these milestones:

- An LDC support and development plan is established, and its implementation is underway.
- The Power Authority, LDCs and other delivery agents are working together to ensure that a robust portfolio of ratepayer-funded conservation programs continues to be available in the Ontario marketplace and is delivering electricity savings and contributing to peak demand and energy savings.
- The energy-efficiency program for directly connected industrial users is implemented and achieving expected results.
- Meaningful indicators of conservation awareness by sector are established to track the achievement of a culture of conservation.
- Risk mitigation plans are established to provide for conservation reserves/buffers.
- A plan for developing funding, support and training resources for all partners to help build the skills and capacity of market participants to deliver conservation is established, and its implementation is underway.

Strategic Objective 3

Plan and design standardized tariff-based, competitive and bilateral procurement processes and enter into procurement contracts for generation resources. These procurements and contracts will meet the requirements identified in the integrated plan, ministerial directives and legislation, and incorporate world-class contracting and settlement practices that support investment in electricity.

Strategic Context

The introduction of the Feed-in Tariff (FIT) Program in 2009 has changed the way the Ontario Power Authority procures and contracts for renewable energy. With this development, the organization is moving away from designing and executing discrete procurements with a known outcome to administering and managing an ongoing program with variable uptake.

The Power Authority designed and is administering the FIT Program, a crucial element of the Green Energy Act. Launched in September, it is the first comprehensive FIT program in North America. It offers different prices for projects of different sizes and technologies, with simplified rules over a long-term contract. It is intended to provide stability for developers and financiers and give them confidence to invest in Ontario.

The FIT Program is a central part of the government's green energy vision. The Power Authority will need to continually assess the success of the FIT Program and adapt it to changing circumstances. In addition, the OPA will facilitate greater involvement in the electricity sector by municipalities, First Nation and Métis communities and community-based groups as part of the Green Energy Act.

Many other elements in Ontario's electricity sector also continue to evolve. These include carbon mitigation strategies, electricity demand levels and environmental expectations. The challenge for the Power Authority will be to create, adapt, negotiate and integrate these elements into new and existing procurement contracts as required.

The OPA will continue to manage and settle an increasing volume of contracts each month for all different types of generation. An additional 11,800 megawatts (MW) could potentially be contracted over the business planning period (assuming new nuclear and further Bruce refurbishment). This would mean doubling the number of megawatts under management and tripling the current investment, with an additional investment of \$30 billion in Ontario's electricity infrastructure. The value of contracts under Power Authority management will also continue to grow. The OPA aims to bring reliable, cost-effective megawatts into the Ontario electricity system in a continuous improvement framework.

At the end of June 2009, the Power Authority had a total of 11,998 MW under contract. Most of these, 10,579 MW, are in large-scale contracts, and 1,419 MW were contracted under the Renewable Energy Standard Offer Program. Almost half, 5,431 MW, of the total is in commercial operation, with the remaining under development. Of the total under contract, 3,144

MW are for renewable energy, with 1,264 MW of that in commercial operation and 1,880 MW under development.

The Power Authority currently holds the environmental attributes associated with new renewable energy contracts on behalf of Ontario ratepayers. As government policies on climate change and carbon mitigation develop, options for the treatment of environmental attributes will be explored and the necessary contract adjustments will be made.

Initiatives

During the business planning period, a key focus will be to continue to evolve and refine the FIT Program and manage FIT contracts.

The Power Authority will also continue to fulfill policy objectives to maintain nuclear generation in the province. This may include, as appropriate, working towards new nuclear units at Darlington and the refurbishment of existing units nearing the end of their service lives. The new build procurement was suspended by the Ontario government in June 2009 because the competitive bidding process did not provide a suitable option for the province, but the government remains committed to the modernization of Ontario's nuclear fleet.

The Power Authority currently manages a contract with Bruce Power for the refurbishment of four nuclear units that will provide 3,000 MW at the Bruce Nuclear Generating Station. A total of 6,300 MW is expected to be supplied from the Bruce site over the long term. The OPA will enter into negotiation with Bruce Power for the remaining 3,300 MW from the refurbishments of four units at its B station.

Storage technologies will be considered over the planning period, particularly in connection with variable renewable energy sources, to explore their potential in enabling power to be delivered at peak periods.

Large-scale gas-fired generation has been identified as necessary in certain supply-constrained areas of the province, particularly in northern York Region and the southwest Greater Toronto Area. The Power Authority will continue to manage contracts with the developers of those facilities, as well as others being built in the Greater Toronto and Golden Horseshoe areas, to ensure timely delivery of needed generation.

The OPA expects to engage in procurements for renewable-fuelled and gas-fired cogeneration projects, both large and small; district energy facilities; and initiatives that generate energy from waste. Activities that support the possible conversion of coal facilities to cleaner fuel technologies will also be undertaken, and additional contracts are expected to be executed for hydroelectric facilities.

Some non-utility generation contracts, established by the former Ontario Hydro, will expire during this business planning period and may require the negotiation of new contracts with the

Power Authority. Cross-border imports and exports will continue to be monitored and negotiated as required, depending on the planning requirements.

A number of initiatives are planned that will help ensure the smooth settling of contracts with generators. These include refining and optimizing the OPA's settlement systems to reduce the time required to complete the monthly settlement processes and further increase the systems' security, as well as building and maintaining data and models to monitor, analyze and assess generation development and operation in Ontario.

We will achieve Strategic Objective 3 by:

- contracting for a potential of 11,800 MW of electricity generation resources, through the FIT Program as well as through competitive and bilateral opportunities with non-utility generators and for combined heat and power, biomass and energy-from-waste projects.
- managing and optimizing the FIT Program and its associated initiatives to encourage the development of renewable energy in Ontario
- designing and optimizing contracts that are efficient vehicles for procuring large- and small-scale generation, including incorporating required changes due to climate-change initiatives, market rule changes, etc.
- managing the growing volume and value of contracts, including ensuring accurate and efficient financial settlements and incorporating potential environmental and market impacts.

By 2012, you will see that we have achieved this objective when:

- With its partners, the OPA has facilitated and enabled the execution of a robust, effective process to contract for:
 - approximately 4,000 MW or more of renewable generation, procured through the FIT Program
 - approximately 2,100 MW of other generation, procured through competitive procurements, standard offers or by ministerial directive
 - approximately 5,700 MW of nuclear projects at the Bruce and Darlington nuclear generating stations with efficient and appropriate oversight, in accordance with government policy direction.
- The procurement exercise is clear and offers broad participation and transparency.
- Procured facilities are monitored and achieve commercial operation within requisite timetables.
- In-service facilities under contract are settled accurately and in a timely fashion.

By year-end 2010, we will have achieved these milestones:

- The FIT Program and associated initiatives have been successfully launched with 2,500 MW of renewable generation contracted.
- Approximately 11,950 MW of contracted generation is in service, in addition to the 2,500 MW or more contracted through the FIT Program.
- Considerable progress has been made on contracting for new nuclear facilities and nuclear refurbishments, in accordance with government policy direction.
- Financial settlements for 2010 have been completed accurately and on time under a new settlement system.

Strategic Objective 4

Identify barriers and limitations; develop and/or define methods and solutions to deliver enhanced generation developments through innovation, analysis, assessment and benchmarking, with a view to economic efficiency and environmental sustainability.

Strategic Context

As Ontario's electricity sector continues to evolve, the Ontario Power Authority must be ready to facilitate the transformation taking place with appropriate advice, initiatives and processes that align with government policy direction and that deliver the best overall solution for Ontario ratepayers.

The Power Authority will continue to work with the Ministry of Energy and Infrastructure, the Independent Electricity System Operator, the Ontario Energy Board and other industry participants to further understanding of the changes being undertaken in the sector. The OPA will work to implement tools and mechanisms to continue to evolve Ontario's electricity system to be more economically efficient and sustainable and to have minimal environmental impact.

Program elements related to carbon mitigation strategies are expected to be implemented during the planning period; however, carbon policies and their impact are not yet known and are dependent on federal, provincial and U.S. policy implementation.

The OPA will continue to be an active participant in the Smart Grid Forum to help evaluate opportunities for enhancing more effective and reliable electricity delivery through distributed generation, energy efficiency and demand management initiatives offered by the future development of a smart grid.

Initiatives

The Power Authority will continue to monitor and analyze program uptake for both standard offer and competitive procurements to ensure program objectives are being met and generation is being developed in alignment with broader electricity sector policy goals. Similarly, the OPA will also analyze and assess the operation of contracted resources to ensure they are efficiently integrated into the evolving market.

The OPA will investigate its role in carbon mitigation policy development, including exploring options for possible transactions involving environmental attributes. This will include working with the government and other industry participants to monitor the progress of the carbon mitigation policy and the treatment of environmental attributes and evaluate their impact on the OPA's contracts for supply, energy efficiency, conservation and demand management. Adjustments will be made where necessary to align activities with policy aims.

The Power Authority will also work to understand, analyze and respond to Ontario's evolving electricity market structure, including market rule changes, with a view to identifying barriers to

developing economically sustainable electricity supply and conservation. Particular attention will be paid to cogeneration and distributed generation.

A key activity in this planning period will be to establish and manage support programs to encourage involvement in the FIT Program by municipalities, and community and Aboriginal groups. The program for community groups, called the Community Energy Partnership Program (CEPP), will cover some of the soft costs associated with the development of renewable energy projects up to 10 megawatts. A third party, competitively procured by the OPA, will provide “one-window access” to the program and will receive applications, determine selection criteria and provide funding to qualified applicants.

The municipal program, called the Municipal Renewable Energy Partnership Program, will reimburse direct costs incurred related to hosting renewable energy projects. Examples of eligible costs under the program could include:

- infrastructure affected by construction or installation phases of projects, including roads, drains, easements, parklands, cultural and natural heritage sites
- traffic management
- surface drainage to protect adjacent property and roads
- emergency management costs, including details respecting on-site safety and measures to ensure emergency services personnel are adequately trained.

Aboriginal groups will have access to a program that consists of three parts that together address project development needs and broader capacity building within communities. The three components of the Aboriginal Energy Partnership Program are:

1. support for the development of community energy plans
2. funding for soft costs associated with the development of renewable energy projects (similar to CEPP)
3. establishment of an Aboriginal Renewable Energy Network to facilitate sharing of knowledge and best practices related to First Nation and Métis renewable energy projects.

We will achieve Strategic Objective 4 by:

- providing advice on policy issues that affect Ontario’s electricity system and market structure
- working collaboratively to examine better ways to align market rules, Power Authority contracts and regulatory instruments
- examining options for and understanding impacts of potential carbon mitigation policies such as a proposed cap-and-trade system
- assessing the procurement and development of future resources and the operation of contracted resources, including those resources procured under the Feed-in Tariff Program

- reducing barriers to involvement in renewable energy projects for community groups, municipalities and First Nation and Métis communities by establishing support programs.

By 2012, you will see that we have achieved this objective when:

- Solutions are developed to address policy objectives through monitoring, analysis and assessment of resource development.
- Contracts are successfully amended where necessary to reflect legislative changes (e.g., with regard to carbon mitigation policies) and market rule changes.
- Electricity resources evolve by the examination of available data and by participating in global studies to ensure processes and quality are best-in-class.
- The Community Energy Partnership Program, the Municipal Renewable Energy Partnership Program and the Aboriginal Energy Partnership Program are effectively managed.

By year-end 2010, we will have achieved these milestones:

- Policy development is monitored, analyzed and assessed; solutions are identified to reflect new developments in procurement and contract management.
- Contracts are successfully amended where necessary to reflect market rule changes, as required.
- The Community Energy Partnership Program, the Municipal Renewable Energy Partnership Program and the Aboriginal Energy Partnership Program are established and operational.
- An approach for dealing with carbon mitigation policies has been identified.
- A robust process has been developed to facilitate and contract for new combined heat and power projects, including distributed generation projects.

Strategic Objective 5

Develop and maintain organizational capacity to achieve the strategic objectives and be recognized as a strategic partner.

Strategic Context

As a knowledge-based organization, it is important for the Ontario Power Authority to have processes and a governance structure that enable its success.

Several internal service groups provide the OPA with support and guidance to fulfill its mandate. These include financial accounting, planning and analysis, human resources, business services, legal services and regulatory affairs, and First Nation and Métis relations. These groups perform core business functions, provide decision support and act as strategic partners with other parts of the organization and the sector. Over the next three years, the Power Authority will continue to develop and recruit people to have the skills required to meet the changing needs of the evolving electricity sector, implement processes that will enable the organization to grow as needed and develop better tools as part of those processes.

Initiatives

Finance – accounting, planning and analysis

The financial accounting group is responsible for accounting, transaction processing, payroll, treasury, internal controls, financial reporting and risk management. The planning and analysis group is responsible for management reporting and analysis, budgeting, forecasting and the business planning process.

A key focus for these groups during the planning period is to develop an improved understanding of partner requirements for financial information and support, including the needs of related agencies and other stakeholders, and to implement changes that will ensure customer satisfaction.

Over the next three years, other initiatives will include improving analysis and communications regarding financial performance as well as decentralizing planning and reporting to enhance decision-making. The groups also plan to evolve the organization's metrics for performance accountability, enhance the organizational process for the financial review of projects and programs, and embed risk management and mitigation strategies into all operations to drive further activities. The finance groups will also develop business processes that support the enhancement of internal controls and update the Power Authority's accounting standards to align with changes in generally accepted accounting principles.

Human resources

A key focus during the planning period for the human resources group will be to develop and implement a training and development strategy, following the development of a five-year workforce plan in 2009. The group will further enhance attraction and retention capabilities through employment branding, strategic relationships and improved selection methodologies, and will develop and implement a student employment and development strategy.

In the area of performance management, technical/professional skills, competencies and knowledge requirements will be identified for each job family and embedded in the performance management process. To enhance the Power Authority's reward and recognition system, human resources will conduct a total compensation benchmarking study and implement its approved recommendations.

Other planned initiatives include assisting managers and employees in sourcing appropriate external training and development, and providing tools and supports for self-managed career planning and development. The human resources group also plans to identify the culture, values and behaviours required to achieve organizational goals and objectives, and develop strategies to affect desired changes.

In the area of succession planning and management, semi-annual talent and development plan reviews will be conducted, and a central, computerized inventory of education, skills, capabilities, work experiences and career interests for all employees will be developed and maintained.

Business services

For the business services group, activities over the coming three years will include both foundational and business enablement initiatives to support the Power Authority's knowledge organization, aimed at improving productivity and efficiency.

Business enablement projects for the planning period include upgrading the electricity resources settlement systems to support the ongoing management of the Feed-in Tariff Program, developing a business intelligence system for greater decision support, automating the procurement and invoice approvals process for better efficiency and control, improving the records and content management system, and upgrading the customer relationship management system.

Planned foundational initiatives include enhancing data access and security; reviewing the procurement policy; creating OPA data and architecture standards; developing facility, capital and asset plans; implementing leading practices for data storage and backup; and reviewing all the Power Authority's corporate policies and procedures.

The Power Authority is required to comply with the procurement directive issued by the Management Board of Cabinet in July 2009. As a result of this directive, the OPA has taken and will be taking the following actions:

- The existing procurement policy has been revised to align with the directive. In doing so, the Power Authority took a conservative approach – where the existing procurement rules were more conservative than the new directive, the OPA maintained its existing policy.
- Changes to the procurement policy have been communicated to all staff.
- The OPA will be expanding the use of a “vendors of record” approach to procurement where appropriate and utilizing access to the government’s vendors of record website.
- Staff education and training sessions are being scheduled to reinforce understanding of the changes to the procurement policy.

Legal services and regulatory affairs

The OPA’s legal services group provides the organization with legal counsel on a variety of matters, including contract development, contract management and procurement processes for the full range of conservation programs and supply procurements that the Power Authority administers.

During the business planning period, legal services plans to expand the breadth of knowledge of client activities, assist with the development of the organization’s understanding of the legal issues related to climate change and carbon trading, maintain an appropriate balance of internal and external counsel and continue with improvements in the efficiency of its operations. An increase in professional and consulting expenses is anticipated over the planning period to support the expected filing of a second Integrated Power System Plan (IPSP) in 2011.

The regulatory affairs group supports the Power Authority’s participation in regulatory proceedings, which include the review of the IPSP, changes to Ontario Energy Board (OEB) codes and the Power Authority’s annual revenue requirement submission. An increasing number of requests are being directed to the OPA to undertake analysis and provide support in regulatory proceedings involving LDCs, transmitters and other stakeholders.

Significant changes are taking place to the regulatory framework that governs Ontario’s electricity sector, and the regulatory affairs group is working to ensure that the new framework will support the implementation of the Green Energy Act. The main areas of focus for this group will include identifying key Power Authority regulatory positions in consultation with clients, and actively participating in OEB proceedings to advance and facilitate adoption of OPA positions. Regulatory affairs will also work collaboratively with like-minded intervenors to remove barriers to the development of renewable generation and related transmission and distribution system investments, and work to keep internal clients better informed during a period of rapidly evolving changes to the regulatory environment.

The division will also continue to provide corporate secretarial support to the OPA's Board of Directors, board committees and management relating to meetings, minutes, scheduling and administrative support.

First Nation and Métis relations

This new group was formed in 2009 in recognition of the important role that First Nation and Métis communities need to play in the transformation of Ontario's electricity system. The Power Authority is seeking to maintain and enhance positive relationships with these groups, as well as to consider partnership opportunities in generation and transmission projects. The Green Energy Act includes provisions for Aboriginal groups to better enable their involvement in Ontario's electricity system.

Priorities for the Power Authority's First Nation and Métis relations group include building the unit's capabilities and training OPA staff on Aboriginal issues. The group will work to contract with First Nation groups under the FIT or a related generation procurement program. It will also work, in collaboration with the electricity resources division, to develop and administer an Aboriginal program to build capacity to participate in the development of renewable energy, and will help launch both the FIT Program in remote areas and a targeted conservation program for First Nation and Métis communities.

We will achieve Strategic Objective 5 by:

- improving decision support activities to achieve a greater level of engagement with clients
- implementing strategies to build leadership capability, facilitate team/group cohesion and performance, enable effective change and transition management, and develop a culture and organizational structure that drives success
- improving productivity and efficiency by implementing system and business enablement initiatives to support the Power Authority's knowledge organization
- embedding risk management activities into the OPA's day-to-day operations
- providing the organization with high-quality legal counsel on a variety of matters and supporting the Power Authority's active participation in regulatory proceedings
- facilitating the involvement of First Nation and Métis communities in Ontario's electricity sector.

By 2012, you will see that we have achieved this objective when:

- The Power Authority has a workforce with the skills appropriate to the needs of the evolving electricity sector, with the right governance, processes and tools to support informed decision-making and action.
- Rigorous processes and systems are in place to align individual and group performance with organizational goals.
- Data and information are maintained, accessible, secure and can be leveraged.
- The Green Energy Act is successfully implemented through:
 - ongoing development of positive relations with First Nation and Métis communities
 - the development of a supportive regulatory framework
 - provision of timely and high-quality legal services in the development and implementation of the FIT Program and transition of the Power Authority's role in conservation.
- All other aspects of the OPA's activities continue to be supported by:
 - providing timely and high-quality legal services in support of non-FIT generation procurements and contract management
 - continuing to provide superior support to the OPA Board of Directors.

By year-end 2010, we will have achieved these milestones:

- The OPA will have streamlined financial processes and measurement systems to support the implementation of the Green Energy Act.
- Foundational initiatives, which are prerequisites for business enablement projects, have been implemented and result in process improvements.
- A robust policy framework and talent management system that promotes an engaged and high-performing work environment is established.
- The Power Authority will have helped shape a regulatory framework that encourages the development of renewable generation and related transmission and distribution projects.
- The Aboriginal Energy Partnership Program, to assist First Nation and Métis communities to participate in the development of renewable energy generation and related transmission and distribution projects, is established and operational.
- A conservation program tailored to meet the needs of First Nation and Métis communities has been successfully implemented.

Strategic Objective 6

Be a trusted and respected source of information in the electricity sector.

Strategic Context

The Ontario Power Authority has added this new strategic objective to its business plan for the 2010-2012 planning period to reflect the importance of effective communication in all its business activities.

The audiences for communications from the Power Authority are varied and diverse – they range from governments at all levels to generation developers, media, community members, stakeholders and the public at large.

The environment in which the OPA is communicating is evolving – there are more options for people to obtain information, including traditional media and more technology-based ways of communicating.

The overall goal for the communications division during the planning period will be to increase awareness of the benefits of conservation and of a cleaner, reliable, cost-effective electricity supply. The aim is to foster ongoing, open, transparent and two-way communications that enhance the Power Authority's reputation as a trusted and respected source of information about Ontario electricity matters.

Initiatives

The OPA will play a key role in facilitating implementation of the government's green energy vision by proactively communicating the need for conservation, renewable and other sources of generation and related transmission investments.

During the business planning period, the Power Authority will work to develop protocols for proactive and responsive communications. Key stakeholders will be identified, and a greater understanding of their positions and needs will be developed. Progress will be measured to confirm improvements.

The Power Authority will develop programs to help delivery agents build their capacity to become partners in conservation and renewable energy programs. Project management capability will be enhanced, and the use of alternate communications vehicles to optimize outreach and profile, such as social media, will be explored. Integrated community relations plans will be developed to effectively profile the OPA's activities and initiatives.

Helping to foster a culture of conservation in Ontario will continue to be a key focus area. The Power Authority plans to continue the momentum built through Energy Conservation Week activities and the Count Me In! pledge campaign in 2008 and 2009. The theme of the conservation awareness initiative in 2010 will be "Smart Energy Challenge – Small Actions, Huge Savings." It will align closely with other public events that have major name recognition

and support, such as Earth Day, Earth Week and others. The campaign will engage the public, businesses and youth to take small actions that will yield huge savings on their electricity bills and collectively have a significant impact on energy conservation and the environment.

During the planning period, the OPA will continue to seek opportunities to promote greater awareness of sustainability and conservation with key community stakeholders and industry partners.

The increased scope of communication activities over the planning period is expected to sustain an increased number of communication staff members, as the group develops more in-house capability and becomes less reliant on external resources.

Recognizing the value of employee engagement, the Power Authority will continue to make improvements in the areas identified in its annual employee survey, including enhancing communication efforts and abilities at all levels of the organization by executing a comprehensive employee communications plan.

The communications group will also continue to support all of the OPA's outreach activities during the planning period, as well as provide communications support to all of the organization's major initiatives.

We will achieve Strategic Objective 6 by:

- identifying key stakeholders and developing a greater understanding of their information needs and associated action plans
- developing, enhancing and enabling broader government engagement to build relationships to achieve common goals
- delivering enhanced community relations to meet communities' needs to be more informed about electricity matters
- gaining broad public and stakeholder acceptance and support of the province's green energy goals and conducting ongoing research with stakeholders to inform improvements in understanding of the Power Authority's role and value to the electricity sector
- conducting enhanced consultation with existing and new stakeholders on electricity system planning
- ensuring superior communications support for major organizational initiatives.

By 2012, you will see that we have achieved this objective when:

- Relationships are developed, built and maintained through effective communications and engagement with industry peers and stakeholders, as well as with all levels of government and the public.
- A strategic communication plan for the planning period has been executed, and a disciplined approach has been adopted to reflect the Power Authority's vision, mission and strategic objectives in all external and internal communications.
- There is greater awareness of the Power Authority's role and contribution to the electricity sector in Ontario.
- An imaginative, creative approach to communication is offered from the inception of an idea to its delivery, ensuring success of organizational priorities, such as implementation of the FIT Program.
- Enhanced employee engagement, organizational alignment and awareness have been achieved through planning and effective internal communications.

By year-end 2010, we will have achieved these milestones:

- The capacity of the communications team will be further developed to significantly reduce the requirement for external resources.
- Protocols for proactive and responsive communications have been developed and are being used.
- The annual employee survey shows improved scores for communication and employee engagement factors.
- OPA outreach activities and communications support for major initiatives are of high quality and meet organizational and stakeholder needs.

2010 Milestones

This three-year business plan sets out how the Ontario Power Authority will continue its efforts to ensure the reliability, sustainability and cost-effectiveness of the province's electricity system for the benefit of Ontario's consumers during the period 2010-2012.

To put the 2010 financial information presented in the following section in context, included here are the milestones the OPA expects to achieve by year-end 2010 under each strategic objective.

By year-end 2010, we will have achieved these milestones:

Strategic Objective 1: Plan for and facilitate the development of a cost-effective, reliable and sustainable electricity system.

- The OPA is conducting economic connection tests in support of the FIT Program.
- A planning outlook has been provided to stakeholders.
- The Power Authority is supporting the implementation of the integrated plan by working with project proponents in regulatory proceedings.
- The OPA is supporting the implementation of local area plans.

Strategic Objective 2: Together with our partners, plan, procure and support the development of verified conservation/energy-efficiency resources as identified in the integrated plan and its subsequent iterations. Build capability and enable partners to achieve targets and contribute to a culture of conservation in Ontario.

- An LDC support and development plan is established, and its implementation is underway.
- The Power Authority, LDCs and other delivery agents are working together to ensure that a robust portfolio of ratepayer-funded conservation programs continues to be available in the Ontario marketplace and is delivering electricity savings and contributing to peak demand and energy savings.
- The energy-efficiency program for directly connected industrial users is implemented and achieving expected results.
- Meaningful indicators of conservation awareness by sector are established to track the achievement of a culture of conservation.
- Risk mitigation plans are established to provide for conservation reserves/buffers.

- A plan for developing funding, support and training resources for all partners to help build the skills and capacity of market participants to deliver conservation is established, and its implementation is underway.

Strategic Objective 3: Plan and design standardized tariff-based, competitive and bilateral procurement processes and enter into procurement contracts for generation resources. These procurements and contracts will meet the requirements identified in the integrated plan, ministerial directives and legislation, and incorporate world-class contracting and settlement practices that support investment in electricity.

- The FIT Program and associated initiatives have been successfully launched with 2,500 MW of renewable generation contracted.
- Approximately 11,950 MW of contracted generation is in service, in addition to the 2,500 MW contracted through the FIT Program.
- Considerable progress has been made on contracting for new nuclear facilities and nuclear refurbishments, in accordance with government policy direction.
- Financial settlements for 2010 have been completed accurately and on time under a new settlement system.

Strategic Objective 4: Identify barriers and limitations; develop and/or define methods and solutions to deliver enhanced generation developments, through innovation, analysis, assessment and benchmarking, with a view to economic efficiency and environmental sustainability.

- Policy development is monitored, analyzed and assessed; solutions are identified to reflect new developments in procurement and contract management.
- Contracts are successfully amended where necessary to reflect market rule changes, as required.
- The Community Energy Partnership Program, the Municipal Renewable Energy Partnership Program and the Aboriginal Energy Partnership Program are established and operational.
- An approach for dealing with carbon mitigation policies has been identified.
- A robust process has been developed to facilitate and contract for new combined heat and power projects, including distributed generation projects.

Strategic Objective 5: Develop and maintain organizational capacity to achieve the strategic objectives and be recognized as a strategic partner.

- The OPA will have streamlined financial processes and measurement systems to support the implementation of the Green Energy Act.
- Foundational initiatives, which are prerequisites for business enablement projects, have been implemented and result in process improvements.
- A robust policy framework and talent management system that promotes an engaged and high-performing work environment is established.
- The Power Authority will have helped shape a regulatory framework that encourages the development of renewable generation and related transmission and distribution projects.
- The Aboriginal Energy Partnership Program, to assist First Nation and Métis communities to participate in the development of renewable energy generation and related transmission and distribution projects, is established and operational.
- A conservation program tailored to meet the needs of First Nation and Métis communities has been successfully implemented.

Strategic Objective 6: Be a trusted and respected source of information in the electricity sector.

- The capacity of the communications team will be further developed to significantly reduce the requirement for external resources.
- Protocols for proactive and responsive communications have been developed and are being used.
- The annual employee survey shows improved scores for communication and employee engagement factors.
- OPA outreach activities and communications support for major initiatives are of high quality and meet organizational and stakeholder needs.

2010-2012 Business Plan

2010 Financial Outlook**Ontario Power Authority****Pro-forma Statement of Financial Position**
(in thousands of dollars)

December 31, 2010, with comparative figures for the 2009 Projected and the 2008 Actual

	2008 Actual	2009 Projected	2010 Budget
Assets			
Current Assets:			
Cash and cash equivalents	\$ 50,067	\$ 23,754	\$ 42,325
Accounts receivable	73,515	112,000	112,000
Prepaid expenses	301	304	304
	\$ 123,883	\$ 136,058	\$ 154,629
Capital Assets	5,484	6,875	5,832
Regulatory assets	44,614	28,949	11,380
Total Assets	\$ 173,981	\$ 171,882	\$ 171,841
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 95,795	\$ 143,252	\$ 146,614
Contract deposits	532	13,767	13,767
	\$ 96,327	\$ 157,019	\$ 160,381
Deferred rent inducement, net	980	834	690
Long term liabilities	1,488	-	-
Regulatory liabilities	63,188	10,878	10,770
Net assets:			
Internally restricted Conservation and Technology Development Funds	6,039	6,610	7,410
Investment in capital assets	5,484	6,875	5,832
Accumulated operating surplus (deficit)	475	(10,334)	(13,242)
	\$ 11,998	\$ 3,151	\$ (0)
Total Liabilities and Net Assets	\$ 173,981	\$ 171,882	\$ 171,841

2010-2012 Business Plan

Ontario Power Authority

Pro Forma Statement of Operations (in thousands of dollars)

Year ending December 31, 2010, with comparative figures for the 2009 Projected and the 2008 Actual

	2008 Actual	2009 Projected	2010 Budget
Revenue:			
Fees	\$ 52,530	\$ 54,541	\$ 61,589
Recovery of deferred regulatory account balances	\$ -	\$ 15,665	\$ 14,424
Other income	155	12	12
Registration fees	733	1,720	\$375
	\$ 53,418	\$ 71,938	\$ 76,400
Expenses:			
Compensation and benefits	23,942	26,194	29,128
Professional and consulting fees	23,343	24,550	20,774
General operating costs	6,530	8,950	9,049
Conservation Fund and Technology Development Fund expenses	2,743	3,929	3,700
Amortization of capital assets	1,030	1,497	2,476
Amortization of deferred regulatory assets	-	15,665	14,424
	\$ 57,588	\$ 80,785	\$ 79,551
Income before interest:	\$ (4,170)	\$ (8,847)	\$ (3,151)
Operating interest expense (income)	29	-	-
Excess of revenues over expenses	\$ (4,199)	\$ (8,847)	\$ (3,151)
Surplus, beginning of the year	16,197	11,998	3,151
Surplus, end of the year	\$ 11,998	\$ 3,151	\$ (0)

On the Path to a Sustainable Electricity Future





March 31, 2009

The Honourable George Smitherman
Minister of Energy and Infrastructure
900 Bay Street, 4th Floor
Toronto, ON M7A 2E1

Dear Minister:

I am pleased to submit the Ontario Power Authority's 2008 annual report. The report provides an overview of the OPA's activities and accomplishments during the fiscal year ended December 31, 2008, and includes the audited financial statements.

Respectfully submitted,

A handwritten signature in black ink, which appears to read "John M. Beck". The signature is written in a cursive, flowing style.

John M. Beck
Chair

The Ontario Power Authority (OPA) is responsible for ensuring a reliable, sustainable supply of electricity for Ontario. It has four key areas of focus: leading and coordinating conservation efforts across the province, planning the power system for the long term, ensuring development of needed generation resources and supporting the continued evolution of the electricity sector.

The OPA was established by the *Electricity Restructuring Act, 2004* (amending the *Electricity Act, 1998*). It is governed by an independent Board of Directors and reports to the Ontario Legislative Assembly through the Minister of Energy and Infrastructure. The OPA is licensed and regulated by the Ontario Energy Board.

2008 Highlights

- In June 2008, Ontario's Chief Energy Conservation Officer reported that Ontario had met its first conservation target of a 1,350-megawatt peak demand reduction by the end of 2007.
- The OPA's 2008 portfolio of electricity conservation programs was broadened to provide incentives to all market sectors, including residential, business and industrial customers – virtually every sector of Ontario's economy.
- A formal process of evaluation, measurement and verification of conservation program results was finalized and is being undertaken for all programs in the marketplace in 2008.
- In response to the Chief Energy Conservation Officer's call in 2007 for the appointment of municipal energy conservation officers, 17 communities representing 50 percent of Ontarians have done so.
- As of December 31, 2008, the OPA had a total of 11,559 megawatts under contract, including 2,644 megawatts of renewable energy projects and 5,915 megawatts of clean energy supply.
- Implementation of solutions for areas with local electricity reliability constraints proceeded in the northern York Region and the southwestern Greater Toronto Area. Solutions are under development for Windsor-Essex and Kitchener-Waterloo-Cambridge-Guelph. These solutions integrate conservation measures with the development of new supply and transmission enhancements.
- The OPA commenced a process of enhanced consultation with First Nations and Métis communities on the Integrated Power System Plan in November and is considering Aboriginal partnership opportunities in the generation and transmission of electricity.
- The OPA contributed to activities to develop Ontario's electricity sector. These included participating in proceedings to remove barriers to transmission, conservation, distributed generation and renewable energy supply, as well as supporting expanded trading of electricity forward contracts on the IntercontinentalExchange.[®]
- The OPA participated in Ontario's Smart Grid Forum to develop a vision for a provincial smart grid. The forum's report, released in February 2009, calls for a coordinated effort to increase reliability, develop economic opportunities and promote environmental sustainability through the grid.

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For more information about the OPA's activities and programs, please visit the following OPA websites:

www.powerauthority.on.ca
www.everykilowattcounts.ca

Message from the Chair and the CEO

A Year of Change and Further Progress

2008 was a year of change for the electricity industry in Ontario and the OPA – and indeed the world. A new, amalgamated ministry was created in June – that of Energy and Infrastructure – and a new minister, the Honourable George Smitherman, was appointed. In September, the OPA's Board of Directors appointed a new chief executive officer.

2008 also marked a number of significant accomplishments for the OPA. In June 2008, Ontario's Chief Energy Conservation Officer reported that the province had met the first 1,350-megawatt peak demand reduction target by the end of 2007. Work on meeting the next interim target of a further 1,350-megawatt reduction by the end of 2010 is now well under way. These interim targets are paving the way toward Ontario's long-term target of a 6,300-megawatt reduction by 2025. These are some of the most aggressive conservation targets in North America, if not the world, and the OPA is seeking to accelerate them.

The OPA's 2008 portfolio of electricity conservation programs was broadened to provide incentives to all market sectors, including residential, business and industrial customers. These programs are designed to increase conservation awareness and energy efficiency – and to realize significant electricity savings and build industry capacity in virtually every sector of Ontario's economy. The OPA partnered with more than 70 local distribution companies, which collectively represent more than 99 percent of electricity customers, to deliver these programs.

In 2008, the OPA managed and settled an increased volume and value of contracts for conservation and generation resources. A total of 11,559 megawatts of new electricity supply was under contract as of December 31, 2008. These included 40 large-scale contracts for



Colin Andersen
Chief Executive Officer

John M. Beck
Chair

10,147 megawatts of new electricity supply – such as projects for renewable energy resources, natural gas-fired generating facilities and combined heat and power projects – representing a \$12.8 billion investment in Ontario's electricity system.

Another 424 contracts for small-scale distributed renewable energy projects under the Renewable Energy Standard Offer Program have the potential to contribute more than 1,412 megawatts of electricity from wind, hydro, solar and biomass sources to Ontario's supply.

Solutions for areas with electricity reliability challenges proceeded in the northern York Region and the southwestern Greater Toronto Area. Development of solutions is underway in Windsor-Essex and Kitchener-Waterloo-Cambridge-Guelph. These solutions integrate conservation measures with generation and transmission to address supply constraints and meet increased demand.

A key development in 2008 was the September 17 directive from the Minister of Energy and Infrastructure. The OPA was asked to review the Integrated Power System Plan, or IPSP, which was filed with the Ontario Energy Board (OEB) in August 2007. The review is focused on



Photo courtesy of IESO

opportunities to expedite the targets for conservation, renewable energy and distributed generation, together with the deployment and use of smart meter technologies. The directive resulted in a pause of the OEB hearing on the IPSP in late September.

The OPA was also asked to undertake enhanced consultation on the IPSP with First Nations and Métis communities and to consider Aboriginal partnership opportunities in generation and transmission matters. The OPA began a series of meetings with Aboriginal representatives in November 2008 and is continuing to develop partnerships and capacity-building agreements to enable Ontario's Aboriginal Peoples to participate effectively.

Many of these accomplishments and developments took place against a backdrop of dramatic global changes. In October 2008, the world entered into a period of what is widely expected to be prolonged economic instability. Looking ahead in 2009, the focus, priorities and resources of governments around the world are shifting as quickly as they can to adapt to the changed circumstances.

But with great challenges also come great opportunities. The challenges in Ontario are three-fold: the need to revitalize our electricity infrastructure, the requirement to stimulate our economy and the desire to improve the electricity sector's environmental performance. By transforming this sector through increased roles for conservation, renewable energy and distributed generation, Ontarians can also embrace the social, environmental and economic benefits of green energy and, in so doing, forge an important link to the creation of green jobs.

New measures contemplated by the proposed Green Energy and Green Economy Act (Green Energy Act), tabled in February 2009, are intended not only to contribute to a stronger provincial economy – they also create the potential for Ontario to become a world-leading energy jurisdiction. The OPA looks forward to being an important part of this transformation.

In September 2008, the Independent Electricity System Operator (IESO) released one of its most positive 18-month outlook reports on the reliability of Ontario's electricity system since the electricity market opened in 2002. The report covers the period from October 2008 to March 2010.

The subsequent reliability outlook report issued by the IESO in late December for January 2009 to June 2010 remained positive. Plans for phasing out coal-fired generation are on track with new and cleaner forms of generation coming online, including new natural gas and wind generation capacity. Three priority areas identified for the electricity system were the changing nature of Ontario's supply mix, the operational requirements of a greener electricity system and the continuing need for transmission enhancement. Over the next 18 months, about 4,000 megawatts of new and refurbished generation are expected to come into service. Much of the new supply is either under construction or well into the commissioning phase.

The OPA will continue to focus on all areas of its mandate in 2009 – planning, conservation, procurement and sector development – to ensure a reliable electricity supply. In 2008, for the first time, the OPA developed a three-year business plan for the period from January 1, 2009 to December 31, 2011. This change reflects the organization's growth and maturity, as well as the experience of its staff with the challenges facing the province's electricity industry and the success of its initiatives since the OPA began operations in January 2005.

During this extended business-planning period, the OPA will continue its efforts to ensure the reliability and sustainability of the province's electricity system for the benefit of Ontario's consumers. This will include developing ways to address barriers to the development of economically sustainable conservation, supply and transmission.

Message from the Chair and the CEO (continued)

A major OPA initiative in 2009 will be capacity building to help create green jobs in Ontario's conservation industry. With the introduction of the proposed Green Energy Act, the OPA will increase its emphasis on deriving Ontario's electricity from renewable, green energy sources and distributed generation. This shift to more local, distributed solutions, as well as greater reliance on energy-efficient technologies to achieve conservation targets, is starting to create new green jobs in emerging and growing industries, providing an added benefit to Ontario's economy. The Ontario government has predicted that 50,000 jobs will be created in three years as a result of this legislation.

The OPA will also continue to promote a culture of conservation by coordinating and funding conservation activities, helping to overcome barriers to the implementation of electricity conservation measures and working with partners to deliver conservation programs.

In 2009, in addition to its work on the IPSP, the OPA will be seeking ways to accelerate the implementation of cost-effective conservation and renewable resources and undertaking development work on key transmission projects to enable new renewable sources of energy to come into service. And it will continue to lay the groundwork needed to support the implementation of specific projects identified in the IPSP until the plan is approved or specific directives are issued to proceed.

2009 will also see the OPA advancing the development of regional electricity plans, particularly for areas of the province with urgent and emerging electricity reliability issues. This involves coordinating and supporting the implementation of integrated electricity solutions that consider comprehensive conservation, renewable and distributed generation solutions before other resource options.

Technology is playing a vital role in helping consumers understand their use of electricity and manage their costs better. In early February, the Smart Grid Forum, a broad-based industry group, released a report that recommends what needs to happen to advance the development of a smart grid in Ontario. This will make it possible for two-way flows of electricity and information between customers and their electricity suppliers. An active participant in this group, the OPA will work together with its industry partners to create an electricity system to serve the digital age.

In closing, our road from 2009 to 2011 and beyond promises to be both challenging and exciting. Although much progress has been made in securing and sustaining Ontario's supply of electricity, much more remains to be accomplished. The OPA will continue to take the steps needed to keep Ontario on the path to a sustainable electricity future.



John M. Beck, Chair



Colin Andersen, Chief Executive Officer

2008 in Review



Meeting Ontario's Conservation Targets

In June 2008, Ontario's Chief Energy Conservation Officer reported that Ontario had met its 2007 interim peak demand reduction target of 1,350 megawatts. The focus is now on meeting the next interim target of a further 1,350 megawatts by the end of 2010.

The overall target is a 6,300-megawatt peak demand reduction by the end of 2025 – equivalent to taking one out of five electricity users off the grid. These targets are among the most aggressive in North America. The OPA is currently considering ways to expedite achievement of these targets.

The OPA's Conservation Activities

The OPA engages in three complementary but distinct types of activities that contribute to meeting Ontario's electricity conservation targets: providing incentives, building capacity and changing behaviour for the long term.

The OPA *provides incentives*, such as rebates for energy-efficient appliances or payments to industrial or commercial customers to reduce their demand during peak periods. These activities are playing the largest role in contributing to meeting the 2010 target. *Building capacity* involves enhancing the knowledge and skills of electricity consumers and conservation partners to engage in conservation and energy efficiency. This includes developing new conservation delivery channels, increasing capacity through training and education of existing delivery channels such

as local distribution companies (LDCs), and increasing the energy-efficiency skills of the providers and consumers of goods and services. *Changing behaviour* so that sound conservation practices and energy-efficient products and services dominate the market is a long-term planning objective of the OPA. Over time, as capacity builds in the market and energy-efficiency codes and standards are improved, a gradual reduction in the need for incentives is anticipated.

Developing and Maintaining a Conservation Portfolio

The OPA takes a "portfolio" approach to conservation programs to ensure that its energy-efficiency initiatives are comprehensive and cost-effective overall. For example, some programs focus on energy efficiency and demand management, while others focus on a particular aspect or aspects of conservation.

The OPA's 2008 portfolio of electricity conservation programs was designed to achieve conservation and energy efficiency and build capacity in virtually every sector of Ontario's economy. There are four programs: residential, business, industrial and enabling. Each program consists of a number of initiatives as set out in Table 1 on page 6.

In addition to initiatives for residential, business and industrial customers, the OPA's enabling program consists of initiatives to support new conservation and energy-efficient products and

2008 in Review (continued)

Table 1: OPA 2008 Conservation Portfolio – Program Initiatives

Residential	Business	Industrial	Enabling
Great Refrigerator Roundup	Electricity Retrofit Incentive	Demand Response 1	Conservation Fund
Summer Sweepstakes*	High Performance New Construction*	Demand Response 3*	Technology Development Fund
<i>peaksaver</i>	Power Savings Blitz*		Conservation Awareness
Every Kilowatt Counts Power Savings Event	Multi-family Buildings*		
LDC Custom*	Toronto Comprehensive Program		
Aboriginal Conservation Pilot	Chiller Plant Recommissioning*		
Cool Savings Rebate			
<i>*Launched in 2008</i>			

services, as well as innovative delivery methods, primarily through the Conservation and Technology Development Funds. A wide range of suppliers is active in delivering program initiatives, including the OPA, electricity and natural gas utilities, government and energy management companies.

From 2005 to 2007, the OPA was primarily in the developmental phase of conservation programming – both with respect to program design, development and delivery and its ability to measure and verify performance. In 2008, the OPA continued to implement its portfolio of conservation programs across all sectors. Key areas of focus were program management, including strengthening and increasing the number of delivery channels, and evaluating, verifying and reporting on results. A number of these initiatives achieved notable success in 2008. Several new initiatives, identified in Table 1, were launched to provide a broader range of conservation and energy-efficiency incentives and opportunities to Ontarians.

Local distribution companies continued to play a central role in delivering conservation programs to households and businesses in Ontario in 2008. More than 70 local distribution companies,

representing more than 99 percent of electricity customers, partnered with the OPA to deliver at least one conservation program initiative.

Evaluating Conservation Programs

The OPA continuously enhances its conservation programs with the objective of achieving maximum energy savings and demand reduction. This is accomplished by carrying out rigorous evaluation, measurement and verification (EM&V) and market research. In 2007, the OPA developed an energy program evaluation framework to provide better assessments of electricity savings and demand reduction results from OPA-funded conservation programs, as well as to generate an enhanced quality of data for both forecasting and verifying conservation potential.

This framework was refined in a number of ways in 2008, including through the development of a specific technique for conducting EM&V on demand response initiatives that will be applied in 2009. Over the last three years, the OPA has worked to evaluate, measure and verify the results of its conservation programs in a process intended to produce results with international credibility.

EM&V assessment and results, combined with market research on program impact and lessons from others, inform program design and development. These are all used to adjust OPA programs to make them more effective. In 2008, this data led to the enhancement of several initiatives, including the Great Refrigerator Roundup. The OPA also developed an evaluation plan for every in-market conservation initiative in 2008, and the evaluation process was applied to these to improve their future performance. The results of these evaluations will be published in the third quarter of 2009. In addition, comprehensive evaluations were done for six conservation initiatives in market in 2007, the results of which are available on the OPA website. Each conservation program initiative in the OPA's 2008 to 2010 conservation portfolio will undergo a full evaluation at least once during the three-year portfolio cycle.

Building a Culture of Conservation in Ontario

Building a culture of conservation requires a disciplined and sustained effort over a number of years. It also requires the participation of a wide range of players – from governments at all levels to electricity and natural gas utilities, from private companies and non-governmental organizations to individuals.

The Conservation Bureau, headed by the Chief Energy Conservation Officer, played a key leadership and coordination role in raising awareness and championing a culture of conservation across Ontario. A large part of the Chief Energy Conservation Officer's efforts involved fostering and recognizing the many leaders in conservation and energy efficiency in Ontario. Since his appointment in 2005, the Chief Energy Conservation Officer has engaged leaders in championing energy efficiency across the province. In 2008, he awarded certificates of recognition to 54 individuals and organizations demonstrating leadership in electricity conservation.



Demonstrating their strength as flexible, year-round energy conservation resources that offer real value, the OPA's demand response initiatives continued to grow in 2008.

Demand Response 3, an initiative that commits industrial and commercial businesses to reduce power demand at peak times, was successfully launched in August 2008, with its first activation on August 6. The initiative was activated many times thereafter and called upon its full contracted volume of megawatts in response to electricity system needs. Both the number of participants and megawatts under contract are expected to increase significantly in 2009.

Participants meet on a monthly basis to provide input and share their experiences. Based on this feedback, the OPA modified the initiative design for 2009 to make it easier for commercial and retail properties to participate.

Demand Response 1, a voluntary demand response initiative, grew by about 122 megawatts in 2008 and added 10 new customers. A number of participants in this initiative are expected to transfer to Demand Response 3 in 2009, while new participants are expected to register for Demand Response 1.

Demand Response 2, an incentive initiative for large industrial and manufacturing businesses, was launched in mid-January 2009. Participants agree to shift their power demand from peak times to off-peak periods.

There were more than 41,500 participants in **peaksaver**, a residential and small business electricity demand reduction initiative that temporarily turns down central air conditioning systems during periods of high demand. This initiative had five province-wide activations during the summer of 2008.



OPA conservation initiative recycles old appliances and creates new jobs

In November, the 100,000th fridge was picked up for decommissioning under the **Great Refrigerator Roundup**. The initiative was offered to residential customers by the OPA in partnership with more than 70 local distribution companies. Appliances were collected by ARCA Canada and decommissioned in an environmentally responsible way at its Oakville facility. Approximately 100 green jobs in Ontario were created as electricity-guzzling old appliances were permanently removed from the grid.

Leadership applies equally to businesses and industry, as well as to governments at all levels. Strong local community champions will be pivotal in fostering leadership and developing coordinated efforts to meet Ontario's conservation targets and increase its energy efficiency. In response to the Chief Energy Conservation Officer's call in 2007 for the appointment of municipal energy conservation officers, 17 communities representing 50 per cent of Ontarians had done so by the end of 2008. In his 2008 annual report, issued in November, the Chief Energy Conservation Officer extended this effort by issuing a call for businesses and institutions to designate energy conservation officers to act as internal energy "champions."

There are several unique challenges to raising awareness and engaging Ontarians in conservation activities: the "invisible" nature of electricity, the need for everyone to participate and the difficulty in measuring it.

2008 in Review (continued)



One significant OPA effort in 2008 to make conservation more visible and engage as many as possible, in advance of the summer peak demand, was the launch of Ontario's first province-wide Energy Conservation Week from May 25 to 31. Coordinated by the OPA and in partnership with the Ministry of Energy, the Independent Electricity System Operator and the Electricity Distributors Association, the week was a concentrated period of focused efforts to encourage wiser electricity use through a grassroots, decentralized campaign. The second annual Energy Conservation Week will be held from May 17 to 23, 2009. For more information, visit www.energyconservationweek.ca.

Recognizing both the importance of and the difficulties in measuring conservation, one of the Chief Energy Conservation Officer's nine recommendations in his 2008 annual report related to the development and implementation of an energy conservation measurement and verification plan for those engaged in conservation, including the provincial and federal governments. Other recommendations related to minimum energy-efficiency standards for buildings and energy-consuming products, improving the energy efficiency of new and renovated buildings, and sub-metering in multi-unit residential and commercial buildings.

Conservation Awareness Messaging

The OPA uses consistent messaging and branding to support all conservation programs as well as the development of a conservation culture throughout Ontario. As part of this effort, the OPA developed a cohesive, overarching brand, "Every Kilowatt Counts," which connects the conservation awareness programs the OPA funds and is used by its delivery partners.



In 2008, the OPA re-launched its Every Kilowatt Counts website, www.everykilowattcounts.ca, to provide broader and more in-depth conservation information for Ontarians. The site includes a special interactive, educational section for children called Kids' Corner, as well as resources educators can download to supplement their energy conservation curricula. It also offers comprehensive information and case studies for all business sectors, including commercial, institutional, industrial and agricultural.

The OPA carried out two ministerial directives in 2008 to procure energy conservation advertisements – both were in support of the ministry's major consumer awareness campaigns on conservation for the residential sector.



OPA receives ENERGY STAR® Advocate of the Year Award

In June 2008, the OPA received the "ENERGY STAR Advocate of the Year Award" from Natural Resources Canada for the Every Kilowatt Counts and Cool Savings initiatives undertaken in 2007. This annual award is one of nine ENERGY STAR Market Transformation awards to recognize excellence in the marketing and promotion of more energy-efficient ENERGY STAR equipment.

Understanding Conservation Behaviour and Awareness

The OPA's marketing research in 2008 had three main purposes: to inform its strategy to design and deliver residential and business programs, to monitor feedback on its residential initiatives and to inform the development of Every Kilowatt Counts as the umbrella brand for its conservation programs.

This research included province-wide surveys to measure public opinion (described in the sidebar on page 10) and surveys to obtain feedback on residential initiatives in the marketplace. It also included focus groups across local distribution company territories to explore ways to increase participation in the *peaksaver* demand response initiative, interviews and focus groups with business leaders to inform future conservation programming for business markets, and focus groups on positioning and messaging for the Every Kilowatt Counts brand.

In January 2007, the OPA received the Association of Energy Services Professionals' award for Outstanding Achievement in Market Research and Evaluation. The annual awards program of this US-based organization recognizes excellence in the energy services field, in areas such as energy program design or implementation, marketing communications and market research.

Developing and Supporting Ontario's Conservation Service Industry

Many of the OPA's efforts in 2008 addressed the development of skills and knowledge of the conservation service industry and other market players, as well as the need to better educate electricity customers about how to conserve.

To help the market become more efficient and effective at delivering conservation and to support the growing conservation service industry in Ontario, the OPA's efforts focused on conservation program delivery agents, including local



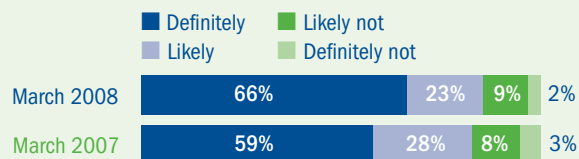
2008 market research results indicate that Ontarians feel increasingly empowered about conserving electricity. Individuals are learning more about what they can do to use electricity more efficiently, and most of

those surveyed report having taken some action to conserve electricity in the home.

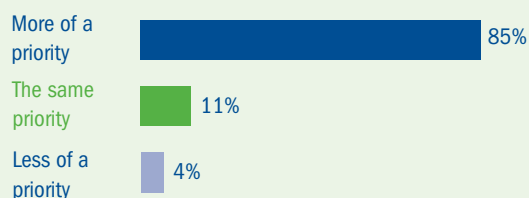
Roughly two-thirds of survey participants, slightly more than in 2007, believe they can definitely make a contribution to reducing total electricity use in the province. And an overwhelming 85 percent reported that using electricity wisely in the home has become more of a personal priority than it was in 2007. Since 2007, progressively more Ontarians cite cost savings and reducing environmental impacts as the main drivers for their electricity conservation behaviours.

Ontarians also appear to be adopting more advanced conservation behaviours over time. Interestingly, as basic conservation actions are taken (such as turning off lights when not in use and buying compact fluorescent lamps) and awareness of more advanced ones increases (such as using appliances more efficiently and buying energy-efficient appliances), people are now more likely than in 2007 to say that they are doing less than "all they can do." These findings, available on the OPA website, indicate that there are opportunities to do more to increase conservation measures in the province.

Individuals can make an important contribution to reducing the overall use of electricity in the province.



Using electricity wisely in your home has become more or less of a priority for you personally over the past year.



Source: OPA Electricity Conservation Usage & Attitude Market Research Q3 2008, August 2008

2008 in Review (continued)

distribution companies, the supply chain and other influencers, and customers. Related OPA activities included training, certification, development and dissemination of educational materials and tools, and the direct engagement of suppliers.

A number of the OPA's conservation initiatives were specifically intended to develop and support the ability of the conservation industry to deliver and participate in conservation. One such initiative was an energy-efficiency technology symposium hosted by the OPA in November for parties contracted to manage the delivery of OPA-funded conservation programs. Its objectives were to share and increase knowledge of energy-efficiency technologies, including design and retrofit options, and leading practices. Approximately 120 conservation industry participants attended the well-received event.

An important benefit of developing a conservation industry is the creation of new green jobs in Ontario, such as those created by the Great Refrigerator Roundup. Another example is the creation of new jobs to support the function of evaluating, measuring and verifying conservation results. In this regard, the OPA is encouraging the use of Certified Measurement and Verification Professionals for larger-scale efficiency projects. It also plans to sponsor training and examination sessions for people working in this field in 2009. The OPA expects that the Ontario conservation services industry will become more attractive for investment as program activity grows, and that employment opportunities will increase as a result.

Working with Conservation Partners

There are numerous channels through which conservation programs and information can be delivered to customers. Indeed, many distribution channels, close to customers, are needed to support the establishment of a sustainable conservation marketplace. The OPA continued in 2008

to work in partnership with local distribution companies and an increasing number of conservation vendors to ensure Ontario's conservation targets are met. Local distribution companies remained a key channel in promoting electricity conservation in Ontario, playing a central role by delivering conservation programs, identifying opportunities for reduced electricity use and raising awareness.

The OPA also continued to focus on developing and strengthening its relationships with other delivery agents for its conservation programs, including retailers, industry associations and consultants such as the Building Owners and Managers Association; the Heating, Refrigeration and Air Conditioning Institute; and Green\$aver, a non-profit organization dedicated to energy efficiency.

Supporting New Conservation Initiatives

The OPA's Conservation Fund provides support for action-oriented, sector-specific electricity conservation pilot projects. The fund supports projects using under-exploited program approaches, by working in under-developed market segments, or by soliciting and developing targeted training initiatives to build capacity. Lessons are broadly shared with the involved market segment, external program managers and OPA staff to help inform the development of programs.

To build capacity among funding recipients further, an annual "community of practice" event is held in November each year that brings together leaders in conservation to share their insights and discuss best practices. This session was expanded in 2008 to include a larger group of participants and to cover a broader spectrum of activities. Close to 100 individuals from a wide range of sectors participated in the event. In 2008, the fund also launched a series of webinars for fund recipients to facilitate more frequent information sharing.

The Conservation Fund budget for 2008 was \$3 million. Since 2005, the fund has provided \$8.6 million in funding for 68 electricity conservation pilot projects in the residential, business and industrial sectors of Ontario's economy. These funds have leveraged an additional \$15 million from other sources. In 2008, the fund issued topic-specific calls for expressions of interest for the first time, most of which focused on building capacity for energy managers, building operators and energy-efficiency co-operative placement opportunities for high school students. This approach will be used again in 2009 to solicit proposals that directly address identified needs.

In 2008, 15 new projects were approved across many sectors, including low-income housing, the broader public sector and commercial buildings,



Ontario receives an "A" for energy conservation

In August, the Canadian Energy Efficiency Alliance, which grades the provincial and federal governments on energy conservation action, gave Ontario an "A" rating on its latest report card. This is up considerably from the D+ rating Ontario received in 2001. In its report, the alliance stated that over the last four years, Ontario had made the greatest improvement in conservation of all the provinces. The "A" rating is a tribute to Ontario's electricity consumers, as well as the provincial government, municipalities, public institutions, corporations and all OPA conservation program delivery partners, particularly local distribution companies.

2008 in Review (continued)

as well as an upstream pilot project on consumer electronics. Further information on projects funded to date and selected case studies can be found at www.powerauthority.on.ca/cfund.

Enabling New Technology Development

The Technology Development Fund supports projects that promote the development and commercialization of technologies or applications that have the potential to improve electricity supply or conservation. In 2008, the OPA undertook to review a series of new and emerging technologies and practices that could be brought more quickly into the Ontario marketplace through prioritized investment by the Technology Development Fund, or by incorporating them into current conservation programming.

This enabled the fund to identify three priority conservation technologies it will focus on as part of its 2009 to 2010 investment strategy: high-efficiency lighting, next-generation refrigeration and cooling, and advanced integrated building controls. Several leading Canadian and US utilities involved in emerging technologies have endorsed these conservation technology priorities, which will form the basis of collective funding efforts over the next few years.

In 2008, the Technology Development Fund supported 11 projects for a total of \$1.9 million. These projects leveraged \$24.7 million in external contributions. Since it began in 2006, the fund has supported 30 projects for a total of \$3.1 million and leveraged \$35.6 million in external contributions. Further information on projects funded to date and selected case studies can be found at www.powerauthority.on.ca/tdfund.

Achieving Conservation in the Long Term

Transforming the conservation marketplace cannot be achieved by the OPA alone; however, the OPA has an important role to play, both as a planner and as a program implementer, to support, facilitate and accelerate the transformation process.

To achieve sustained conservation results, a long-term plan must be developed to implement programs and activities that will ensure sound conservation practices and energy-efficient products and services dominate the market. In 2008, the OPA began to develop a plan for the residential, business and industrial sectors that included a vision of how much conservation savings could be realized in each sector by 2025 and a plan of



Photo courtesy of NYSERDA

A one-megawatt battery storage unit

In mid-June, the OPA co-hosted a workshop on emerging electrical storage technologies with Natural Resources Canada, the Ontario Centres of Excellence and CEATI International Inc.

These technologies and applications were identified as a development priority by the co-hosts because they have the potential to increase penetration of renewable energy technologies as well as enable customer-based energy solutions. The workshop provided an overview of the current state of storage technologies, helped to identify various opportunities available in Ontario and explored current barriers to deployment. The results of this workshop are being used to help develop potential pilot projects to demonstrate the commercial viability of these applications and accelerate their deployment in Ontario.

how that potential could be achieved, including the use of codes and standards. This plan is being used to guide the development of future conservation program portfolios, as well as to inform some short-term activities, such as the Conservation and Technology Development Funds.

Advancing Energy Efficiency Through Codes and Standards

Research indicates that one of the most cost-effective ways to advance energy efficiency is through more stringent codes and standards. While the OPA does not have the authority to change codes and standards, it has an active role to play in planning for changes to them. The IPSP projects that a significant proportion of conservation savings will come from changes to building codes and performance standards for appliances and equipment.

For this reason, the OPA actively supports initiatives to improve energy codes for buildings and standards for electrical appliances and various kinds of equipment. As the responsibility for these changes lies with both the federal and provincial governments, the OPA continued to work closely with them in 2008. The OPA also continued to monitor national and international developments and best practices to inform and improve its work in this area. It worked as well with other key groups, such as the Canadian Appliance Manufacturers Association and individual appliance manufacturers, to identify opportunities for achieving long-term changes in the appliance market.

The OPA participated in a number of national and international market transformation efforts, including the Forum for Leadership in Energy Efficiency chaired by the Office of Energy Efficiency at Natural Resources Canada, which supports federal and provincial minimum energy performance regulation and coordinates market transformation efforts across Canada.



REGEN Energy Inc. in Toronto is using a 2008 Technology Development Fund grant to further develop its "EnviroGrid" plug-and-play load management device.

REGEN's small controllers are intended for commercial customers who see both their electricity consumption and demand charges on their monthly bills. Controllers are attached to loads that are used intermittently, such as compressors, pumps and air conditioners.

REGEN offers an easy-to-install and far more affordable option to reduce demand, compared to existing conventional building automation systems and equipment retrofit projects. More significantly, it does not require any ongoing operational effort by the facility manager. And since the system is modular, REGEN controllers can be added easily as a customer's facility expands. The next generation of the EnviroGrid device will contain demand response capability as well, to enable the devices to react to operating signals from the Independent Electricity System Operator. This phase of development also will prepare the device for large-scale manufacturing production. If early results are any indication, market demand for REGEN's technology will continue to grow.

2008 in Review (continued)

Procuring Greener, Cleaner Supply for Ontario

In addition to procuring conservation to help address Ontario's electricity challenge and fulfill its mandate to ensure a sustainable, reliable electricity system for Ontario, the OPA procures needed electricity supply from diverse generating sources. By acting as a creditworthy financial counterparty to encourage investment in Ontario's electricity system, the OPA ensures that needed generation is developed.

In 2008, emphasis was placed on procuring renewable and cleaner sources of electricity such as hydroelectric, wind, solar, natural gas-fired and combined heat and power generation.

Much progress has already been made to procure these generation resources for Ontario, and the OPA's procurement activities continued to grow steadily in 2008. As of December 31, 2008, the OPA had 40 large-scale contracts for 10,147 megawatts of new electricity supply under contract, ranging from projects for renewable energy resources to natural gas-fired generating facilities

and combined heat and power projects, and including contracts with Bruce Power to refurbish four of its nuclear units. These 40 contracts represent a \$12.8-billion investment in the Ontario electricity system that began in 2005 and continues to 2013. In addition, 424 contracts for 1,412 megawatts were signed through the Renewable Energy Standard Offer Program (RESOP). In total, there were contracts for 11,559 megawatts under OPA management, including 2,644 megawatts of renewable energy projects and 5,915 megawatts of clean energy supply (see Table 2).

The number of megawatts under management will increase in 2009 by about 3,000 megawatts to more than 14,500 megawatts, and their contractual value will increase by \$6 billion to nearly \$19 billion – increases of 26 and 47 percent respectively. To handle such significant increases, as well as an expected increase in the number of contracts to be managed, the OPA worked to enhance its contract management processes to ensure they are as efficient and effective as possible.

Table 2: New Electricity Supply Capacity Under Contract

From 2005 to December 31, 2008

Capacity in service (MW)	Capacity under construction (MW)	Capacity in planning and permitting (MW)	Total capacity under contract (MW)
3,352	4,699	3,508	11,559
Technology or contract type	Number of contracts	Total capacity under contract (MW)	Total capacity in service (MW)
Renewable energy (standard offer ≤10 MW)	424	1,412	97
Renewable energy (large-scale >10 MW)	19	1,232	744
Natural gas	13	5,501	2,480
Combined heat and power	7	414	31
Nuclear	1	3,000	0

Major Procurement Activities

In 2008, the OPA continued to use several different procurement approaches.

A standardized contract structure and pricing continued to be used for procuring small-scale renewable energy projects under RESOP. This program was in effect until May 2008, at which time the OPA initiated a comprehensive program review to ensure the long-term effectiveness in achieving its goals. The proposed Green Energy Act would replace RESOP with a feed-in tariff program.

For hydroelectric generation resources in Northern Ontario, procurement continued to be accomplished through sole-source negotiation. Several facilities were contracted in 2008, including the Lac Seul, Upper Mattagami, Hound Chute

and Healey Falls generating stations. All were redevelopments, with the exception of the new development at Lac Seul near the existing Ear Falls facility and the expansion of the existing facility at Healey Falls.

All other procurement activities were accomplished through competitive processes.

Competitive Procurements

Procuring Electricity for Areas Facing Supply Issues

Significant progress was made in 2008 in two areas of the province facing critical local supply issues – the northern York Region and the southwestern Greater Toronto Area. Both areas have experienced robust growth in the past few years, growing at a rate of two to three times the provincial average. This has resulted in electricity demand exceeding the capability of the electricity infrastructure serving the areas. Supplemented by ongoing conservation measures, two procurements, for up to 400 megawatts and approximately 850 megawatts respectively, will address the needs of these fast-growing areas for a reliable and secure supply of electricity, as well as contribute to the provincial commitment to shut down coal-fired generation by December 31, 2014.

In January 2008, the OPA received a government directive to procure up to 400 megawatts of peaking natural gas-fired generation in the northern York Region to be in service by December 31, 2011. In response to an OPA procurement process, four proponents submitted six proposals to design, build and operate a new natural gas-fired peaking generating facility in the area. The contract was awarded in December to York Energy Centre LP for a plant to be located in King Township.

In August 2008, the Minister of Energy and Infrastructure issued a directive to the OPA to procure approximately 850 megawatts of combined-cycle natural gas-fired generation in the southwestern Greater Toronto Area. The procurement is to be completed in the summer of



Hydroelectric generation resources in Northern Ontario

The Lac Seul Generating Station (GS), located at Ear Falls, began commercial operations in early 2009. It operates within Ontario Power Generation's Northwest Plant Group.

In late December, Ontario Power Generation and the Lac Seul First Nation formed a partnership that will see the Lac Seul First Nation acquire a 25 percent share of the Lac Seul GS. The station, which will generate enough electricity to meet the annual needs of 5,000 homes, has the Ojibway name of Obishikokaang Waasiganikewigamig, meaning White Pine Narrows electricity generating building. White Pine Narrows is the original Ojibway name of the area.

2008 in Review (continued)

2009, and the new generating facility is to be in-service no later than December 31, 2013. The OPA launched the procurement process in October 2008 with a request for qualifications. In mid-January 2009, four companies qualified to compete in the request for proposals process beginning in February 2009. Submissions are expected by July 2009, with a proponent to be chosen by August 2009.

Combined Heat and Power Procurements

A 2005 directive called for the procurement of up to 1,000 megawatts of combined heat and power (CHP) to generate electricity and heat for industrial purposes. The first phase, CHP I, was undertaken in 2006 and resulted in seven contracts totalling 414 megawatts. A second procurement process for combined heat and power (CHP II) was launched in June 2007, starting with a request for expressions of interest. A final request for proposals was released in May 2008 and proposals were received in late January 2009. CHP II is expected to result in contracts for all or some portion of the remaining 586 megawatts in accordance with the directive. In the event that the CHP II procurement results in contracts for less than 586 megawatts, the OPA will assess how best to contract for any remaining capacity related to the original directive.

The OPA received a further directive to procure combined heat and power in April 2008. This directive, referred to as CHP III, called for the procurement of approximately 100 megawatts of high-efficiency renewable-fuelled combined heat and power from projects greater than 10 megawatts. The procurement process began with a request for expressions of interest in June 2008. A stakeholder session was held in August and an updated transmission constraints matrix was released in October. The request for proposals was released in January 2009 and contracts are expected to be executed in June 2009.

Procuring Renewable Energy

In response to a directive in August 2007 to procure 2,000 megawatts of renewable energy supply (RES) for projects that are greater than 10 megawatts, the OPA has been working to procure these megawatts in multiple phases. The procurement process began with a request for expressions of interest in November 2007. In August 2008, the OPA released the final request for proposals and final contract for the first phase, referred to as RES III (the procurements referred to as RES I and RES II were carried out by the Ministry of Energy prior to the formation of the OPA and pre-date the August 2007 directive). The evaluation process concluded at the end of 2008, and the successful projects were announced in late January 2009 (see sidebar on page 17).



Greenfield Energy Centre commences operations

The Greenfield Energy Centre near Sarnia was one of a handful of successful projects commissioned through a 2004 request for proposals by the Ontario government for a total of 2,500 megawatts of new, clean generation and demand-side projects. In 2005, the newly created OPA took over management of the Greenfield Energy Centre contract.

The Greenfield Energy Centre achieved commercial operation on October 16, 2008. This 1,005-megawatt generating station is the largest natural gas-fired generation facility procured by the government or the OPA to date. It is one of the largest combined-cycle facilities in Canada, providing a reliable and readily dispatchable source of electricity for Ontario consumers.



As part of a 2005 ministerial request for proposals to procure up to 1,000 megawatts of renewable energy for projects greater than 10 megawatts (RES II), two large-scale wind projects for a total of 233 megawatts came into service in 2008 – a 132-megawatt project in Amaranth and Melancthon Townships near Shelburne and a 101-megawatt project near Port Alma.

Standard Offer Programs

The first program of its kind in North America, RESOP has been extremely successful since its launch in November 2006, surpassing its 10-year goal of 1,000 megawatts in its first 18 months of operation. As of December 31, 2008, 424 contracts had been executed under this program for a total of 1,412 megawatts, and another 19 applications for contracts were being processed at year-end. RESOP projects include wind power, hydroelectric, solar photovoltaic and biomass.

As a result of the popularity of RESOP, the OPA was proactive in placing the program under review to ensure its continued success. Following its announcement of proposed changes to the program in May, the OPA held a series of technical sessions to gather feedback from stakeholders concerning implementation of the proposed new RESOP rules and the revised contract. The OPA worked closely with the Ministry of Energy and Infrastructure for the remainder of the year to ensure consistency and alignment with the government's policy priorities for renewable energy in Ontario, particularly with respect to the proposed Green Energy Act.

A second standard offer program under development in 2008 was the Northern Hydroelectric Initiative. It was designed to encourage and promote greater use of waterpower from smaller generating projects that connect to the electricity transmission system in Northern

New green energy projects generate more green jobs

In early 2009, the OPA awarded 20-year contracts for six new, large-scale wind power projects that will help create about 2,200 new jobs in Ontario. Three projects are located in Chatham-Kent and one each in Essex, Prince Edward County and Thunder Bay. They will create 492 megawatts of new renewable generation and enough electricity for more than 120,000 homes. In addition to about 1,100 direct and 1,100 indirect jobs, the projects will result in about \$3 million in annual lease payments to hundreds of landowners hosting wind turbines and about \$1 million in annual municipal tax revenues. The six projects are expected to be in service by the end of 2012.

Ontario is Canada's leader in wind power. Wind supply in the province nearly doubled in 2008, with wind generation expected to produce at least two terawatt-hours of electricity in 2009.

Ontario. The OPA received significant input on this initiative from stakeholders, both directly and through industry associations, which has helped guide its consideration of how to ensure the success of the initiative moving forward.

The enormous success of the OPA's small renewable and other clean energy supply procurements is expected to result in a doubling of the amount of cleaner energy under its management in 2009. As with conservation procurement activities, a spin-off benefit is the creation of new jobs to build and operate the new generating facilities under contract with the OPA. Lessons learned from RESOP and the Northern Hydro Initiative consultations will contribute to building a strong framework for renewable energy supply procurement under the feed-in tariff program contemplated by the proposed Green Energy Act.



Bruce-to-Milton transmission line receives OEB approval

In September, the OEB approved Hydro One's application for a "leave to construct" approximately 180 kilometres of a double-circuit 500-kilovolt electricity transmission line. The line will extend from the Bruce Nuclear Generating Station in Kincardine Township to Hydro One's switching station in the Town of Milton. Approval is conditional on a number of factors, including approval of the environmental assessment. The OPA provided evidence in this case addressing various key areas such as the rationale for the transmission line. The line will run adjacent to the existing transmission corridor and is expected to be in service by the end of 2011.

This project, the single largest transmission project in Ontario in 20 years, is needed to meet the increased demand for transmission capacity associated with the development of wind power in the Bruce area and the return to service of nuclear units being refurbished at the Bruce station.

Designing and Managing Procurement Processes

Procurements for conservation and new supply are taking place within an increasingly competitive global market for new investment. Procurement contracts must be designed to provide the best possible value to Ontario electricity ratepayers while ensuring that infrastructure is contracted and built when it is needed. These needs include the necessary timing, volume, location and type of conservation and generating facility, as well as the integration of generation with the transmission system.

Over the next three years, the OPA will continue to use the most appropriate procurement processes, as well as lessons learned, to ensure that new electricity generating resources are in service when and where they are needed, including renewable and natural gas-fired generating facilities.

2008 in Review (continued)

Planning Integrated Solutions

In 2008, the OPA continued its work on long-term electricity system planning and on developing solutions for areas with reliability concerns.

Following oral submissions by intervenors in January, the OEB released its decision on the scope of the IPSP hearing. This important step was followed by the interrogatories phase of the proceeding. In May and June, the OPA responded to more than 3,300 questions from dozens of intervenors. In July and August, intervenors submitted their evidence to the OEB and the OPA was given the opportunity to ask questions based on this information.

The oral hearing before the OEB began on September 8. The hearing was paused in late September as a result of a directive from the Minister of Energy and Infrastructure on September 17. The directive required the OPA to review certain parts of the plan, including the amount and diversity of renewable energy sources in the supply mix, the availability of distributed generation and the viability of accelerating the province's conservation targets. The OPA was also directed to undertake enhanced consultation on the plan with First Nations and Métis communities and to consider Aboriginal partnership opportunities in generation and transmission matters. The new consultation process is described on page 23.

As well as undertaking procurements for the supply-constrained northern York Region and the southwestern Greater Toronto Area in 2008, the OPA continued to develop solutions for key areas identified as facing electricity supply constraints that require attention, such as Windsor-Essex and Kitchener-Waterloo-Cambridge-Guelph.

In addition to planned conservation to reduce demand, the proposed solution in the Windsor-Essex area involves reinforcing the transmission system by building two new lines in the area and a new supply station near Leamington, replacing two aging autotransformers and possibly upgrading one line in Windsor. The expected in-service date is 2012. A large potential for distributed generation also has been identified to help ease supply capacity shortfall and improve the system security in this area. The new facilities will help to connect more distributed generation in the area.

Photo courtesy of Siemens



A simple-cycle natural gas plant

Addressing local area supply needs

In December, the OPA awarded a 20-year contract to York Energy Centre LP to design, build and operate a simple-cycle natural gas plant in the Township of King. This plant will address the urgent need for clean, reliable and secure power in one of the fastest-growing areas in Ontario. It will also help the province to close down coal-fired generation by 2014 – Canada's single biggest climate-change initiative.

The 393-megawatt electricity generating station will be located on Dufferin Street in the township. York Energy Centre LP is a limited partnership between York Energy Centre Inc., as general limited partner, and Pristine Power Inc., as limited partner.

The OPA coordinated efforts in the Windsor-Essex area with Hydro One. An extensive stakeholder engagement process took place, involving meetings with mayors, councillors, municipal staff, Members of Provincial Parliament and the public. By mid-2008, information had been gathered on a wide range of issues to determine a preferred solution. Since the fall of 2008, Hydro One has been working to identify a station site and transmission route for the preferred solution. Hydro One, with the OPA's support, also plans to begin the process of obtaining the necessary approvals from the OEB and the Ministry of the Environment in 2009.

Alternative solutions under development for Kitchener-Waterloo-Cambridge-Guelph involve possible new local generation or new transmission to the area. Station and line upgrades in Guelph are also recommended, and conservation and distributed generation are included in plans for Cambridge and Guelph. Implementation of the solutions is still at an early stage. The OPA met with the local distribution companies in this area in 2008 and continued to keep abreast of changing circumstances, including their near-term needs to meet electricity demands. An extensive stakeholder engagement process is expected to begin in Kitchener-Waterloo-Cambridge-Guelph in 2009.

2008 in Review (continued)

Supporting Electricity Sector Development in Ontario

The evolution of Ontario's power system requires removal of barriers to the development of transmission, adoption of conservation, enhancement of distributed generation and incorporation of renewable energy supply. The OPA engaged with the Ministry of Energy and Infrastructure, the Independent Electricity System Operator, the OEB, Ontario Power Generation and other stakeholders to identify and help resolve potential policy and project-specific barriers in these areas.

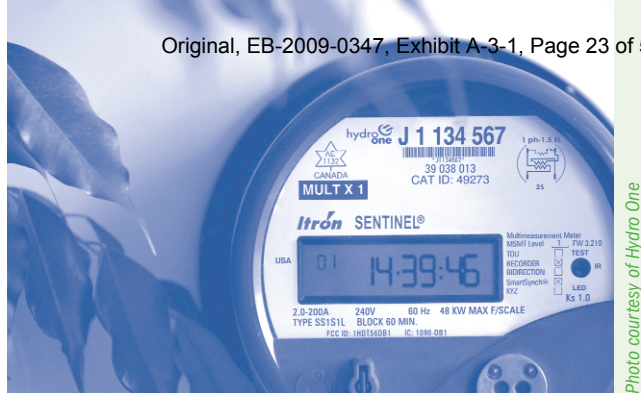
In 2008, the OPA's work with stakeholders to identify barriers to the development of distributed generation facilities, including small renewable energy supply resources, involved examining ways to streamline the regulatory framework to enable distributed generation. The OPA was involved on an ongoing basis in investigating the potential for distributed generation in urban as well as supply-constrained areas, such as central and downtown Toronto and Kitchener-Waterloo-Cambridge-Guelph. The OPA and Toronto Hydro are jointly conducting a study to investigate significant distributed generation penetration in central and downtown Toronto. The results of this study, the first of its kind in North America, are expected in 2009.

To identify and address barriers to infrastructure development and the incorporation of distributed generation, the OPA worked to streamline processes with the OEB, the Independent Electricity System Operator, Hydro One, the Electricity Distributors Association, local distribution companies and others. The OPA also supported the evolution of changes to the Transmission System Code and the Distribution System Code to encourage enabler lines and distributed generation.

At a local level, the OPA worked with municipal planners and local distribution companies to facilitate inclusion of electricity infrastructure and conservation in their planning processes.

The OPA continued to support the development of a forward market for electricity to help facilitate new conservation and generation investment by providing forward price signals to assist long-term contracting. In part based on the OPA's support, forward Ontario electricity contracts began trading on the Natural Gas Exchange in 2007. In February 2008, these contracts started listing on the world's largest commodity exchange, the IntercontinentalExchange® (ICE). Volumes continued to grow over the course of the year. More than 4.5 million megawatt-hours had been traded by the end of 2008, of which about 4.1 million were over-the-counter trades.

The OPA also facilitated the listing of forward power and heat-rate contracts (where two contracting parties agree to a fixed price for converting natural gas into electricity) and other electricity products on exchanges such as the ICE. In addition, it promoted the value of trading these products with potential participants.



The OPA worked closely with the Independent Electricity System Operator in this area.

Also in 2008, the OPA continued to work with stakeholders to examine the potential role of customer entitlement agents (called load-serving entities in other jurisdictions). These agents would represent small consumers in purchasing electricity in the wholesale market and help them manage their electricity costs more effectively. The OPA facilitated, researched, developed and managed customer entitlement agent pilot studies and dialogued with stakeholders to determine if customer entitlement agents could provide benefits to consumers. These efforts included the release in September of three discussion papers on this topic to generate dialogue within the industry. The OPA will continue to consult with policy-makers and stakeholders on the concept of customer entitlement agents and the benefits of conservation procurement and management.

As part of its ongoing sector development work with the Independent Electricity System Operator, the OPA consulted with stakeholders to better understand drivers for the global adjustment mechanism and explore ways to address its impacts. This mechanism, also called the “Provincial Benefit,” is expected to increase as a result of new conservation and supply resources coming into service. This will mean that all ratepayers – residential, commercial/ institutional and industrial – will need tools to manage their electricity costs. These tools include conservation programs to assist ratepayers in managing their energy consumption.

A vision for a smart electricity grid for Ontario

Another important electricity sector development initiative is the Ontario Smart Grid Forum launched in 2008 by the Independent Electricity System Operator in collaboration with a number of industry partners. The forum is developing a vision for a provincial smart grid that would provide consumers with more efficient, responsive and cost-effective electricity service. Its goals are to increase the efficiency, reliability and flexibility of the grid through the use of advanced, information-based technologies that enable two-way flows of both information and electricity.

The smart grid would give electricity consumers opportunities to become more active participants in the real-time management of electricity demand through price signals and more options for managing their electricity demand. For example, smart meters and time-of-use pricing will enable customers to respond to price signals through automated demand response and in-home load control devices, similar to *peaksaver* devices currently used for central air conditioners. Such a grid is also expected to provide benefits to the environment.

The OPA actively participated to help evaluate the opportunities for enhancing distributed generation, energy efficiency and demand management initiatives provided by the future development of a smart grid. The focus of the forum is on opportunities in Ontario, but developments in other jurisdictions are being monitored as well. Activities needed to overcome barriers also will be identified. The forum released the results of its evaluation to the public early in 2009, including the next steps for the initiative. More information is available at www.ieso.ca/smartgrid.

2008 in Review (continued)

Engaging with Stakeholders

Engaging with a broad array of stakeholders in Ontario's electricity sector through consultation and public communication and engagement activities remained a central priority for the OPA in 2008. The OPA strives to ensure that all those with an interest in the OPA's initiatives are able to share information and their experience and provide advice to the OPA early in the planning process. The OPA values all such feedback and ensures that it is given due consideration in its initiatives, activities and programs.

Stakeholder involvement was an important part of virtually every initiative and activity the OPA undertook in 2008, touching on all areas of its mandate. Particular areas of focus for continuing stakeholder engagement, communications and public outreach were areas with local supply constraints, procurements including changes to RESOP, and the OPA's conservation program initiatives.

The OPA engaged extensively with stakeholders in two of the areas facing reliability issues: the northern York Region and the southwestern Greater Toronto Area. Its activities included public advertising, attending meetings with local community groups and individuals and holding information sessions for the public – 15 were held in the northern York Region and four in the southwestern Greater Toronto Area. The OPA will continue to provide support in these areas as the solutions are implemented.

The OPA worked openly with all interested parties in both its standard procurements for combined heat and power and in its standard offer programs for renewable and clean energy. Stakeholder engagement activities provided important input into the development of requests

for expressions of interest, requests for proposals and contracts for standard procurements, as well as the design and refinement of the standard offer programs. The OPA also initiated its first annual general meeting on procurements to provide stakeholders with a forum within which to obtain more information and insights into current and upcoming generation procurements managed by the OPA.

In the area of conservation, the OPA continued to engage stakeholders, including local distribution companies, industry and trade organizations, environmental groups and other industry participants, to assist in developing and refining specific conservation program initiatives such as *peaksaver* and the low-income, single-family home initiative.

A wide range of communication channels was deployed to raise awareness of the OPA's mandate, initiatives and proposed plans and programs. These included webcasts and teleconferences, website communications, workshops, print and electronic media, advertising, OPA publications such as newsletters and brochures, as well as in-person meetings with stakeholders, executive speeches and special advisory groups. OPA executives gave more than 90 speeches in 2008 to a broad range of audiences, from business and industry leaders to government representatives, communities, consumer and environmental organizations. Many more presentations were made by OPA staff at various levels of the organization at events such as seminars, conferences and workshops.

Throughout its stakeholder engagement activities, the OPA strove to follow its guiding principles of relevance, inclusiveness, accessibility, transparency, meaningful contribution and disciplined and fair management.

Building Relationships with First Nations and Métis Communities

Outreach to First Nations and Métis Peoples continued in 2008 through the IPSP regulatory process and capacity-building agreements, as well as through an enhanced consultation process that began late in the year and will continue in 2009.

In 2008, the OPA focused on its priority to enter into capacity-building agreements and partnerships with First Nations and Métis organizations. By the beginning of 2009, capacity-building agreements were being put into place with the Union of Ontario Indians (Anishinabek) and the Métis Nation of Ontario. The OPA anticipates that similar agreements will be entered into with other Aboriginal organizations in 2009.

Capacity-building agreements are intended to assist First Nations and Métis organizations in building their capacity to participate effectively in consultations on this and subsequent IPSPs at both substantive and process levels. More specifically, these agreements are intended to enable these organizations to retain qualified staff who will help them further develop their understanding of Ontario's electricity system and communicate directly with their constituent member bands and communities on matters pertaining to the development of future IPSPs and procurement processes.

Following the September directive to the OPA to undertake an enhanced process of consultation with First Nations and Métis communities on the IPSP and to consider Aboriginal partnership opportunities in the generation and transmission of electricity, the OPA embarked on further consultations in late November, beginning with an address from the OPA's chief executive officer to the Chiefs of Ontario. Regional meetings were held in Thunder Bay and Toronto in December. These were followed by a further round of local and regional meetings early in 2009. The OPA also hosted province-wide webinars in early 2009 to further the dialogue and address questions from the regional meetings.

The OPA believes these efforts will support the development of a framework for sustained consultation with First Nations and Métis Peoples with respect to long-term power system planning issues in Ontario.

These formal consultation activities were separate from but coordinated with the OPA's activities to promote conservation awareness and support conservation initiatives with First Nations and Métis Peoples. An example of these activities is the Aboriginal conservation pilot initiative, which enabled the OPA to gain the insight and experience needed to deliver conservation programs to Aboriginal communities throughout Ontario.



2008 in Review (continued)

A Sustainable Electricity Future: Next Steps

In its fourth year of operation, the OPA achieved a number of important goals and passed several key milestones. Solid progress was made toward realizing Ontario's goal of a sustainable electricity future.

In 2008, the OPA:

- announced that Ontario had achieved its first interim conservation target of a 1,350-megawatt peak demand reduction
- partnered with more than 70 local distribution companies to deliver conservation programs to 99 percent of Ontario's electricity customers
- exceeded the 11,000-megawatt mark for new contracts for new electricity supply, including 2,644 megawatts of renewable energy and 5,915 megawatts of clean energy
- worked to implement solutions in key areas facing local supply constraints, including procurements in the northern York Region and the southwestern Greater Toronto Area
- completed the interrogatories phase of the IPSP hearing, participated in the oral hearing that began on September 8 and began a review of the IPSP as directed by the Minister
- embarked on an enhanced consultation process with Aboriginal Peoples
- was involved in several key initiatives to develop Ontario's electricity sector for the benefit of all Ontarians.

While progress has been made toward ensuring a reliable, sustainable supply of electricity for Ontario, much remains to be accomplished. In 2009, the OPA's key activities will be to:

- work toward meeting the second interim conservation target of reducing peak demand by 1,350 megawatts by the end of 2010
- assist in the implementation of the proposed Green Energy Act, if passed by the legislature, by promoting conservation and renewable energy in Ontario and supporting the creation of green jobs
- continue to provide, in partnership with local distribution companies, a robust portfolio of conservation programs to Ontarians that delivers electricity savings, contributes to reduced peak demand and raises awareness of the value of conservation in the province
- increase the capacity of those working in the conservation sector, particularly program delivery agents such as local distribution companies, the supply chain and other influencers and customers
- continue to identify and support the implementation of appropriate minimum energy performance standards and remove barriers to conservation
- continue to procure renewable energy and combined heat and power to meet the megawatt targets set out in government directives
- enter into new procurement contracts with both small and large developers

- ensure that procurements are as efficient and effective as possible and develop new and improved mechanisms to procure different types of renewable and clean energy resources
- continue to engage in an enhanced process of consultation with First Nations and Métis communities on the IPSP and consider Aboriginal partnership opportunities in the generation and transmission of electricity, as well as put in place capacity-building agreements to increase their ability to participate in Ontario's electricity future
- continue to undertake the procurement for the supply-constrained southwestern Greater Toronto Area and develop solutions for other areas facing electricity supply constraints, such as Windsor-Essex and Kitchener-Waterloo-Cambridge-Guelph, including identifying and supporting conservation opportunities in all these areas
- develop a comprehensive assessment of barriers to distributed generation, including renewable supply
- continue to develop forward electricity markets to realize increased trading, identify a path to mitigate the effects on electricity customers of a rising global adjustment mechanism and make progress in reaching consensus on the use of customer entitlement agents in Ontario's electricity sector.

As in each of the four previous years, in 2009 the OPA's activities will maintain their core focus of serving the interests of Ontario's electricity consumers.

Directives issued by the Minister of Energy and Infrastructure give the OPA legal authority to pass through to consumers the costs of contracts entered into under the directives. These directives are available on the OPA website. To access them, type "directives" into the site's search engine and click on the first search result.

Management's Discussion & Analysis

The following is a discussion of the operating results and financial position of the Ontario Power Authority (OPA) for the year ended December 31, 2008. This analysis should be read in conjunction with the detailed financial statements and notes, which have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

Statement of Operations

Revenues

The OPA has three different sources of revenues:

Fees: Ontario electricity users pay for most of the OPA's operating budget through fees levied on their electricity consumption. This budget is reviewed annually by the Ontario Energy Board (OEB). Interested members of the public can participate in this review to comment on the budget and any items contained in it.

Registration Fees: The OPA collects fees from those who submit development proposals for new electricity production. The fees, which vary with the size and scope of the proposed development, are intended to defray the costs of reviewing proposals and help ensure that only qualified developers will submit bids.

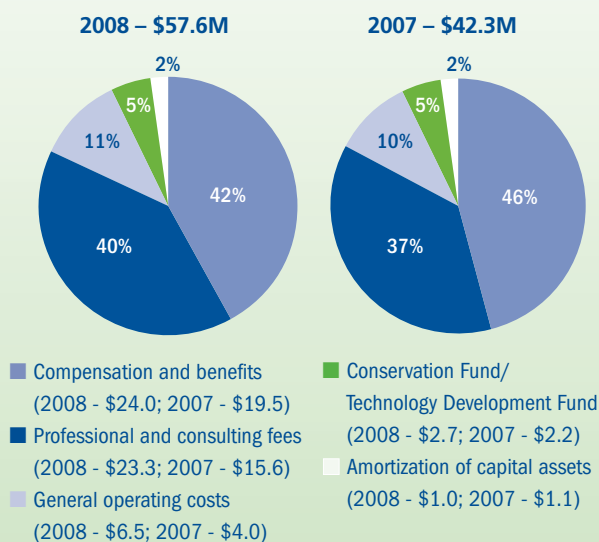
Interest Revenue: These are funds earned from the management of the OPA's cash balances.

In 2008, revenues fell \$2.3 million from the previous year to a total of \$53.4 million. The OPA intentionally sought approval for lower usage fees in 2008 from the OEB, even though projected expenses were considerably higher than 2007, in order to reduce prior year surpluses of \$16.2 million.

Expenses

Figure 1 shows the operating expenses of the OPA in 2008 and 2007.

Figure 1: 2008 and 2007 Operating Expenses



Compensation and Benefits

The OPA is predominantly a knowledge-based organization. As a result, the primary cost of its operations is the employment of highly qualified professionals. Costs in this category include staff salaries, pensions and benefits. Total costs for 2008 were \$24 million, with expenses for training, development, recruitment and professional membership fees contributing \$1.2 million to this total. For 2009, these non-compensatory items will be allocated to general operating costs to better reflect direct employment expenses going forward. The year-over-year increase of \$4.5 million for compensation and benefits reflects increased staffing, primarily in the areas of conservation, power system planning, electricity resources, finance and information systems.

Professional and Consulting Fees

This category captures the costs of the retention of professional services in audit, legal support, stakeholder consultation and external professional services. Fee expenses in 2008 were \$7.7 million higher than in 2007. This increase was primarily the result of activities undertaken following the filing of the Integrated Power System Plan (IPSP) with the OEB on August 29, 2007. These activities related to the OPA's participation in the regulatory review of the IPSP, including payment of cost awards to intervenors, preparation and provision of evidence, and legal and consulting efforts related to the oral hearing on the IPSP.

In addition, legal support increased in 2008 to assist in energy procurement activities, while other consulting fees increased to support conservation programs and conservation research. The OPA retained the Ontario Ministry of Finance's internal audit team to execute internal auditing, program verification and compliance reviews, in addition to the audit of the Regulated Price Plan (RPP). The auditors provided minor recommendations to the OPA for continued improvement.

Conservation Fund and Technology Development Fund

The key purposes of the OPA's Conservation Fund and Technology Development Fund are to support innovative approaches to conservation, build market capability and seed the development of emerging technologies.

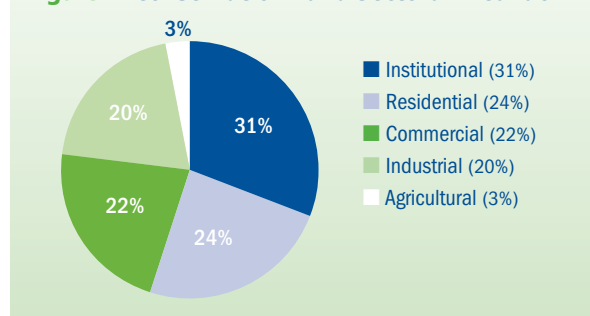
Calls for proposals were made three times in 2008 for each fund through a competitive process. In the first stage, expressions of interest are rigorously screened by a business and technical review committee and, if approved, applicants are invited to submit full proposals. The second stage involves an additional business and technical review by the committee, which is responsible for making funding recommendations to the OPA's Grant Award Committee. This committee consists of the chief executive officer of the OPA as chair, the

vice-president of conservation and sector development and one external reviewer from outside the energy sector.

Funded projects can last as long as 36 months, with the result that expenses can be incurred several years after a project has been awarded. In 2008, the OPA incurred expenditures of \$2.7 million against 98 projects – 68 Conservation Fund projects and 30 Technology Development Fund projects – some of which began in 2005.

The Conservation Fund was created in 2005 to support the development of conservation programs. The review process for this fund has been internally managed since that time. Since its inception, the Conservation Fund has provided funding to 68 projects for a total of \$8.6 million. These projects have attracted more than \$15 million in contributions from external participants such as businesses and university research programs. The projects funded to date by sector are shown in Figure 2.

Figure 2: Conservation Fund Sectoral Breakdown



More information on the Conservation Fund, including the projects it has funded and how to apply for funding, is available on the OPA website at www.powerauthority.on.ca/cfund.

The Technology Development Fund was created in 2006 to support the development of emerging electricity supply or conservation technologies. In 2008, a new review process was designed and implemented for the fund that used both internal and external technical expertise.

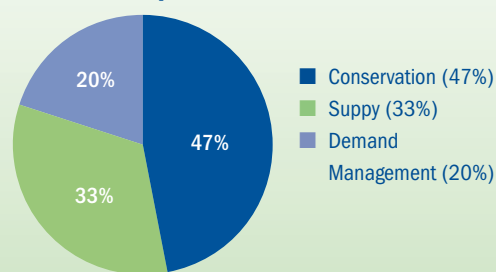
Management's

Discussion & Analysis (continued)

This process gives applicants three ways to access the fund: through the OPA directly, with its new, internally managed review process; through the Ontario Centres of Excellence – Centre for Energy; or through the Centre for Energy Advancement through Technological Innovation.

The Technology Development Fund has provided \$3.1 million to 30 projects since its inception. These projects have leveraged \$35.6 million in external contributions. The composition of the technologies in the portfolio to date is shown in Figure 3.

Figure 3: Technology Development Fund Portfolio Composition



More information on the Technology Development Fund, including the projects funded and how to apply to the fund, is available at www.powerauthority.on.ca/tdfund.

General Operating and Financing Costs

General operating costs are the indirect costs associated with delivering the OPA's mandate. They include costs for such items as conferences, meetings, travel, communications, publications, office facilities and information systems. Due to growth at the OPA, 2008 program and administrative costs were \$0.9 million higher than in 2007. In addition, expansion of office space in 2008 to accommodate increased staff resulted in a cost increase of \$0.5 million. Also in 2008, the OEB began charging the OPA for activities undertaken by the OEB in support of OPA-led initiatives. These charges resulted in an additional \$1.1 million expense in 2008. Overall, the OPA's general operating costs increased by \$2.5 million

in 2008. This increase was partly offset by a \$1-million reduction in financing costs from the previous year.

Amortization of Capital Assets

The OPA's capital assets consist mainly of furniture and fixtures, computing hardware and software, leasehold improvements, telephones and audio-visual equipment. All assets are amortized on a straight-line basis over their estimated service lives. Service life varies by asset class, as outlined in note 2 of the financial statements.

Other Income and Expenses

This category includes interest incurred to finance operations, expenses associated with asset disposals and other miscellaneous expenses. In early 2007, the OPA financed office expansions and conservation programs in advance of receiving the offsetting funds from the electricity market. In late 2007 and throughout 2008, operating revenues exceeded expenditures for operations and financing was not required.

Statement of Financial Position

Assets

Current Assets

Cash balances are maintained to optimize short-term interest returns on funds received for the RPP. Accounts receivable holds the estimated amounts for electricity procurements to be received in the following month. Year-over-year changes relate entirely to changes in the size of estimated electricity procurements.

Regulatory Assets

To provide greater transparency and assist readers of the financial statements in identifying the OPA's ongoing costs of operations, the activities and balances in certain accounts – including the RPP, retailer settlement deferral and government procurement deferral accounts – have been separated from operating costs and aggregated on the OPA's balance sheet as “regulatory assets and regulatory liabilities.”

Regulated Price Plan

The price of electricity for most Ontario consumers is regulated by the OEB, which sets prices for future periods of six months. Any difference between the regulated price and the actual price paid for electricity during that period (which depends on factors such as peak demand) results in a variance that is paid or recovered by the OPA and reflected in subsequent rate decisions by the OEB.

Changes in the RPP variance amount are driven by differences between the hourly Ontario electricity price (HOEP) paid to producers and the regulated price charged to Ontario consumers. During much of 2007, the hourly price was lower than the regulated price, creating an increase in the liability amount owed to consumers that was reflected in the ending balance. Beginning in early 2008, the combination of a higher hourly price and a lower regulated price reversed this trend, causing the

liability balance to fall to \$63.2 million at the end of 2008 from \$145.5 million at the end of 2007. The RPP variance amount in relation to the monthly average HOEP is shown in Figure 4.

Additional information on the RPP variance amount can be found on the OEB website under Industry Relations, OEB Key Initiatives, and accessed by clicking “View active projects in alphabetical order” or by clicking on the “Rate Policies” topic link.

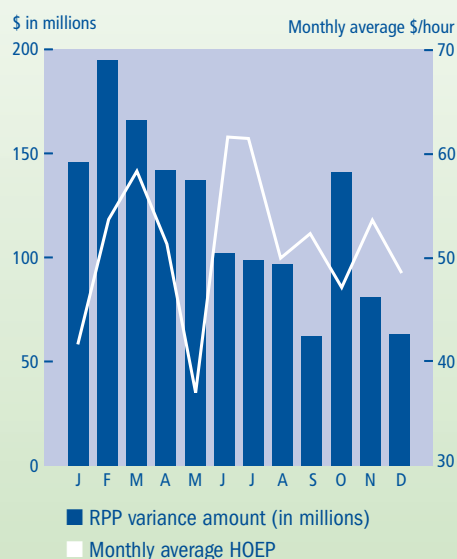
Retailer Settlement Deferral Accounts

The OPA has a legislated responsibility to fund and track the assets and liabilities that arise due to retailer contractual obligations existing prior to electricity prices being frozen effective November 11, 2002. In 2008, HOEP exceeded retailer contract prices on average, creating a liability of \$0.3 million payable to the electricity market. The net interest charged on prior year balances was \$1.4 million. This increased the total amounts collectable from the electricity market to \$43.2 million at the end of 2008 from \$42.1 million at the end of 2007.

Government Procurement Deferral Account

Expenses incurred by the provincial government related to electricity procurements are transferred to the OPA. In its 2009 revenue requirement submission to the OEB, the OPA requested recovery of the existing balance for the 2008 revenue requirement over the 12 months of 2009. Any remaining balances will be included in future revenue requirement submissions. In 2007, the balance in the account was \$1.3 million. In 2008, the OPA received net transfers of \$0.1 million, bringing the balance to \$1.4 million at the end of 2008.

Figure 4: RPP Variance Amount versus Average HOEP for 2008



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
RPP variance amount (\$ in millions)	146	195	166	142	137	102	99	97	62	141	81	63
Monthly average HOEP (\$/hour)	42.46	54.35	58.21	51.42	36.51	62.29	62.26	50.01	52.28	47.07	53.63	48.34

Management's

Discussion & Analysis (continued)

Global Adjustment Account

The global adjustment account records the cash flows related to procurement contracts held, managed or under the responsibility of the OPA. This includes contracts associated with the standard offer program, generation procurement, conservation, demand response, non-utility generators, certain prescribed Ontario Power Generation (OPG) hydroelectric generation and nuclear generation.

The account is settled monthly; however, the settlement process for OPA contracts requires an estimate of the balance owing. The variance between the actual and estimated balance is adjusted in the following month's settlement. A variance of \$65.1 million existed at December 31, 2008 and was reclassified as a receivable for reporting purposes. As a result, the global adjustment account had a zero balance at December 31, 2008.

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities reflect the accrual of electricity market settlements due in the following month. The year-over-year change is entirely due to the difference in the estimated market liability.

Net Assets

Net assets include net capital assets and the accumulated balance of the excess or deficiency of revenues less expenses. The OPA's net capital asset base is employee-related. Growth in the organization from its inception in 2005 has resulted in a general increase in office space, furniture and equipment-related expenses. In 2008, the total OPA investment in capital assets grew by \$0.5 million. Included in net assets are amounts

that have been committed to approved Conservation Fund and Technology Development Fund projects but not yet spent. This balance is depleted over time as the approved projects incur expenses. The expenses flow through the OPA statement of earnings to the net asset balances for the respective funds.

The OPA's total net assets decreased by \$4.2 million in 2008, largely because expenses exceeded revenues. As noted above, the OPA deliberately lowered its revenue request by \$3 million in 2008 to reduce its accumulated surplus. The other major factor was an increase of \$0.5 million in spending for the Conservation Fund and the Technology Development Fund.

Liquidity and Cash Flows

Liquidity

The OPA's financing requirements are mainly short-term and are primarily used to fund the RPP and retailer settlement deferral account balances. The aggregate of the account balances fluctuates monthly and can move to either a credit or a debit position. The OPA has a \$975-million line of credit with the Province of Ontario to fund the fluctuations. The line of credit was unused as at December 31, 2008. It was renewed in 2006 for a three-year period from January 1, 2007 to December 31, 2010.

To support this line of credit and provide a measure of the OPA's creditworthiness to counterparties, the OPA engages the rating services of the Dominion Bond Rating Service Inc. (DBRS) and Moody's Investors Service Inc. (Moody's). In 2008, both DBRS and Moody's confirmed their ratings on the OPA's credit line (see Table 1). The DBRS confirmation was issued November 28, 2008 and Moody's confirmed its rating on June 16, 2008.

Table 1: OPA Agency Credit Rating

Rating Agency	Rating	Rating Action	Trend
Dominion Bond Rating Service Inc. (DBRS)	AA (low)	Confirmed	Stable
Moody's Investors Service Inc. (Moody's)	Aa1	Confirmed	Stable

Cash Flow

Cash provided by operating activities for the year ended December 31, 2008 was negative \$17.6 million, compared with a positive \$71.6 million for the prior year. The decrease is primarily due to a decrease in the RPP variance liability. Deficiency of revenue over expenses, an increase in the accounts receivable related to conservation charges and a decrease in long-term liabilities that were payable to the Independent Electricity System Operator (IESO) at year-end also contributed to the reduction in the ending cash balance. The most significant change in the OPA's cash position resulted from a decrease in the regulatory liabilities stemming from the RPP variance account. The RPP balance started the year at \$145.5 million and ended the year at \$63.2 million.

Risk Management

Operational Risk

The OPA reviews its enterprise-wide risk annually to identify the internal and external risks to the achievement of its mandate. This assessment is vital to ensure that the OPA develops mitigating strategies and incorporates the required responses into its daily operations. The risk management plan is reviewed and approved by the Board of Directors and contributes to the development of the OPA's annual business plan. Each business unit of the organization establishes annual business objectives that incorporate mitigating

responses to the risks affecting its functions identified in the risk management plan. In 2008, the OPA developed its first three-year business plan, covering the period from 2009 to 2011. This plan directly ties performance objectives and activities to strategic objectives and the mitigation of risk.

The OPA has engaged an outside service provider for internal audit services from April 1, 2008 to April 30, 2010. This program is designed to provide an independent review of its risk management policies and the effectiveness of its internal systems and procedures. The program will further enhance the OPA's risk management and inform its future policy development and programs to mitigate financial and operational risks inherent in the enterprise.

Regulatory Risk

The OPA is subject to regulatory risks, including a review of its revenue requirement by the OEB. Revenues are required to execute the OPA business plan. A denial of portions of the OPA's proposed operating budget could affect the OPA's ability to deliver on its mandate as prescribed by legislation and developed further by government directives and the IPSP.

Emerging Accounting Pronouncements

The OPA is preparing to transition from Canadian generally accepted accounting principles to International Financial Reporting Standards (IFRS). In May 2008, the Canadian Accounting Standards Board confirmed that the conversion will be effective as of January 1, 2011 for publicly accountable enterprises. In preparation for the changeover, the OPA started staff training in 2008 and will formulate planning objectives in 2009, with execution starting in 2010. IFRS conversion is expected to affect existing management and financial reporting, including accounting policies, budgets and forecasts.

Management's

Discussion & Analysis (continued)

The OPA must consider the effect of IFRS on rate-regulated accounting, as there is no corresponding guidance under IFRS for regulatory transactions. New review and approval procedures may need to be considered to address IFRS implications for new program and contract initiatives. For example, additional consideration may be required when evaluating the viability of new contracts where service providers do not use IFRS as the basis of their financial reporting.

Disclosure Controls and Internal Controls over Financial Reporting

Management has created a system of internal controls designed to provide reasonable assurance that assets are safeguarded and reliable information is available on a timely basis. In 2007, the OPA initiated formal reviews of its procurement policy, internal controls over contract management and a risk-based internal control review of the organization. The results of the reviews contributed to the development of an internal control framework.

Implementation of the framework began in 2008 and will conclude in 2009. The OPA will also require management certifications of internal controls and letters of representation on the reasonableness of financial information and compliance with the OPA code of conduct.

Executive Compensation Plan

Program Objectives

The OPA compensation program is an integrated program for all executive staff. It is designed to attract, retain and motivate the calibre of executives required to support the achievement of the OPA's statutory mandate, corporate vision and business objectives. Accordingly, the compensation philosophy and program have the following objectives:

- to focus executives on meeting the OPA's business objectives
- to attract qualified and talented executive staff needed to carry out the OPA's mandate
- to retain valued executive staff
- to provide flexibility to differentiate total compensation for specific executives based on individual results and demonstrated competencies
- to establish compensation levels that are responsible and defensible to stakeholders.

The philosophy underlying these objectives is that the total compensation for executive management should be sufficient, but not more than required, to attract the skills and competencies needed to carry out the OPA's mandate.

Program Governance

The Board of Directors establishes the objectives for the compensation program. It delegates to the Human Resources Committee of the Board of Directors the responsibility to review thoroughly the compensation objectives, policies and programs and make recommendations concerning them to the full Board of Directors for approval. In carrying out their mandate, members of the Board of Directors have access to management's perspectives as well as those of expert consultants in the compensation field, including specialists at the Hay Group. The program is reviewed at least

annually in terms of business needs, program objectives and design, industry compensation trends, internal compensation relativities and external market relativities.

In addition to the formal governance and oversight structure in place for compensation matters, the OPA annually discloses compensation levels for staff earning above \$100,000 as part of its public sector salary disclosure under the *Public Sector Salary Disclosure Act (Ontario)*. For the OPA, a further level of public review and assurance is provided through a statutorily required annual fee review by the OEB. Compensation matters, including management compensation and market relativities, are addressed during this review. A broad range of small and large stakeholder groups, assisted by their legal and professional advisors, are represented in these public proceedings. The OPA is also responsive to various requests by the Ministry of Energy and Infrastructure in relation to compensation enquiries. These include the Agency Review Panel's 2007 review and report on senior management compensation for agencies in the Ontario electricity sector.

Program Description

The program includes fixed and variable compensation, core benefit plans and pension provisions. For the fixed compensation plan, the Board of Directors establishes broad salary ranges for each level of executive, taking into account comparable market relativities. Within these bands, individuals are assessed, based upon demonstrated competency, as developmental, capable/skilled or expert in their position, relative to the success factors set out in the OPA's established competency profile for executives. This profile consists of behavioural competencies, such as: planning, deciding, influencing/advising, motivating, implementing/controlling, public relations/developing relationships, appraising people, evaluating issues/ideas,

working with others and disciplining/handling disputes. Each executive's level of achievement with respect to reaching annual objectives is also evaluated. Based on these two criteria, each individual is assigned a corresponding fixed compensation level within the band.

The variable pay plan was established to promote a results orientation in the executive team. For the executives, the variable pay plan provides for annual incentive payments of up to 15 percent of fixed compensation. The Board of Directors annually establishes a robust set of performance objectives and expectations which is evaluated at the end of each year. Decisions regarding the actual variable compensation amount awarded to each eligible individual are based upon individual performance against these criteria. The variable pay pool for executives was set at 12 percent of the sum of their annual fixed compensation and was distributed to individual executives based on an assessment of their 2008 performance. The total incentive payments to executives were within the established budget of 12 percent.

The OPA provides a group benefit plan and pension benefits through the Public Service Pension Plan for the current and future well-being and financial security of its executives. The group benefit plan provides a core level of health and dental benefits, life insurance, disability coverage and vacation.

The defined benefit pension plan provides two percent of earnings per credited year of service. After age 65, this pension is reduced to reflect provisions of the Canada Pension Plan. Retirement income is provided through a registered pension plan and a supplemental employee retirement plan. The OPA and plan members both contribute to the plan.

Management's

Discussion & Analysis (continued)

Performance Measures and Impact on Compensation

The OPA annually establishes corporate performance measures relating to its strategic priorities. As outlined above, the results achieved every year have an impact on each executive's variable pay. Table 2 highlights the business priorities for which objectives are established and provides a brief description of the OPA's strategies and goals.

Table 2: OPA Business Priorities, Strategies and Goals

Business Priority	Strategies and Goals
Planning	Plan for an adequate, reliable and sustainable system that addresses conservation, generation and transmission (IPSP).
Conservation	Contribute to the achievement of Ontario's conservation resource targets and to fostering a culture of conservation using market-based approaches.
Electricity Resources	Consistent with the IPSP and ministerial directives, ensure that Ontario has diverse electricity generation resources.
Sector Development	Define sector development goals and facilitate the efficient allocation of risk between customers and investors in conservation and generation.
Corporate Support	Maintain and develop organizational capacity to achieve the strategic objectives.

The following five-point rating scale is used to determine the results for both corporate and individual performance objectives and to calculate the associated variable pay amount:

- 1. Did not achieve objectives:** Did not achieve expected objectives and/or did not demonstrate an acceptable level of performance.
- 2. Partially achieved objectives:** Achieved only part of the expected objectives. Consistently demonstrated a solid level of performance on some requirements but not all.
- 3. Achieved objectives:** Achieved expected objectives and consistently demonstrated a solid level of performance.
- 4. Exceeded objectives:** Exceeded the expected objectives and consistently demonstrated a high level of performance.
- 5. Greatly exceeded objectives:** Significantly exceeded expected objectives and consistently demonstrated an outstanding level of performance.

Other Considerations

Benchmark compensation data for similar positions in several jurisdictions across Canada are used to establish the compensation program for the following year. In accordance with the Agency Review Panel's 2007 recommendations, the comparator organizations are a combination of private and public sector, the comparator data are weighted on a 50/50 private/public sector basis, and the mid-points of the OPA salary ranges are aligned with the 50th percentile of the comparator data.

Compensation decisions may at times be affected by market factors, such as the recruitment of an executive with specialized skills and competencies or possessing unique talents within the industry.

Executive Compensation Statement

Table 3 sets out the annual compensation for the year ended December 31, 2008 for the listed executive officers. It will eventually report compensation over a rolling three-year period. The total cash compensation information provided below differs from the information published under the *Public Sector Salary Disclosure Act (Ontario)* for the indicated period, due to the inclusion of employer pension-related payments and employer-paid benefits in the public sector salary disclosure information. Disclosures under the act are the amounts listed on T4 taxation forms for each year.

Table 3: Summary of Executive Compensation¹

Name, Position Title	Year	Salary	Performance Incentive	Total Cash Compensation	Amounts Reportable Under <i>Public Sector Salary Disclosure Act</i> ²
Jan Carr, ³ Chief Executive Officer	2008	\$434,712	\$45,000	\$479,712	\$511,602
	2007	\$550,000	\$74,250	\$624,250	\$650,728
Colin Andersen, ⁴ Chief Executive Officer	2008	\$160,000 ⁵	\$18,958 ⁶	\$178,958	\$179,190
Kimberly Marshall, ⁷ Vice-President, Finance and Administration (CFO)	2008	\$181,923	\$26,400	\$208,323	\$209,102
Amir Shalaby, Vice-President, Power System Planning	2008	\$364,000	\$45,500	\$409,500	\$450,365 ⁸
	2007	\$350,000	\$45,500	\$395,500	\$443,061
JoAnne Butler, ⁹ Vice-President, Electricity Resources	2008	\$325,981	\$40,200	\$366,181	\$402,068 ¹⁰
Paul Shervill, Vice-President, Conservation and Sector Development	2008	\$308,275	\$33,910	\$342,185	\$352,348
	2007	\$289,424	\$38,981	\$328,405	\$341,292

¹ Executives are listed in the following order:
Chief Executive Officers, Chief Financial Officer, then in alphabetical order by first name.

² Total T4 income, including taxable benefits.

³ Retired, effective September 14, 2008.

⁴ Hired, effective September 15, 2008.

⁵ Includes a one-time only financial adjustment payment of \$20,000, reflecting transition costs incurred by Mr. Andersen in accepting an offer of employment from the OPA.

⁶ In 2008, the OPA's Board of Directors awarded Mr. Andersen an incentive payment based on his early performance in the role of CEO, prorated for the period of time he was employed at the OPA.

⁷ Hired, effective February 25, 2008.

⁸ Includes a payment in lieu of pension benefits.

⁹ Hired, effective January 2, 2008.

¹⁰ Includes a one-time only financial adjustment payment of \$35,000, reflecting transition costs incurred by Ms. Butler in accepting an offer of employment from the OPA.

Management's Discussion & Analysis (continued)

The pension benefits of these executives are summarized in Table 4.

Table 4: Summary of Pension Benefits				
	Credited Years of Service¹¹	Deferred Annual Pension Payable at Age 65¹²	Credited Years of Service at Age 65¹³	Annual Pension Payable at Age 65¹⁴
Jan Carr ¹⁵	4 years, 6 months	n/a	n/a	\$ 44,273.72
Colin Andersen	21 years, 4 months	\$ 104,903.51	40 years, 10 months	\$ 415,651.13
Kimberly Marshall ¹⁶	10 months	n/a	16 years, 7 months	\$ 68,183.51
JoAnne Butler ¹⁷	1 year	n/a	14 years	\$ 89,584.75
Paul Shervill	24 years, 6 months	\$ 94,174.87	31 years	\$ 164,283.09

Board of Directors Compensation

The Board of Directors is responsible for the stewardship of the OPA. It is composed of 10 independent, external directors, appointed by the Minister of Energy and Infrastructure, with broad experience in both industry and public sector organizations, plus the chief executive officer. The directors have a duty to act honestly and in good faith in the best interests of the OPA. They are expected to exercise prudence and sound judgment in the decisions they make and to use their professional knowledge and expertise in performing their duties.

In 2008, the OPA compared its directors' fees to those of comparable agencies and found that its fees were closely aligned with the fees paid by these organizations. In 2009, cognizant of expense restraint measures within the OPA and to lead by example, the Board of Directors is reducing all members' fees by ten percent for a one-year term.

¹¹ Although the OPA has existed for fewer than four years, some of the named executive officers may have additional years of credited service due to their participation in the Public Sector Pension Plan with other public sector employers, or due to reciprocal pension agreements with other organizations in the electricity sector.

¹² Assuming named executive officer terminated from pension plan as at December 31, 2008.

¹³ Assuming named executive officer continues to work up to age 65.

¹⁴ Assuming named executive officer's salary remains the same until age 65 as at December 31, 2008.

¹⁵ Retired September 14, 2008; immediate pension payable from October 1, 2008.

¹⁶ Non-vested named executive officer as at December 31, 2008.

¹⁷ Non-vested named executive officer as at December 31, 2008.



Auditor's Report

To the Board of Directors

We have audited the statement of financial position of the Ontario Power Authority as at December 31, 2008, and the statements of operations, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A stylized signature of 'KPMG LLP' in a handwritten font, with a horizontal line underneath.

Chartered Accountants, Licensed Public Accountants
Toronto, Canada, January 30, 2009

Statement of Financial Position

(in thousands of dollars)

December 31, 2008, with comparative figures for 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 50,067	\$ 161,128
Accounts receivable (note 3)	73,515	52,676
Prepaid expenses	301	60
	123,883	213,864
Capital assets (note 4)	5,484	5,036
Regulatory assets (note 5)	44,614	43,329
Total Assets	\$ 173,981	\$ 262,229
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 95,795	\$ 88,253
Contract deposits (note 7)	532	1,296
	96,327	89,549
Deferred rent inducement, net (note 8)	980	1,122
Long-term liabilities	1,488	9,815
Regulatory liabilities (note 5)	63,188	145,546
NET ASSETS		
Internally restricted Conservation and Technology Development Funds (note 9)	6,039	4,282
Investment in capital assets	5,484	5,036
Accumulated operating surplus	475	6,879
	11,998	16,197
Commitments (note 8)		
Contingencies and guarantees (note 14)		
Total Liabilities and Net Assets	\$ 173,981	\$ 262,229

See accompanying notes to financial statements.

On behalf of the Board of Directors:


John Beck
Chair

Colin Andersen
Chief Executive Officer

Statement of Operations

(in thousands of dollars)

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Revenue		
Fees	\$ 52,530	\$ 55,470
Registration fees	733	—
Other income	155	—
Interest income	—	219
	53,418	55,689
Expenses		
Compensation and benefits	23,942	19,478
Professional and consulting fees	23,343	15,600
General operating expenses (note 10)	6,530	3,975
Conservation Fund and Technology Development Fund expenses (note 9)	2,743	2,187
Amortization of capital assets	1,030	1,070
	57,588	42,310
Excess (deficiency) of revenue over expenses before operating interest	(4,170)	13,379
Operating interest expense	29	—
Excess (Deficiency) of Revenue Over Expenses	\$ (4,199)	\$ 13,379

See accompanying notes to financial statements.

Statement of Cash Flows

(in thousands of dollars)

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses	\$ (4,199)	\$ 13,379
Items not involving cash:		
Amortization of capital assets	1,030	1,070
Amortization of deferred rent inducement	(142)	(144)
Change in non-cash operating items (note 12)	(14,302)	57,298
	(17,613)	71,603
Cash Flows from Financing and Investing Activities		
Repayments to Ontario Financing Authority	–	(140,322)
(Increase) decrease in regulatory assets	(1,285)	46,529
Increase (decrease) in regulatory liabilities	(82,358)	145,546
Decrease in long-term liabilities	(8,327)	–
Receipts of tenant improvement allowance	–	71
Purchase of capital assets	(1,478)	(2,589)
	(93,448)	49,235
Increase (Decrease) in Cash and Cash Equivalents	(111,061)	120,838
Cash and cash equivalents, beginning of year	161,128	40,290
Cash and Cash Equivalents, End of Year	\$ 50,067	\$ 161,128

See accompanying notes to financial statements.

Statement of Net Assets

(in thousands of dollars)

Year ended December 31, 2008, with comparative figures for 2007

	Net Assets Invested in Capital Assets	Internally Restricted (see note 9)	Accumulated Operating Surplus	Total Net Assets 2008	Total Net Assets 2007
Balance, Beginning of Year	\$ 5,036	\$ 4,282	\$ 6,879	\$ 16,197	\$ 2,818
Excess (deficiency) of revenue over expenses	(1,030)	–	(3,169)	(4,199)	13,379
Establishment of Funds					
Conservation Fund	–	3,000	(3,000)	–	–
Technology Development Fund	–	1,500	(1,500)	–	–
Conservation Fund expenses	–	(1,641)	1,641	–	–
Technology Development Fund expenses	–	(1,102)	1,102	–	–
Investment in capital assets	1,478	–	(1,478)	–	–
Balance, End of Year	\$ 5,484	\$ 6,039	\$ 475	\$ 11,998	\$ 16,197

See accompanying notes to financial statements.

Notes to

Financial Statements

(in thousands of dollars)

Year ended December 31, 2008

1. Nature of operations

The *Electricity Restructuring Act, 2004* (the Act), established the Ontario Power Authority (OPA) as a non-share corporation on December 20, 2004. The OPA is an independent non-profit, non-taxable corporation. The OPA is not a Crown agent and recovers its costs through fees approved by the Ontario Energy Board (OEB) and through charges to the electricity market through the global adjustment mechanism. In accordance with the Act, the OPA's main objectives are:

- to forecast electricity demand and the adequacy and reliability of electricity resources for Ontario for the medium and long term
- to conduct independent planning for electricity generation, demand management, conservation and transmission, and develop integrated power system plans for Ontario
- to engage in activities in support of the goal of ensuring adequate, reliable and secure electricity supply and resources in Ontario
- to engage in activities to facilitate the diversification of sources of electricity supply by promoting the use of cleaner energy sources and technologies, including alternative and renewable energy sources
- to establish system-wide goals for electricity to be produced from alternative and renewable energy sources
- to engage in activities that facilitate load management
- to engage in activities that promote electricity conservation and the efficient use of electricity
- to assist the OEB by facilitating stability in rates for certain types of customers
- to collect and provide to the public and the OEB information relating to medium- and long-term electricity needs of Ontario and the adequacy and reliability of the integrated power system plan to meet those needs.

The OPA's ability to continue as a going concern is dependent upon its ability to obtain financing to support its operations. The OPA's creditworthiness is attested to by the following:

- the ability of the OPA to meet its obligations is provided for in legislation
- the OPA's minimal counterparty risk, given that its principal counterparty is the Independent Electricity System Operator (IESO), a creation of the province and a strong counterparty.

2. Significant accounting policies

(a) Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Revenue recognition

Amounts received in the current year that relate to services and programs to be determined in subsequent years are not recognized as revenue and are deferred.

Fees earned by the OPA are based upon OEB-approved rates for electrical energy withdrawn from the IESO-controlled grid by electricity consumers of Ontario. Such revenue is recognized in the year in which it is earned.

(c) Cash and cash equivalents

Cash and cash equivalents are comprised of bank deposit balances, term deposits and other short-term investments with original maturity dates of up to 120 days.

(d) Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated service lives, as follows:

Assets	Estimated Average Service Life
Furniture and equipment	10 years
Computer hardware and software	2.5 years
Audio-visual equipment	10 years
Telephone system	5 years
Leasehold improvements	Term of lease

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. In 2008, no impairment is considered necessary.

(e) Employee pension benefits

The OPA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the OPA has insufficient information to apply defined benefit plan accounting to this pension plan.

The OPA is not responsible for the cost of employee post-retirement, non-pension benefits. These costs are the responsibility of the Ontario Pension Board.

(f) Measurement uncertainty

Uncertainty in determining the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurements of uncertainty in these financial statements exist in the valuation of the power purchase contracts and the estimated defeasance date for the OPA's obligations. Estimates are based on the best information available at the time of preparation of the financial statements and are updated annually to reflect new information as it becomes available.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(g) Emerging accounting changes

In August 2007, Canada's Accounting Standards Board (AcSB) issued a decision, effective January 1, 2009, to withdraw the temporary exemption in CICA Handbook Section 1100, Generally Accepted Accounting Principles, which permits the recognition and measurement of assets and liabilities arising from rate regulation. The OPA is currently assessing the impact of the AcSB's decision on its financial statements.

Notes to

Financial Statements (continued)**3. Accounts receivable**

	2008	2007
Receivable from IESO	\$ 65,146	\$ –
Conservation charges	7,961	22,464
Other	408	30,212
	\$ 73,515	\$ 52,676

4. Capital assets

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Furniture and equipment	\$ 2,547	\$ (566)	\$ 1,981	\$ 1,857
Computer hardware and software	1,901	(1,398)	503	529
Audio-visual equipment	229	(58)	171	190
Telephone system	208	(66)	142	102
Leasehold improvements	3,461	(774)	2,687	2,358
	\$ 8,346	\$ (2,862)	\$ 5,484	\$ 5,036

5. Regulatory assets and liabilities

Regulatory assets, liabilities and deferrals arise as a result of the *Electricity Act, 1998* and the regulations thereunder and are reflected by the balances in the Regulated Price Plan (RPP), retailer contract settlement deferral accounts, government procurement deferral account and the global adjustment account. In the absence of rate-regulated accounting, these amounts would have flowed through the statement of operations when incurred.

	2008	2007
Total regulatory assets	\$ 44,614	\$ 43,329
Total regulatory liabilities	(63,188)	(145,546)

RPP variance accounts

While prices for RPP consumers are set every six months by the OEB based upon a forecast of the cost of power over the next year, it is likely that there will be a difference between the actual and forecast cost of supplying electricity to all RPP consumers. When the hourly Ontario energy price (HOEP) is greater than the RPP, the OPA pays the excess amount and records a regulatory asset as the electricity market funds paid are receivable from the market. When HOEP is less than the RPP, the OPA receives the difference and records a regulatory liability as the funds received will be returned to the market. The OPA tracks this variance in the RPP variance account. The Ontario Power Generation (OPG) rebate is equivalent to the difference between the revenue limit for specific OPG generating facilities and the revenue OPG actually received in the IESO wholesale spot market for that generation.

	2008	2007
OPG rebate contribution	\$(543,305)	\$ (423,892)
Total RPP variance before interest	463,661	257,901
Interest earned	16,456	20,445
	\$ (63,188)	\$ (145,546)

Retailer contract settlement deferral accounts

Legislative provisions ensure that electricity retailers will be made whole by the OPA for contracts with low-volume and designated consumers that were entered into before prices were frozen by legislation effective November 11, 2002. The OPA and retailers settling any differences between HOEP and the contract price for each contract meet these provisions. When HOEP is greater than the contract price, the OPA receives payments from the retailers and records a regulatory liability. When HOEP is less than the contract price, the OPA pays the retailer and records a regulatory asset. The OPA tracks these variances in the retailer contract settlement deferral accounts.

The retailer contract discount settlement account captures the funds related to the retailer incentives existing at the creation of the RPP. The retailer incentives captured are held in a separate deferral account for settlement concurrent with the retailer contract settlement deferral accounts.

As the contracts to which the retailer contract settlement deferral accounts relate have now largely expired, it is appropriate to begin disposing of the balances in these accounts. To mitigate ratepayer impact, the OPA will recover the accumulated balance of total retailer contract settlements over a three-year period from 2009 to 2011. This balance will be recovered through an addition to the usage fee.

	2008	2007
2005 retailer contract settlement deferral account	\$ (39,233)	\$ (37,976)
2006 retailer contract settlement deferral account	51,833	50,173
2007 retailer contract settlement deferral account	35,700	34,548
2008 retailer contract settlement deferral account	(282)	–
Retailer contract discount settlement deferral account	(4,847)	(4,692)
	\$ 43,171	\$ 42,053

Government procurement deferral account

The OPA reimburses the government for costs incurred for electricity procurement and records the costs as a regulatory asset. The government procurement costs of \$1,341 as requested in the 2009 revenue requirement submission will be recovered in 2009. The remaining balance of \$102 will be submitted in the 2010 revenue requirement submission.

	2008	2007
Government procurement costs	\$ 1,443	\$ 1,276

Global adjustment account

The OPA has a legislated responsibility to record the transactions flowing through the global adjustment mechanism. The global adjustment and settlement accounts have been created for this purpose. The nature of the global adjustment transactions results in a zero balance in the account on a monthly basis. The information and explanation below provide transparency for the transactions flowing through the global adjustment mechanism.

The global adjustment and settlement accounts record charges that flow between the OPA and the IESO. The account flows include the amounts paid and received for Demand Response 3 (DR3), non-utility generation (NUG), regulated nuclear generation balancing amount (nuclear) and regulated hydroelectric generation balancing amount (hydro). These accounts are settled simultaneously by the IESO. The account also records the amounts paid and received for OPA contracts (standard offer, generation and conservation/demand management), which the OPA settles on a monthly basis with the IESO.

The DR3, NUG, nuclear and hydro balances are offset in the global adjustment account, eliminating the need for a flow of funds between the IESO and the OPA. The OPA records the effect of the transactions to meet its legislated responsibility.

The OPA generation contracts are estimated each month and settled on the actual amount owing in the following month. This gives rise to timing differences. The settlement dates can cross calendar months,

Notes to**Financial Statements (continued)**

creating a monthly balance in the account. Differences created from timing or settlement dates are reclassified into accounts receivable at month end. The net impact of global adjustment transactions creates a zero balance in the account at every month-end.

	2008	2007
DR3	\$ 1,264	\$ –
NUG	479,315	410,697
Nuclear	74,293	74,304
Hydro	(264,752)	(250,222)
OPA contracts	610,540	360,491
Global adjustment balancing amount	(900,660)	(595,270)
	\$ –	\$ –

6. Accounts payable and accrued liabilities

	2008	2007
Accrued contractor settlement	\$ (63,738)	\$ –
Accounts payable	(670)	(1,411)
GST payable	(2,290)	(5,570)
Other accrued liabilities	(29,097)	(81,272)
	\$ (95,795)	\$ (88,253)

7. Contract deposits

The OPA receives performance security in the form of deposit amounts received from renewable energy supply and demand response contractors. The deposits are larger during the construction phase and are reduced once a project commences commercial operations. Several projects moved from construction in 2007 to commercial operations in 2008.

The deposits are classified as current liabilities as they can be replaced by a letter of credit by the contractor on request.

8. Deferred rent inducement and operating lease commitments

The OPA has entered into various long-term lease commitments for office space, which include lease inducements. Deferred rent inducement represents the benefit of operating lease inducements amortized on a straight-line basis over the term of the lease. The OPA obtained an allowance for leasehold improvements of \$1,430. As at December 31, 2008, the deferred rent inducement, net of amortization, was \$980 (2007 - \$1,122).

The OPA reports an average rental cost for premises over the term of the lease agreement and amortizes the benefit of the lease inducements over the same period. As at December 31, 2008, the accrued liability was \$295.

All lease commitments are set to terminate coincidentally in October 2015. The minimum annual payments under the operating lease are approximately as follows:

Lease commitments

2009	\$ 1,001
2010	1,012
2011	1,078
2012	1,079
2013	1,080
2014 and thereafter	1,939
	\$ 7,189

9. Internally restricted Conservation and Technology Development Funds

The OPA established the Conservation Fund to support electricity conservation projects. The Technology Development Fund was established to aid the development of new technology to improve electricity supply or conservation. To date, seven funds have been set up as depicted below.

	Restricted fund	Expensed 2008	Expensed prior years	Balance 2008
2005 Conservation Fund	\$ 1,100	\$ (10)	\$ 847	\$ 263
2006 Conservation Fund	1,500	168	1,413	(81)
2007 Conservation Fund	3,000	1,126	817	1,057
2008 Conservation Fund	3,000	357	–	2,643
2006 Technology Development Fund	1,000	256	217	527
2007 Technology Development Fund	1,000	432	24	544
2008 Technology Development Fund	1,500	414	–	1,086
	\$ 12,100	\$ 2,743	\$ 3,318	\$ 6,039

10. General operating costs

	2008	2007
General program costs	\$ 2,798	\$ 1,236
Premises	2,536	1,954
Office and administration	939	597
Information technology	257	188
	\$ 6,530	\$ 3,975

11. Pension plan

The OPA makes contributions to the Public Service Pension Plan, a multi-employer plan, on behalf of staff. The plan is a contributory defined pension plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates by employers are made at a rate of approximately eight percent of earnings. As at December 31, 2008, the OPA paid or accrued contributions totalling \$1,233 during the year (2007 - \$946).

12. Change in non-cash operating items

	2008	2007
(Increase) decrease in accounts receivable	\$ (20,839)	\$ 50,051
(Increase) decrease in prepaid expenses	(241)	1,165
Increase in accounts payable and accrued liabilities	7,542	6,093
Decrease in contract deposits	(764)	(11)
	\$ (14,302)	\$ 57,298

13. Related-party transactions

The OPA considers the OEB, Hydro One, the IESO, OPG, the Ontario Financing Authority (OFA) and the Ministry of Energy and Infrastructure as related parties due to the relationship they maintain with the Government of Ontario. Transactions between these parties and the OPA were as follows:

Under the *Ontario Energy Board Act, 1998*, the OPA incurs registration and licence fees. Consistent with other registrants, in 2008 the OPA received a portion of the operating costs of the OEB. The total of the OPA's transactions with the OEB were \$1,062 in 2008 (2007 - \$9).

The OPA procures conservation and demand management from Hydro One. The procurement costs include payments for electricity conservation, program operating costs and management fees. In 2008, the OPA procured \$12,766 in conservation demand management (2007 - \$6,273) from Hydro One and its wholly owned subsidiaries.

Notes to

Financial Statements (continued)

The OPA receives its fee revenue from the IESO. The fee revenue is approved by the OEB and collected each month by the IESO from ratepayers through a usage rate applied to Ontario domestic electricity consumption. Fee revenue for 2008 was \$52,530 (2007 - \$55,470). In addition, the OPA and the IESO have agreements set up for the settlement of amounts paid and received for the global adjustment account, RPP and retailer contract settlement deferral accounts (see note 5). At year-end, the OPA had a net receivable of \$65,146 (2007 - \$28,579). The OPA also incurred \$257 (2007 - \$580) for IESO consulting services.

The OPA has an agreement with OPG for consulting services and planning support. In 2008, the OPA incurred \$17 (2007 - \$42) for such services.

The OPA has available a revolving operating facility in the amount of \$975,000, provided by the OPA to fund its general operating expenses and support the RPP variance account. The facility has been unused since 2007.

In the 2008 revenue requirement submission to the OEB, the OPA requested and received an OEB decision to carry the costs related to the government procurements of \$1,276 in a deferral account to settle coincidentally with the retail contract settlement deferral accounts. The amount of \$167 was incurred in 2008 (2007 - \$241).

14. Contingencies and guarantees

Contingencies

In the normal course of its operations, the OPA becomes involved in various legally binding agreements. Some of these agreements contain potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that a future event becomes likely to occur or fails to occur, and a reasonable estimate of the loss can be made, an estimated liability will be accrued and the expense recorded on the OPA's financial statements. As at December 31, 2008, in the opinion of management, no such liabilities exist.

Guarantees

The OPA is contingently liable under a loan guarantee provision in a contract with a maximum potential exposure of \$8,600. The outstanding loan balance under this contract, which the OPA has guaranteed, is \$258 as at December 31, 2008 and is not presently in default. The contract related to this guarantee expires in September 2012.

15. Fair values of financial assets and financial liabilities

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

The fair values of the regulatory assets and regulatory liabilities are not provided because they would not provide additional useful information as they would be offset and/or would not be practical to determine.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Corporate Information

Board of Directors



John M. Beck, *Chair*
Chairman and
Chief Executive Officer,
Aecon Group Inc.



Frank J. Ewasyshyn,
*Director**
Executive Vice-President –
Manufacturing, Chrysler LLC



Bruce Lourie, *Director*
President of Ivey Founda-
tion and a Director of the
Ontario Trillium Foundation



Charles Bayless, *Director*
Retired Provost,
West Virginia University
Institute of Technology



Richard P. Fitzgerald,
Director
Retired Chairman,
Diageo Canada Inc.



Lyn McLeod,
Director and Vice-Chair
Chancellor of the
University of Ontario Insti-
tute of Technology, Ontario
representative on the
Health Council of Canada
and serves on the Ontario
Health Quality Council



Michael Costello,
Director and Chair,
Audit Committee
Retired from BC Hydro
and BC Transmission
Corporation (President
and CEO); Director,
InTransit BC and Vancouver
Island Health Authority;
and Lecturer, University
of Victoria School of
Public Administration



Adèle M. Hurley, *Director*
President,
Hurley & Associates Inc.



Patrick J. Monahan,
Director
Dean of Osgoode Hall Law
School and Chair of the
Board of Governors of the
Ontario Law Commission



Ronald L. Jamieson,
Director and Chair, Human
Resources Committee
Retired from BMO
Financial Group, where he
was Senior Vice-President,
Aboriginal Banking;
Director, Nuclear Waste
Management Organization



Colin Andersen, *Director*
Chief Executive Officer,
Ontario Power Authority

For more information on
the Board of Directors,
including the Board Charter
and Code of Conduct,
Governance and Structure
By-Law, and Board
committees, please visit
the OPA website,
www.powerauthority.on.ca
and select About OPA;
Management, Mandate
and Organization; Board
of Directors.

*Term of office expired on February 16, 2009.

Corporate Officers



John M. Beck, *Chair*



Kimberly Marshall,
Vice-President, Finance
and Administration



Colin Andersen,
Chief Executive Officer



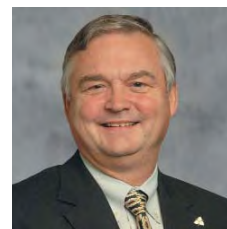
Amir Shalaby,
Vice-President,
Power System Planning



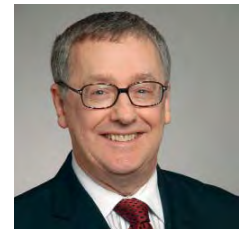
JoAnne Butler,
Vice-President,
Electricity Resources



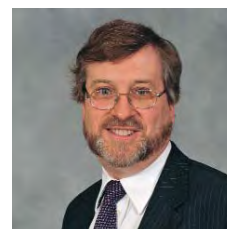
Paul Shervill,
Vice-President,
Conservation and Sector
Development



Peter Love,
Chief Energy
Conservation Officer



John Zych,
Corporate Secretary



Michael Lyle,
General Counsel and
Vice-President, Legal
and External Affairs



Ontario Power Authority

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La version française de ce rapport
est affichée sur le site de l'OPA:
www.powerauthority.on.ca

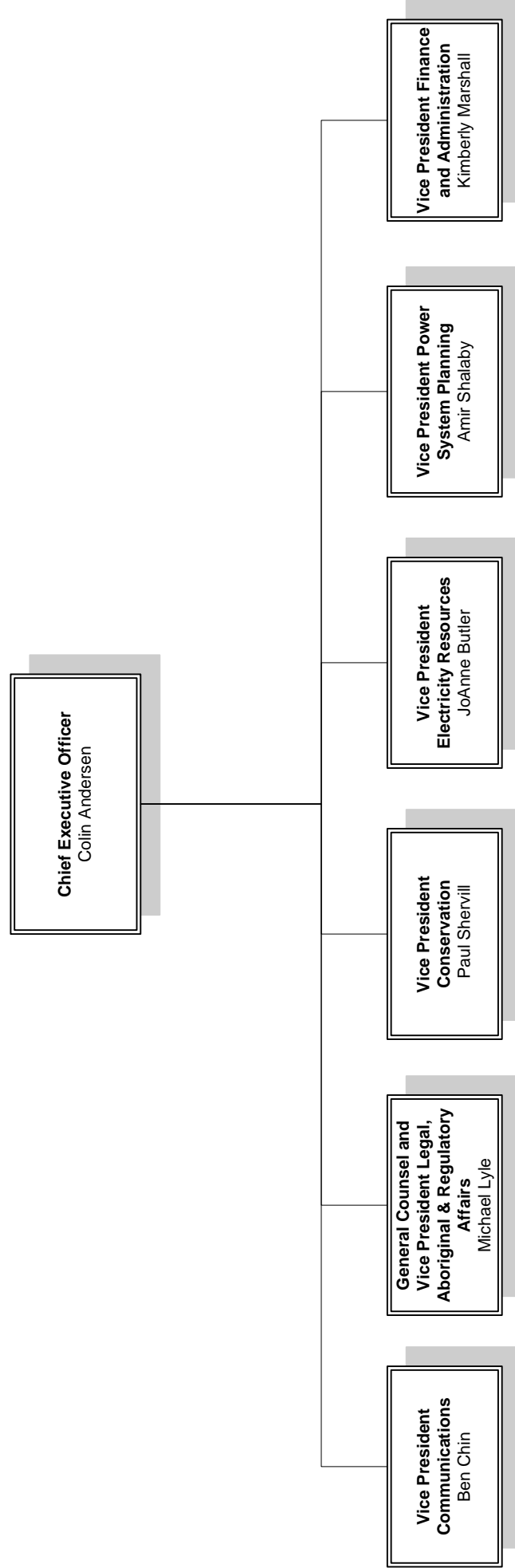
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Ontario Power Authority

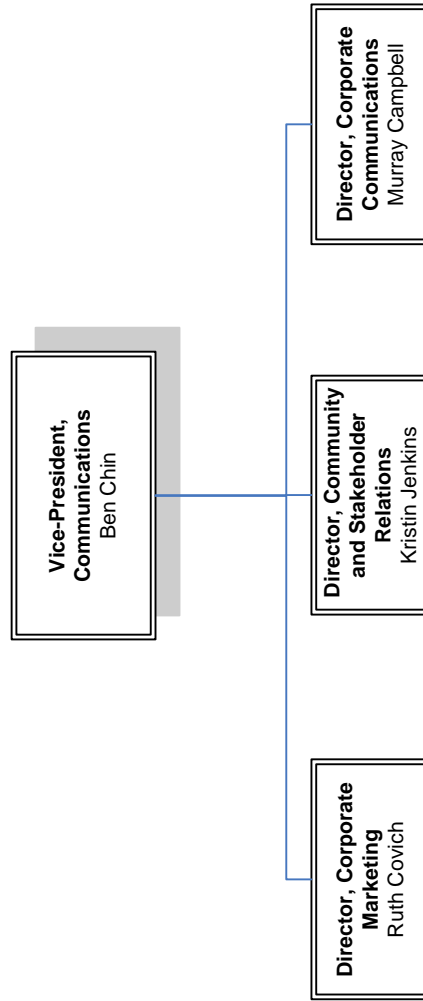
Chief Executive Officer

November 2009



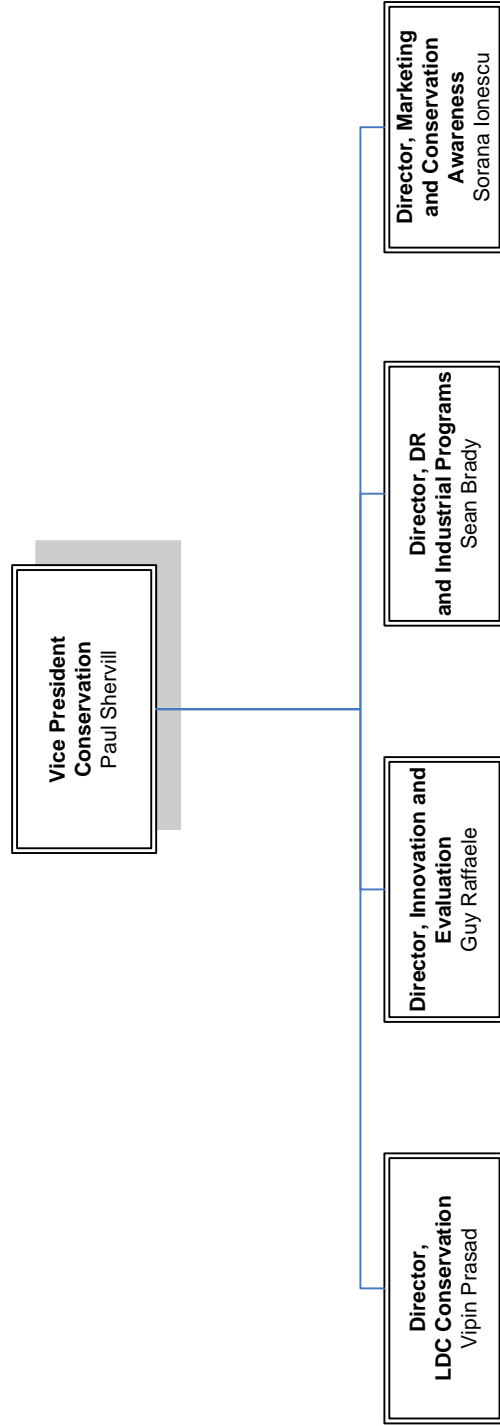
Ontario Power Authority

Communications
November 2009



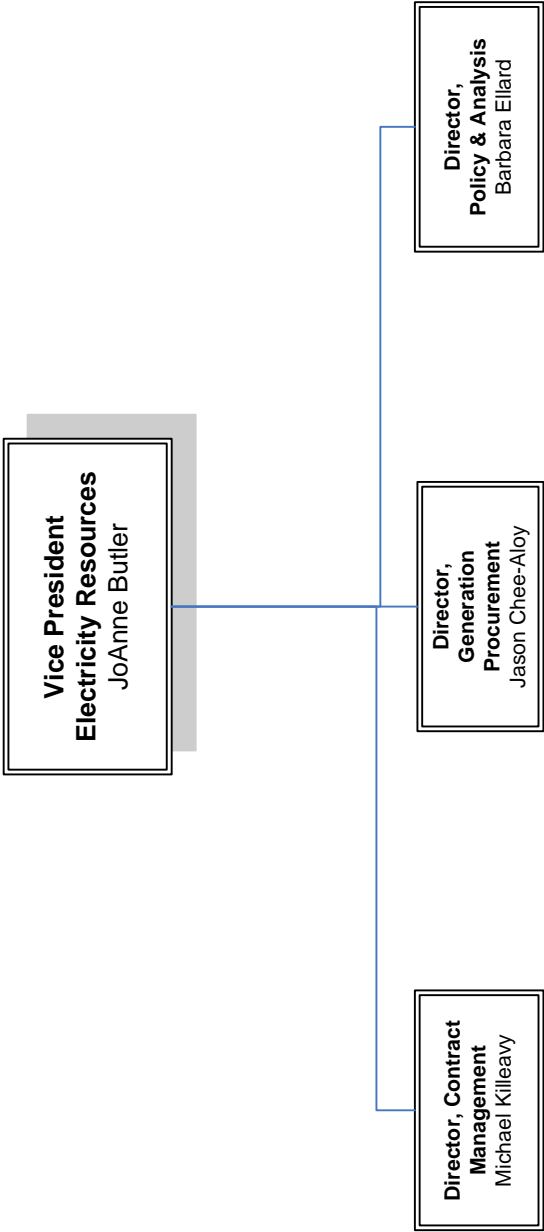
Ontario Power Authority

Conservation
November 2009



Ontario Power Authority

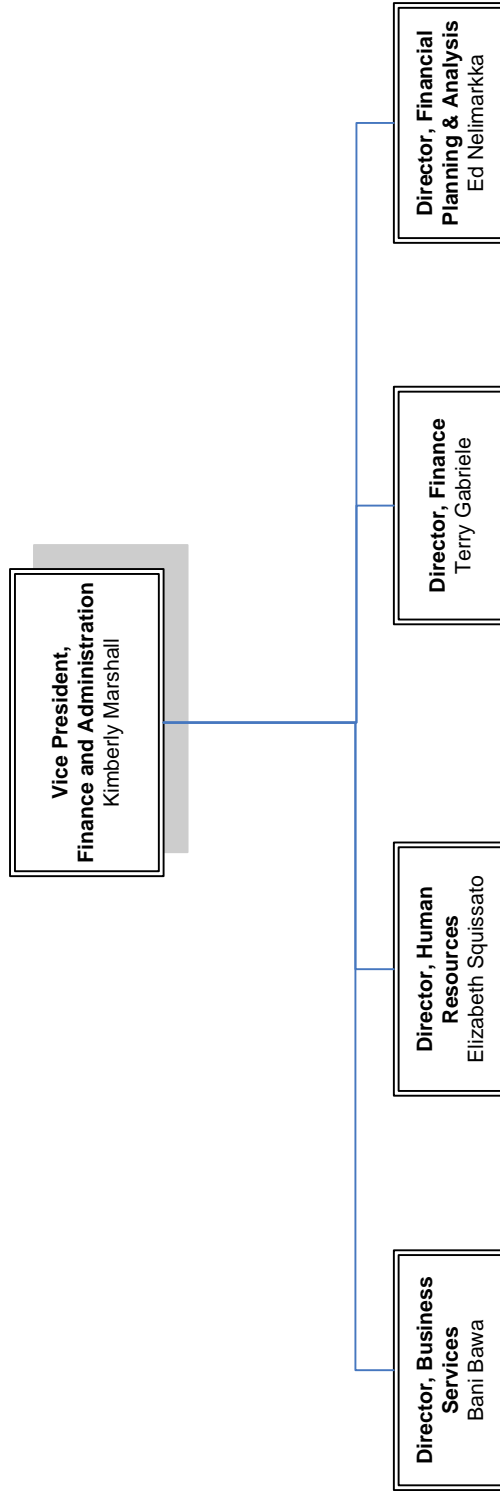
Electricity Resources
Direct Reports
November 2009



Ontario Power Authority

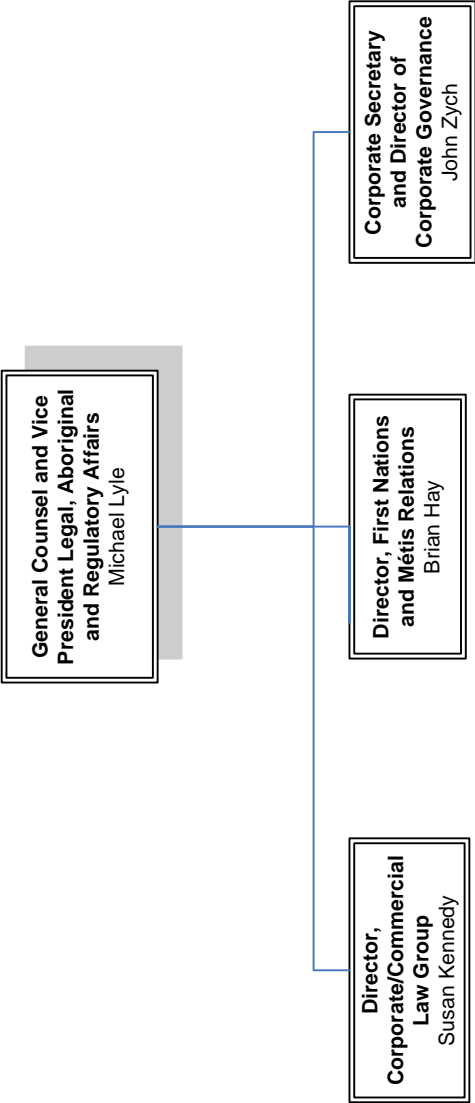
Finance and Administration

November 2009



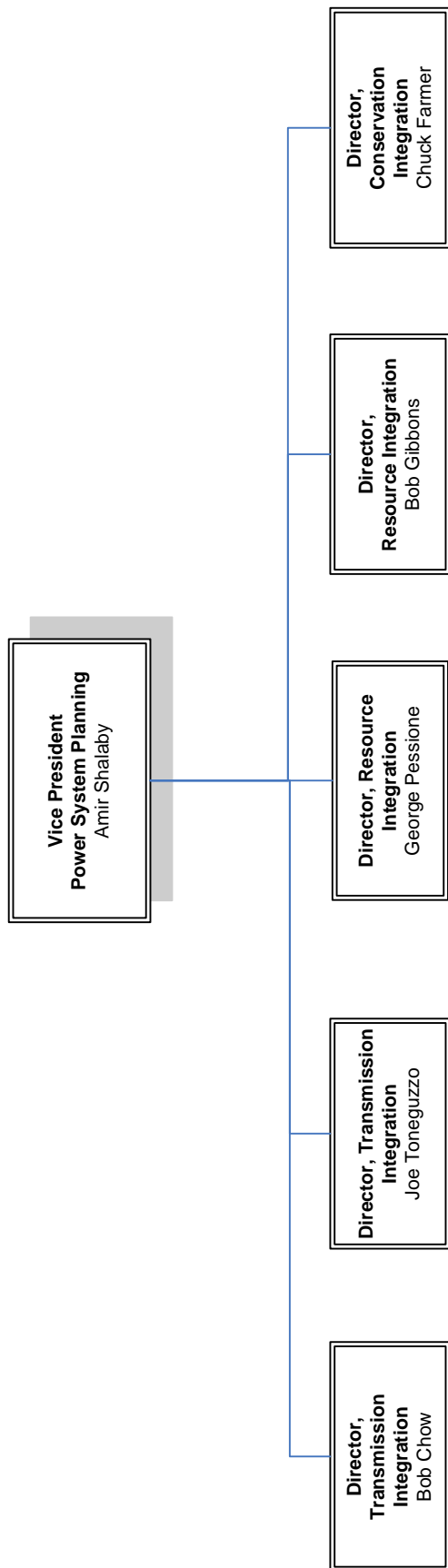
Ontario Power Authority

Legal, Aboriginal and Regulatory Affairs
November 2009



Ontario Power Authority

Power System Planning
November 2009



List of Minister's Directives to OPA

September 30, 2009

Transmission Availability Test Under FIT Program Rules - The government is exploring opportunities to further enable new green industries through new investment and job creation. The OPA is directed to hold in reserve 240 MW of transmission capacity in Haldimand County and a total of 260 MW of transmission capacity in Essex County and the Municipality of Chatham-Kent jointly for renewable energy generating facilities whose proponents have signed a province-wide framework agreement with the Province.

September 24, 2009

The OPA is directed to develop a feed-in tariff ("FIT") program that is designed to procure energy from a wide range of renewable energy sources. The development of this program is a key element of meeting the objectives of the Green Energy and Green Economy Act, 2009 (the "Green Energy Act") and is critical to Ontario's success in becoming a leading renewable energy jurisdiction.

May 7, 2009

Negotiating New Contracts with Hydro-Electric Generation Facilities - The OPA is directed to enter into new contracts for hydroelectric facilities which are connected to the IESO-controlled grid but not currently owned by OPG. The hydroelectric facilities must not have been previously considered under any renewables RFP, and may have either no contract, or a current contract with a Provincial government body or agency, for any part of the generation output. New contracts for generation facilities without a current contract are to be concluded by August 15, 2009. A new contract for a facility with a current contract will commence after the current contract expires.

January 23, 2009

Biogas Projects and Renewable Energy Standard Offer (RESOP) - The OPA is directed to contract with new biogas electricity generation projects that meet conditions under the current RESOP except that the facilities need not be restricted to farm-based projects, and that their capacity may be above 250kW but no greater than 5MW.

December 24, 2008

Negotiating New Contracts with Early Movers Generation Facilities – The OPA is directed to negotiate new contracts with the owners or operators of the facilities that were listed in the direction on early movers dated December 14, 2005. The new contracts are to expire no later than December 31, 2026 and are to reflect a reasonable cost to Ontario electricity customers and a reasonable balancing of risk and reward.

December 22, 2008

Broadcasting Initiative – Procurement for Energy Conservation Advertisements – As part of the Ministry's education campaign aimed at advancing public awareness of energy conservation, the OPA is directed to procure advertising space for the broadcasting/publishing of Winter Ads in Ontario. The Ads are to be completed by the last week of March, 2009.

December 19, 2008

Procuring Electricity from a Commercial Durham and York Region Energy from Waste ("EFW") Facility – The Minister has directed the OPA to contract at a price of 8 cents per kilowatt-hour to procure electricity from the proposed commercial EFW facility being developed by the Regional Municipalities of Durham and York. The production of electricity from this facility will be ancillary to the primary purpose of the facility which is to reduce the need for land filling by the thermal treatment of residual wastes.

September 17, 2008

This Directive amends the Supply Mix Directive dated June 13, 2006. It requires the OPA to revisit the IPSP with a view to establishing new targets in a number of areas including with respect to renewable energy sources and conservation. The Directive also asks the OPA to undertake an enhanced process of consultation with First Nations and Métis communities in light of potential duty to consult obligations. The OPA is to provide the revised IPSP to the OEB within six months.

August 18, 2008

Southwest Greater Toronto Area (GTA) Supply – The Minister has directed the OPA to complete a procurement process by the end of June 2009 for a combined-cycle natural gas-fired electricity generation facility for generating up to approximately 850 MW. The new generation facility will address local area supply inadequacy issues in the Southwest GTA and is to be in-service by no later than December 31, 2013 to support the province's goal to replace coal-fired generation by 2014.

May 1, 2008

Broadcasting Initiative – Procurement for Energy Conservation Advertisements – As part of the Ministry's education campaign aimed at advancing public awareness on energy conservation, the OPA is directed to procure advertising space for the broadcasting/publishing of Summers Ads in Ontario. The goal is to have the Ads timed to run so that they are completed by the second week of August, 2008.

April 10, 2008

Procurement for Electricity From Combined Heat and Power (CHP) Renewable Co-generation Projects –The OPA is directed to develop and launch a procurement process by no later than June 30, 2008 to result in contracts for about 100 MW with proponents of renewable energy projects deriving their energy source from CHP. Such contracts are to be entered into no later than December 31, 2008.

March 12, 2008

Broadcasting Initiative - Procurement for Energy Conservation Advertisements - The Ministry has launched a major consumer education campaign on CDM particularly targeting the residential sector. The OPA is directed to assume responsibility for the initiative with respect to the procurement of advertising space for the broadcasting and publishing of certain advertisements. This activity is expected to cost approximately \$4 million.

February 25, 2008

Procuring Electricity From Energy From Waste ("EFW") Pilot or Demonstration Projects ("PDPs") - The Ministry of the Environment has developed an initiative to test and evaluate EFW technologies. The goal of this initiative is to encourage the development of new or improved EFW technologies with improved environmental performance. The Minister of Energy has directed the OPA to negotiate with the proponents of any pilot or demonstration EFW project participating in the initiative to procure any net electricity produced and offered from such project during the time that it is participating in the initiative.

January 31, 2008

Procuring Approximately 350 MW of New Gas-Fired Electricity Generation for Northern York Region - The letter from the Minister directs the OPA to develop local area generation to address supply inadequacy issues in the Northern York Region. The OPA is therefore directed to competitively procure a simple (single)-cycle gas-fired electricity generation facility with a rated generation capacity of approximately 350 MW and not more than 400 MW. The facility is expected to be in-service by no later than December 31, 2011 and should be in the vicinity of the 230 kV transmission lines supplying the Armitage and Holland transformer stations.

December 20, 2007

Hydroelectric Energy Supply Agreements with Ontario Power Generation Inc. - Letter from the Ministry to further the renewable energy capacity in Ontario by 2025 by directing the OPA to assume the responsibility of negotiating with OPG a number of contracts respecting hydroelectric projects located at the following OPG hydroelectric station sites: 1. LAC Seul; 2. Upper Mattagami; 3. Healey Falls; 4. Lower Mattagami; and 5. Hound Chute.

August 27, 2007

Procurement of up to 2,000 MW of Renewable Energy Supply - Directive based on potential identified by OPA for up to 2,000 MW of new renewable generation projects that are greater than 10 MW in size to come into service by 2015. The OPA is further directed to ensure that appropriate consultation with First Nations and Métis peoples takes place with respect to projects procured by the OPA under this directive.

June 14, 2007

Clean Energy and Waterpower in Northern Ontario Standard Offer - to expand the SOP initiative in the areas of clean energy supply and small, transmission-connected waterpower projects in northern Ontario; and to have these parts of the SOP in place by the fall of 2007. It is expected that the OPA will enter into contracts with small generators to implement these parts of the SOP.

July 13, 2006

Coordination and Funding of LDC activities to deliver CDM Programs - Immediately organizing the delivery and funding of CDM programs through LDCs in Ontario. Funding limited to \$400 million over three consecutive years.

June 13, 2006

Integrated Power System Plan - OPA to create IPSP to meet DR from conservation by 6,300 MW by 2025. Plan should reduce projected peak demand by 1,350 MW by 2010, and by another 3,600 MW by 2025. The reductions of 1,350 MW and 3,600 MW are to be in addition to the 1,350 MW reduction set by the government as a target for 2007.

March 21, 2006

Standard Offer Program - directing OPA to have the Program in place by the fall of 2006, and as a consequence enter into contracts with small renewable generators to implement the Program.

March 10, 2006

Conservation and DSM Initiatives (Residential Sector) - Directing OPA to assume responsibility for this initiative and implement by fall of 2007 reducing demand in residential sector by 150 MW.

March 10, 2006

Conservation and DSM Initiatives Commercial Buildings and MUSH Sector - Directing OPA to assume responsibility for this expanded initiative and implement by fall of 2007 reducing demand in commercial buildings and MUSH sector by 150 MW.

February 10, 2006

Toronto Reliability Supply and Conservation Initiative - with respect to 2,500 MW RFP and priority zones 1) Leaside Sector by summer 2008; PEC contract by May 2006; OPA to seek 300 MW of DSM or DR in Toronto by 2010.

February 9, 2006

Procurement Processes - Addendum #1 to Procurement Processes Directive of June 15, 2005 (to be consolidated as part of the original directive).

December 14, 2005

Early Movers - Negotiate and Conclude Contracts with Certain Generation Facilities - replaces June 15, 2005 directive - "Early Movers".

November 16, 2005

RES II RFP - Contracts relating to the RFP for 1,000 MW of Renewable Energy Supply Projects with a Contract Capacity of between 20 MW and 200 MW, inclusive, issued by the MOE on June 17, 2005, as amended (the "RES II" RFP). The OPA is directed to enter into contracts with the nine suppliers who were selected pursuant to the RES II RFP and listed in the directive.

November 7, 2005

RES I RFP - MOE directing the OPA to assume, by November 10, 2005 responsibility for all contracts previously the responsibility of the OEFC (Buyer) as agent of the Crown, that were from its June 24, 2004 RFP to procure 300 MW of new electricity supply.

October 20, 2005

GTA West Supply Initiative - Goreway Station Project - immediately execute an Implementation Agreement with project proponent re costs that must be incurred if in service is summer of 2007; negotiate contract by December 31, 2005.

October 20, 2005

CDM Initiatives (Appliance Change-Out and Efficient Lighting Initiatives) - to reduce overall electricity consumption and demand by residential, commercial, and industrial customers.

October 14, 2005

Contracts for the Refurbishment of Bruce A at the Bruce Nuclear Facility Generating Station - Deliver to counterparties on October 17, 2005, the Bruce Power Refurbishment Agreement and the Refinancing Agreement.

October 6, 2005

CDM Initiatives (Residents of Low-Income and Social Housing) - to reduce overall electricity energy consumption and demand for low-income and social housing.

June 15, 2005

Procurement Processes - Immediate Launch of Procurement Processes to address needs in Downtown Toronto and Western Greater Toronto Area, and to develop additional Demand Management, Demand Response, and High Efficiency Combined Heat and Power Supply.

June 15, 2005

"Early Movers" - Negotiate and Conclude Contracts with Certain Generation Facilities.

March 24, 2005

2,500 MW RFP - Execution and delivery of CES contracts and a DR contract in accordance with the terms of the 2 500 MW RFP.

Other Letters to OPA from Minister - Not Considered Directives

August 28, 2007

Contracts for the Refurbishment of Bruce A at the Bruce Nuclear Generating Station - Letter from the Ministry consenting to the OPA entering into the First Amending Agreement and to materially amend the Refurbishment Implementation Agreement, and to amend the STAR Agreement. The letter indicated that the OPA provided a Fairness Opinion from CIBC World Markets regarding the First Amending Agreement and that the OPA briefed MOE staff and OFA staff on the details of the proposed amendments; and also that significant legal, financial and technical due diligence was taken with the proposed amendments to both the Refurbishment Implementation Agreement and STAR Agreement.

March 27, 2006

Standard Offer Program - OPA to investigate economic and technical issues with connecting small waterpower projects to transmission systems in northern Ontario and provide recommendations to Minister.

August 18, 2005

Standard Offer Program - Develop in co-operation with the OEB the terms and conditions for a standard offer program for small generators embedded in the distribution system that use clean or renewable resources.

May 2, 2005

Supply Mix - commencement of long-term planning exercise and request for recommendation on supply mix. Minister requesting a report by December 1, 2005 to include amongst other things, conservation targets for 2015, 2020 and 2025; recommendations re adds of new renewable energy capacity by 2015, 2020 and 2025.

March 1, 2005

York Region - request to help identify and assess possible solutions to address local reliability issues.

Minister of Energy
and Infrastructure

Ministre de l'Énergie
et de l'Infrastructure

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JAN 23 2009

JAN 20 2009

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600-120 Adelaide Street West
Toronto ON M5H 1T7

Dear Mr. Andersen:

Re: Biogas Projects and Renewable Energy Standard Offer

I write pursuant to my authority as the Minister of Energy and Infrastructure in order to exercise the statutory power of ministerial direction that I have in respect of the Ontario Power Authority (the "OPA") under Section 25.32 of the *Electricity Act*, 1998.

Background

In May 2008, the OPA announced a number of proposed changes to the Province's Renewable Energy Standard Offer Program (RESOP) as part of an early program review. These changes were intended to address implementation issues associated with the overwhelming success of the program in its first 18 months of operation. As you know, contracting of most renewable projects under RESOP was paused while the OPA consulted with stakeholders on the proposed program changes. Contracting of qualifying micro-scale generation projects up to 10 kilowatts (kW) and farm-based bio-energy projects up to 250 kW has continued throughout the program review.

Particularly affected by this pause was the biogas sector, which uses the gas derived from the bio-digestion of renewable plant and animal biomass as a fuel source for electricity generation. This was due in part to the biogas sector's more recent emergence in Ontario relative to other renewable sectors such as wind and solar PV.

Within Ontario there are extensive opportunities to make use of biomass materials from agricultural and livestock operations, food processing operations and the forest industry to

.../cont'd

create biogas. I do not want the program review of the Renewable Energy Standard Offer Program to interfere with the advancement of new biogas projects across the province.

Therefore, to help facilitate the development of new biogas electricity generation during this period, the Ministry has determined to pursue, during the current program review, the procurement of biogas from qualifying projects having a capacity of between 250 kW and 5 megawatts (MW). Details of this procurement are set out below.

Details

In order for biogas facilities to qualify for procurement contracts under the procurement referred to above, such facilities must meet the following requirements:

- 1) Such facilities must satisfy all of the same RESOP conditions and requirements that would currently be applicable to those biogas projects not caught by the contracting pause during the program review except that:
 - (a) Such facilities will not be restricted to farm-based projects, and
 - (b) Such facilities may have a capacity in excess of 250 kW (but not higher than 5 MW), and
- 2) Applications for these procurement contracts must be received prior to the lifting of the contracting pause and implementation of new procurement rules that cover biogas projects.

Direction

Therefore, pursuant to my statutory authority under subsection 25.32(4) of the *Electricity Act*, 1998, I hereby direct the OPA to assume responsibility for the procurement referred to above.

It is expected that the OPA will implement this direction and begin to make procurement contracts available to qualifying biogas facilities within thirty days after the effective date of this direction.

This direction shall be effective and binding as of the date hereof.

Sincerely,

A handwritten signature in black ink, appearing to read "George Smitherman", written over a circular stamp or seal.

George Smitherman
Deputy Premier, Minister

**Minister of Energy
and Infrastructure**

**Ministre de l'Énergie
et de l'Infrastructure**

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Sept 24, 2009

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600-120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Andersen: *Colin*

I write pursuant to my authority as the Minister of Energy and Infrastructure, in order to exercise the statutory powers of ministerial direction which I have in respect of the Ontario Power Authority (the "OPA") under section 25.35 and section 25.32 of the Electricity Act, 1998 (the "EA").

I direct you to develop a feed-in tariff ("FIT") program that is designed to procure energy from a wide range of renewable energy sources. The development of this program is a key element of meeting the objectives of the Green Energy and Green Economy Act, 2009 (the "Green Energy Act") and is critical to Ontario's success in becoming a leading renewable energy jurisdiction.

The objectives of the FIT Program are to:

- Increase capacity of renewable energy supply to ensure adequate generation and reduce emissions
- Introduce a simpler method to procure and develop generating capacity from renewable sources of energy
- Enable new green industries through new investment and job creation
- Provide incentives for investment in renewable energy technologies

The program will be open to technologies that produce electricity from renewable sources including wind, solar photovoltaic ["PV"], bioenergy, and hydro up to 50 MW. It will also recognize the costs associated with promoting First Nations, Métis and community projects.

The feed-in tariff program will be announced on September 24, 2009. Proponents will have to comply with FIT Program rules as set out by the Ontario Power Authority and are subject to all laws and regulations of the Province of Ontario and Government of Canada.

.../cont'd

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In setting and re-setting prices in accordance with program rules, the OPA should generally be guided by the principle that the prices should seek to cover the costs that projects of a particular type and size category are generally expected to experience, plus a reasonable return on investment.

FIT Contract

The FIT Program should provide for a 20-year power purchase agreement in respect of all renewable fuels other than waterpower, and a 40-year power purchase agreement in respect of waterpower projects. The contract should require the developer to design, build and operate a renewable generating facility and in exchange should provide for guaranteed, long-term pricing for the output of the renewable generating facility.

Transition from RESOP

In order to assist additional renewable energy projects in achieving commercial operation, the OPA shall offer RESOP contract holders that have not achieved commercial operation the following options for 30 days from the date that applications may be submitted to the OPA under the FIT Program:

1. Rescind their contract and apply for a FIT contract; or
2. For wind projects that have received their Certificate of Approval from the Ministry of the Environment and are able to achieve commercial operation in 2010, an amendment to their contract that will require them to post security and will make other consequential changes, and in return will provide them with the average RES III price of \$121/MWh and the right to retain any ecoEnergy for Renewable Power incentive.

Domestic Content

It is also important that the feed-in tariff program provide an opportunity for Ontario manufacturers to participate in the economic benefits that will flow from the program. Therefore, I direct the OPA to require that each wind power and solar PV project and solar microFIT project contain a defined percentage of domestic content. In order to implement this in a simple and verifiable manner, the FIT Contract should include a standardized method for calculating the level of domestic content in a project.

Domestic content provisions will be enforced through the FIT Contract. Developers who do not achieve the domestic content requirements should be subject to significant commercial consequences under the FIT contract.

I direct the OPA to include in the FIT rules a requirement that the applicant submit a plan for meeting the domestic content goals. This requirement will not apply to microFIT solar projects.

Wind Power

Equipment and expenditures on "balance of plant" will count towards domestic content. "Balance of plant" includes resource assessment, design, transportation, construction materials, services and labour. This includes services such as engineering, legal and consulting studies referable to the renewable energy project. The value of land and operations and maintenance will not count toward the domestic content calculation.

.../cont'd

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The amount of domestic content will increase over time:

1. Developers who have a milestone date for commercial operation on or before Dec. 31, 2011 will have to meet a domestic content requirement of 25%.
2. Developers who have a milestone date for commercial operation on or after January 1, 2012 will have to meet a domestic content requirement of 50%.

Solar PV

Equipment and expenditures on "balance of plant" will also count towards domestic content. "Balance of plant" includes resource assessment, design, transportation, construction materials, services and labour referable to the renewable energy project. This includes services such as engineering, legal and consulting studies. The value of land and operations and maintenance will not count toward the domestic content calculation.

The amount of domestic content will increase over time:

1. Developers who have a milestone date for commercial operation on or before Dec. 31, 2010 will have to meet a domestic content requirement of 50%.
2. Developers who have a milestone date for commercial operation on or after January 1, 2011 will have to meet a domestic content requirement of 60%.

Solar PV MicroFIT

Equipment and expenditures on "balance of plant" will also count towards domestic content. "Balance of plant" includes resource assessment, design, transportation, construction materials, services and labour referable to the renewable energy project. This includes services such as engineering, legal and consulting studies. The value of land and operations and maintenance will not count toward the domestic content calculation.

The amount of domestic content will increase over time:

1. Developers who reach commercial operation on or before Dec. 31, 2010 will have to meet a domestic content requirement of 40%.
2. Developers who reach commercial operation on or after January 1, 2011 will have to meet a domestic content requirement of 60%.

Aboriginal and Community Participation

Pursuant to subsection 25.32(4.4) and 25.35 of the EA, I direct the OPA to require in the FIT Program rules that an applicant for a project with a FIT contract must acknowledge the important role that effective consultation with aboriginal communities may play in the successful planning, development and operation of generating facilities and must be prepared to undertake its appropriate role in such consultations and address the interests or concerns of First Nation and Métis communities in good faith and in compliance with relevant laws, regulations and policies.

Pursuant to subsections 25.32(4.5), (4.6) and 25.35 of the EA, I direct the OPA to encourage aboriginal and community projects under the FIT Program by providing security deposit requirements for such projects that are less than the standard levels.

.../cont'd

Pursuant to section 25.35 and subsections 25.32(4.5) and (4.6) of the EA, I direct the OPA to establish in the FIT Program's pricing schedule one or more price adders for First Nation and Métis people and for communities. These price adders should be designed to be proportional to the economic interest that the aboriginal or local community applicant has in the project, such that projects in which the applicant has a greater interest attract a larger adder.

Restrictions on Prime Agricultural Land

Pursuant to section 25.35, I direct the Ontario Power Authority, in its FIT Program, not to enter into FIT contracts for energy generated by ground-mounted solar photovoltaic generation facilities greater than 100 kW where those facilities are located on:

- land comprised of Canada Land Inventory Class 1 and 2 soils,
- Specialty Crop Areas within the meaning of the 2005 Provincial Policy Statement.

Procurement of energy generated by ground-mounted solar photovoltaic facilities greater than 100 kW located on lands comprised of Canada Land Inventory Class 3 soils shall not exceed a total of 500 MW (nameplate capacity). Furthermore, I direct the OPA to allocate the procurement of energy generated by ground-mounted solar photovoltaic facilities located on lands comprised of Canada Land Inventory Class 3 soils among the Regional Administrative Boundary Alignments (North, West, East and Central) used by the Ontario Realty Corporation. The allocation shall be based on the proportion of Class 3 soil land found in each region in relation to the total Class 3 soil land in Ontario.

This part of the feed-in tariff direction shall remain effective until such time as a regulation is made under clause 114(1.3)(g.1) of the Electricity Act, 1998 as amended.

Programs Supporting FIT ("Support Programs")

In order to encourage aboriginal community, community group and municipal involvement in the development of renewable energy generation, I direct the OPA, pursuant to subsections 25.32(4.5) and (4.6) of the EA, to establish programs to facilitate the participation of aboriginal communities and community groups and organizations in the development of renewable energy generation facilities. I also direct the OPA, under subsection 25.32(4.7) of the EA, to develop and deliver a program that is designed to reimburse the direct costs incurred by municipalities in order to facilitate the development of renewable energy generation facilities.

Community Energy Partnerships Program

Pursuant to subsection 25.32 (4.6), I direct the OPA to develop and deliver through a third party, a Community Energy Partnerships Program ("CEPP") that will provide financial assistance in the form of grants to community groups that are interested in developing renewable energy generation projects in Ontario that are 10 MW or less in size.

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The CEPP should be designed and administered to assist community groups in paying for one time financial assistance of up to \$200,000 for project planning costs, as well as feasibility, environmental and engineering studies associated with the development of a project. Examples of eligible costs would include costs related to:

- o Site investigation and control
- o Resource assessments
- o Business and Financial planning
- o Project management
- o Studies associated with applying for a Renewable Energy Approval

Eligible participants for the program would include:

- one or more Ontario residents developing a renewable energy project that would be greater than 10 kW and less than or equal to 10 MW.
- an Ontario-registered charity or Ontario-based not-for-profit organization.
- A co-op owned by residents of Ontario

Municipal Renewable Energy Program

Pursuant to subsection 25.32(4.7), I direct the OPA to develop and deliver a Municipal Renewable Energy Program ("MREP") to reimburse municipalities for direct costs associated with facilitating the development of renewable energy generation facilities in accordance with the following considerations and guidelines.

The purpose of the Program will be to ensure that municipalities, in hosting renewable energy facilities within their communities, are able to be reimbursed for costs incurred directly as a result of facilitating the development of these facilities. Examples of costs that could be considered eligible under the Program include, but would not be limited to, costs associated with rehabilitation of municipal infrastructure, traffic management, and training of emergency services personnel.

Key principles for the Program include the following:

- All municipalities would be eligible to apply to the Program.
- In seeking reimbursement of costs, municipalities would be required to provide verifiable evidence that the costs were incurred specifically as a result of facilitating the development of renewable energy generation facilities that have a contract under the FIT Program.
- Costs incurred by developers of renewable energy generation facilities would not be eligible for reimbursement through the MREP, for example, to obtain a permit, or other approvals, or for repairs to infrastructure damaged during construction of a facility.
- Municipalities are expected to work with developers to ensure that developers remain responsible for reasonable direct costs incurred in the development of the project. This program is intended for those costs related to the project that the municipality must incur but that could not reasonably be recovered from the developer.
- Municipalities would be eligible to apply to the program at any stage following the issuance of required municipal authorizations such as building permits.
- Applications would only be considered for costs already incurred by municipalities, not for anticipated future costs.
- Ongoing maintenance, operating and staffing costs, would not be eligible.

.../cont'd

- 6 -

It is expected that the OPA will begin development of the Program immediately, and be ready to launch the program by the first quarter of 2010.

Aboriginal Energy Partnerships Program (AEPP)

Pursuant to subsection 25.32 (4.5) of the Electricity Act, 1998, I direct the OPA to develop and deliver an Aboriginal Energy Partnerships Program ("AEPP") that will support the participation of First Nation and Métis communities in renewable energy development in Ontario.

AEPP is to be a program designed to assist First Nation and Métis communities to participate in the development of Ontario's electricity system. The Program will consist of 3 parts to facilitate increasing Aboriginal capacity to participate in developing renewable energy projects, including:

- Support for Community Energy Plans - A Community Energy Plan will allow First Nation and Métis communities to determine local interests, needs and opportunities for renewable energy development and conservation;
- Support through funding of some of the soft costs associated with the development of First Nation and Métis renewable energy projects; and
- Support to establish the Aboriginal Renewable Energy Networks (AREN), to facilitate sharing of knowledge and best practices related to First Nation and Métis renewable energy projects.

The program will be open to Aboriginal communities as defined by the FIT rules. In order to obtain advice and guidance on the development of program details, the OPA will establish an Aboriginal Advisory Committee.

Governance of Programs

Program Delivery

It is my expectation that the OPA will follow a competitive procurement process in selecting a third party to deliver the CEPP or any of the other Support Programs.

Eligibility

It is my expectation that renewable energy projects with multiple partnerships should be encouraged and rewarded, whereby projects with First Nation and Métis participation as well as Community participation will be rewarded with the appropriate percentage of the adder dependent on the extent of their economic interest. If the First Nation and Métis partnership and Community partnership results in a 50% or greater combined equity, the project shall be eligible for only one of the adders.

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Audit

It is our expectation that the OPA will establish appropriate policies and procedures with respect to the administration of the Programs including ensuring that program participants are subject to being audited.

Reporting

Beginning in calendar year 2010, the OPA shall include in its annual report an update on the results of the FIT Program and its Support Programs.

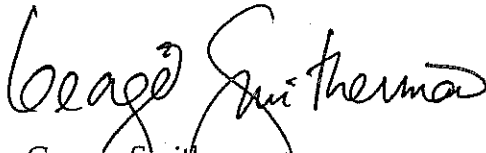
Review

The OPA shall review the FIT Program, including the pricing schedule, and its Support Programs at least once every two years and report to the Minister with results and suggestions for improvement.

Effective Date

This Direction takes effect on the date issued.

Sincerely,



George Smitherman
Deputy Premier, Minister

**Minister of Energy
and Infrastructure**

**Ministre de l'Énergie
et de l'Infrastructure**

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September 30, 2009

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600-120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Andersen:

I write pursuant to my authority as the Minister of Energy and Infrastructure, in order to exercise the statutory powers of ministerial direction which I have in respect of the Ontario Power Authority (the "OPA") under section 25.35 of the Electricity Act, 1998 (the "EA").

By way of a Direction dated September 24, 2009, I directed the OPA to develop the feed-in tariff ("FIT") program. The Government is exploring opportunities to further enable new green industries through new investment and job creation and provide incentives for investment in renewable energy technologies.

I now further direct the OPA, in carrying out the Transmission Availability Test under the FIT Program Rules, to hold in reserve 240 MW of transmission capacity in Haldimand County and a total of 260 MW of transmission capacity in Essex County and the Municipality of Chatham-Kent jointly for renewable energy generating facilities whose proponents have signed a province-wide framework agreement with the Province.

In my Direction of September 24, 2009, I directed the OPA to ensure that, under the FIT Program, it procures no more than 500 MW of ground-mounted solar photovoltaic facilities greater than 100 kW located on lands comprised of Canada Land Inventory Class 3 soils. I further directed the OPA to allocate this 500 MW among the Regional Administrative Boundary Alignments used by the Ontario Realty Corporation based on the proportion of Class 3 soil land found in each region in relation to the total Class 3 soil land in Ontario. I now further direct the OPA to reserve 100 MW of the total amount that would have been allocated to the West Region for solar generating facilities whose proponents have signed a province-wide framework agreement with the Province.

This Direction takes effect on the date issued.

Sincerely,

A handwritten signature in black ink, reading "George Smitherman".

George Smitherman
Deputy Premier, Minister

1

ACE	Ambassadors for Conservation of Energy
Act	Ontario Energy Board Act, 1998
AEPP	Aboriginal Energy Partnerships Program
AMO	Association of Municipalities of Ontario
AREN	Aboriginal Renewable Energy Networks
CEATI	Centre of Energy Advancement through Technology Innovation
CECO	Chief Energy Conservation Officer
CEPP	Community Energy Partnership Program
CF	Conservation Fund
CHP	Combined Heat and Power
COD	Commercial Operation Date
COSO	Committee of Sponsoring Organization's
CRM	Customer Relationship Management
DAT	Distribution Availability Test
DG	Distributed Generation
Directives	Ministerial Directives issued from the Minister of Energy and Infrastructure
DR	Demand Response
ECT	Economic Connection Test
EDA	Electricity Distributors Association
EDA	Electricity Distributors' Association
EFW	Energy From Waste
EM&V	Evaluation, Measurement and Verification
EMCES	Early Movers Clean Energy Supply
FIT	Feed-in Tariff
FTEs	Full Time Equivalents
FVDA	Forecast Variance Deferral Account
GEA or Green Energy Act	Green Energy and Green Economy Act, 2009
GPCDA	Government Procurement Cost Deferral Account
HOEP	Hourly Ontario Electricity Prices
IESO	Independent Electricity System Operator
IPSP	Integrated Power System Plan
IT	Information Technology
kWh	kiloWatt hour (thousand Watt hours)

LDC	Local Distribution Company
LMS	Learning Management System
MECO	Municipal Energy Conservation Officer
Minister or MEI	Minister of Energy and Infrastructure
MNO	Métis Nation of Ontario
MREP	Municipal Renewable Energy Program
MW	MegaWatt (million Watts)
MWh	MegaWatt hour
NAN	Nishnawbe-Aski Nation
NEB	National Energy Board
NUG	Non-Utility Generation
OCE	Ontario Centres of Excellence - Centre for Energy
OEB or Board	Ontario Energy Board
OEFC	Ontario Electricity Financial Corporation
OFS	Office and Facilities Services
OPA	Ontario Power Authority
OPG	Ontario Power Generation
PV	Photovoltaic
RCSDA	Retailer Contract Settlement Deferral Accounts
REA	Renewable Energy Approval
REFO	Renewable Energy Facilitation Office
RESOP	Renewable Energy Standard Offer Program
SME	Small and Medium Enterprises
SWGTA	Southwest Greater Toronto Area
TAT	Transmission Availability Test
TDF	Technology Development Fund
TWh	Terawatt Hours
UOI	Union of Ontario Indians

STRATEGIC OBJECTIVE 1

Plan for and facilitate the development of a cost effective, reliable and sustainable electricity system.

The Power System Planning division of the Ontario Power Authority (“OPA”) develops and maintains integrated power system plans for Ontario in accordance with government policies, Directives, and reliability standards obligations.

The strategic initiatives which the Power System Planning division will pursue in 2010 to meet Strategic Objective 1 are:

- Responding to the Minister’s Directives on planning;
- Supporting the implementation of the Feed-in Tariff Program;
- Supporting the implementation of electricity projects aligned with the Integrated Plan;
- Continuing to integrate conservation into planning Ontario’s electricity system; and
- Supporting the development of Community Integrated Plans and options for Ontario’s remote communities.

1.0 ACTIONS TO ACHIEVE STRATEGIC OBJECTIVE 1

Initiative 1 – Responding to the Minister’s Directives on planning

On September 8, 2008, the evidentiary phase of the oral hearing of the first IPSP commenced. This hearing was suspended following the Directive issued to the OPA by the Minister of Energy and Infrastructure (“MEI”) on September 17, 2008, which directed the OPA to revisit elements of the IPSP, including:

- The amount and diversity of renewable energy sources in the supply mix;
- The improvement of transmission capacity in the ‘orange zones’ in northern Ontario and other parts of the province that is limiting the development of new renewable energy supply;
- The potential of existing coal-fired assets to be converted to biomass;
- The availability of distributed generation;

- 1 • The potential for pumped storage to contribute to the energy supply during peak
2 times; and
- 3 • The viability of accelerating the achievement of stated conservation targets,
4 including a review of the deployment and utilization of Smart Meters.

5 Additionally, the OPA was requested to undertake an enhanced process of consultation
6 with First Nations and Métis communities and to consider Aboriginal partnership
7 opportunities in generation and transmission matters.

8 The *Green Energy and Green Economy Act, 2009* (“GEA” or “Green Energy Act”) which,
9 among other things, made amendments to the *Electricity Act, 1998* and the *Ontario Energy*
10 *Board Act, 1998*, was proclaimed into law in September 2009. The GEA further
11 emphasized the key role of renewable generation. This led to Directives for the OPA to
12 develop a Feed-in Tariff (“FIT”) Program and for the OPA to hold certain transmission
13 capacity for renewable energy generators whose proponents have signed a province-wide
14 framework agreement with the Province. In addition, the MEI issued a request for Hydro
15 One Networks Inc. to plan and implement a number of major transmission projects.

16 The Power System Planning division is developing a response to these Directives and the
17 fast evolving policy environment. Scenarios will be developed both in terms of demand and
18 supply. Demand scenarios will be influenced by drivers such as the impact of aggressive
19 off-carbon policies and varying levels of industrial performance in the economy. Supply
20 scenarios will reflect uncertainty regarding the continued operation of existing resources,
21 development of committed resources, and renewable energy development. Transmission
22 options will need to be retained to adapt to all of the possible scenarios. A number of
23 conservation, generation and transmission options will be developed so that the electricity
24 system continues to meet Ontario’s electricity needs in the future.

25 The Power System Planning division will also provide transparent and credible information
26 about the cost, price, operability, and reliability of electricity service options and
27 conservation opportunities to enable sound decision-making regarding the development of
28 electricity infrastructure.

Initiative 2 – Supporting the implementation of the Feed-in Tariff Program

The Power System Planning division has a key role to play in the implementation of the FIT Program. The division will supply information on transmission system availability to stakeholders in renewable energy and transmission developments through the FIT Program website. This information will be developed and maintained in collaboration with the IESO, Hydro One Networks Inc., other transmitters and local distribution companies.

The Transmission Availability Test (“TAT”) will be performed by Power System Planning staff for all FIT Program Applications. These tests will include transformer station tests, circuit tests and area tests. The Power System Planning division will also manage the interface with local distribution companies that will perform a Distribution Availability Test (“DAT”) on distribution system-connected projects. The results of these tests will determine whether a FIT Program Application can proceed to contract, whether it will be placed in a Production line to await necessary approvals for transmission system expansions or upgrades, or placed in a FIT Reserve to await the next Economic Connection Test (“ECT”).

FIT Project Applications that do not pass the TAT or DAT test and for which no transmission expansions or upgrades are planned to enable the grid connection, will be subject to the ECT. The ECT will be performed by the Power System Planning division for each region of the province, on a semi-annual basis. The ECT reviews projects collectively to determine if transmission system expansions or upgrades are economically justifiable to enable the development and grid connection of the new renewable supply under the FIT Program. ECT results will also inform the system expansion planning and development work process in coordination with other organizations.

Initiative 3 – Supporting the implementation of electricity projects aligned with the Integrated Plan

The Power System Planning division supports project implementation in areas of need, alternatives assessment and other system planning input, including assisting in regulatory proceedings and advising on market rules and codes and standards. The OPA does not

1 directly build, own or operate electricity infrastructure, but works with others to define the
2 scope of projects and assists in consultation processes.

3 In 2010, the Power System Planning division will continue to provide this ongoing support
4 through analysis, as needed, to project proponents, to confirm the need for transmission
5 projects and the evaluation of alternatives as part of this initiative. This support could
6 involve development and evaluation of scenarios, preparation of supporting evidence and
7 other regulatory documentation and provision of expert testimony regarding these projects.

8 **Initiative 4 – Continuing to integrate conservation into planning Ontario’s electricity**
9 **system**

10 Using an in-house load forecasting and conservation potential model, the Power System
11 Planning division will update its assessment of cost-effective conservation potential across
12 various end-use sectors in Ontario. This will include analysis of the contribution from
13 potential policy actions including codes, standards and time-of-use rates, combined with
14 smart meters. This new in-house capability, developed in 2009, will allow the OPA to
15 maintain current forecasts of electricity demand and conservation potential and to provide
16 advice to policy makers by being able to model various policy actions that may be
17 contemplated. Previously, the OPA relied on external resources and consultants as
18 opposed to in-house modeling and analytics.

19 In-house models will allow the Power System Planning division to better represent
20 commercial, industrial and residential sectors and to break down the conservation potential
21 regionally. The Power System Planning division will use the results of these analyses to
22 support long-term conservation plans and to enhance the planning and implementation of
23 conservation programs by OPA and partners, as described in Exhibit B-2-1. This involves
24 working with LDC planning and conservation staff to identify program opportunities in
25 constrained areas or areas where targeted conservation would provide opportunities for
26 deferring or avoiding infrastructure investments in the longer term.

Initiative 5 – Supporting the development of Community Integrated Plans and options for Ontario’s remote communities

The Power System Planning division will continue to work collaboratively with communities to develop integrated local electricity service plans. The Power System Planning division will play a key role in regional and system analysis and collaboration to facilitate the development of locally-based solutions. The objectives of these collaborative efforts is to encourage municipalities to incorporate electricity infrastructure planning into local planning processes; to preserve electricity system reliability at the local level; and to help align future community planning and development with regional and provincial electricity plans.

This initiative represents a continuation of efforts piloted in previous years with municipalities within the Greater Toronto Area, Kitchener-Waterloo-Cambridge-Guelph and Windsor-Essex. In 2009, the Power System Planning division also collaborated with Peel Region to integrate provisions for electricity infrastructure into the review of the Regional Municipality’s Official Plan. The Peel Region experience will be used as a template for working with other municipalities in the review of Official Plans or updates to Zoning By-laws.

In 2010, these efforts will be concentrated on actions for local areas that have been identified as having supply constraint concerns, with the goal of facilitating the development and implementation of integrated local area energy plans. These areas are identified on page 9, Section 3 of this exhibit.

The Power System Planning division will also work with First Nations and Métis communities, including off-grid communities, to develop long-term electricity service plans that meet the needs of the communities, while complying with the policies of the Province. This work was initiated in the latter part of 2008 with a series of meetings with First Nations and Métis communities. This work will continue throughout 2010 with collaborative planning efforts involving First Nations and Métis communities to explore and evaluate integrated electricity service options that consider conservation, transmission and new renewable generation opportunities. The Power System Planning division will provide the analytical services needed to develop these plans in conjunction with the First Nations and

Métis Relations unit of the OPA, which has lead responsibility for OPA's ongoing relationship with First Nations and Métis communities.

2010 Milestones

The OPA's 2010-2012 Business Plan, filed at Exhibit A-2-1, identifies the following Milestones for achievement by year-end 2010:

- The OPA is conducting economic connection tests in support of the FIT Program.
- A planning outlook has been provided to stakeholders.
- The Power Authority is supporting the implementation of the integrated plan by working with project proponents in regulatory proceedings.
- The OPA is supporting the implementation of local area plans.

2.0 2010 BUDGET

The 2010 Budget for Strategic Objective 1 reflects the change of focus in activity to support implementation of the GEA through FIT implementation, technical support for related regulatory initiatives and First Nations and Métis engagement. The 2010 Budget for Strategic Objective 1 by major cost category, as well as a summary of the variance between the 2009 and 2010 Budgets can be found in Table 1, below.

Table 1

Strategic Objective #1
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	4,755	4,060	695	4,343
Professional & Consulting Costs	1,355	1,458	(103)	1,316
Operating & Administration Expenses	281	272	9	291
Total Costs	6,391	5,790	601	5,950

A detailed discussion of the variances is included in Exhibits D-2-1 and D-2-2.

3.0 2009 RESULTS

There have been many changes in 2009 as a result of the policy priorities embedded in the GEA. The Power System Planning division has responded to these changes by working closely with other electricity sector stakeholders, such as local distribution companies, the IESO, Hydro One Networks Inc., and the OEB to implement the GEA and the FIT Program. Power System Planning has also dedicated additional staff resources to the provision of technical and analytical support of the OPA's engagement process with First Nations and Métis communities.

- **IPSP 1 has been revised and submitted to the Ontario Energy Board.**

The OPA continues to work on its response to the Minister's September 17, 2008, Directive and intends to complete its response in the next few months. IPSP proceedings were suspended on October 2, 2008, as a result of this Directive.

Many changes have taken place in the electricity sector over the past year, including a policy environment, in which the Directive response is being prepared, that continues to evolve. These changes include the introduction of the Green Energy Act, the September 2009 launch of the Feed-in Tariff Program, the Minister's September 21, 2009 transmission announcement, the development of local distribution company distribution plans and other changes arising out of the Green Energy Act.

1 For the OPA's planning work to be relevant and useful, the response to the Directive will
2 take into consideration information gleaned from these developments, particularly the
3 launch of the FIT Program, which will provide significant information regarding the level and
4 dispersion of renewable energy generation development in the province. The OPA began
5 accepting applications to the program on October 1 and expects to award contracts by the
6 end of the year.

7 • **Development work is underway on key transmission projects identified in IPSP 1**
8 **designed to enable the development of new renewable sources of energy.**

9 In the absence of an approved IPSP, there have been limited "triggers" for proponents to
10 come forward with these projects. The OPA has been providing support to Hydro One for
11 its Northwest Transmission Reinforcement, which includes transmission from Lake
12 Superior to Little Jackfish, as identified in the IPSP. The Power System Planning division
13 has also been supporting development work on the North-South transmission line
14 expansion, evaluating static VAR compensators in southwestern Ontario and in the West
15 Sudbury area and shunt capacitors at Dryden TS west of Atikokan.

16 The September 21, 2009, MEI letter issued to Hydro One, required that development work
17 begin on a series of transmission projects, which included most of those originally identified
18 in the IPSP. Further impetus to commence development work is anticipated to come
19 through the implementation of the FIT Program, which will identify clusters of renewable
20 generation requiring infrastructure development.

21 • **Changes are made to the Transmission System Code related to enabler lines to**
22 **allow access to renewable resources where required.**

23 The OPA was an active participant in the OEB's proceeding to amend the Transmission
24 System Code. Proposed amendments, which came into force on October 20, 2009, define
25 the concept of an enabler line and outline a "hybrid" cost treatment to facilitate renewable
26 generation.

- 1 • **Studies are completed with the relevant LDCs on the potential for and feasibility**
2 **of conservation and distributed generation in the City of Toronto and Kitchener-**
3 **Waterloo-Cambridge-Guelph.**

4 The OPA has been engaged in local area studies in the Kitchener-Waterloo-Cambridge-
5 Guelph and Toronto regions to assess the role of distributed generation in relieving local
6 area transmission constraints. Additionally, the OPA has initiated two local area
7 conservation potential studies to inform the development of programs for these areas. The
8 studies are being done in partnership with the LDCs that operate in those areas. The
9 results from these studies will guide planning and the development and implementation of
10 local area plans in these regions.

- 11 • **Future supply-constrained areas are identified and local area studies are**
12 **commissioned.**

13 This work has been completed. A number of areas in Ontario have been identified where
14 either the demand is forecast to exceed the supply capacity or the level of service is failing
15 to meet one or more of the IESO reliability criteria. These areas with growing supply
16 constraint concerns that have been identified in past years include: Southern Georgian
17 Bay, Northern York Region, Brant Woodstock, Southwest GTA, Windsor-Essex, Kitchener-
18 Waterloo, Thunder Bay, Barrie and Ottawa. The OPA will continue to assess the service
19 requirements of these areas and evaluate and recommend integrated solutions.

- 20 • **Plans for stakeholder consultation on IPSP 2 are being developed.**

21 As described earlier in this evidence, the OPA is preparing a response to the Minister's
22 Directives that will incorporate the evolving policy environment in the province. The timing
23 and schedule for future integrated plans is unknown.

- 24 • **The outlook for electricity demand is updated and incorporates the anticipated**
25 **adoption of codes and standards and the acceleration of conservation.**

26 The OPA has maintained an updated forecast of electricity demand that has been used to
27 provide analysis in support of maintaining updated plans. Electricity demand is inclusive of
28 conservation resources. To further develop capability in this area, a load forecast tool,
29 described below, has been developed and commissioned in 2009. This model will be used

1 to develop and update load forecasts in future years, and will incorporate savings from
2 codes and standards and accelerated conservation.

3 • **Models and tools have been sourced to improve the OPA's analytical and**
4 **planning capability.**

5 In 2009, new models and tools have been sourced to improve the OPA's analytical and
6 planning capability. The OPA contracted third parties to custom build a model to produce
7 load forecasts and estimate conservation potential at the provincial and regional levels, as
8 well as incorporate data at the LDC service territory level. Development of this model is
9 scheduled to be completed for the end of 2009. It will allow the OPA to better represent the
10 electricity demand characteristics of each end-use sector geographically in Ontario
11 (e.g., residential, commercial, industrial).

12 The OPA licensed "UPLAN" to model supply and transmission scenarios. UPLAN is a
13 supply resource dispatch model that is used to model various electricity resource supply
14 mixes for Ontario while honoring chronological and transmission constraints. UPLAN is
15 used by both resource and transmission planners to assess how assets would be utilized
16 under various scenarios. Additional model customization of UPLAN, expected to be
17 complete in 2009, will allow for increased flexibility in modeling annual changes in plant
18 capacity, maintenance and estimated forced outage rates.

19 The OPA also purchased additional licenses for the transmission modeling software Power
20 System Simulation for Engineering and has been engaged in training staff in running the
21 model in anticipation of the FIT Program.

22 • **Obligations for 2009 to electricity planning standards authorities have been met.**

23 The OPA continues to comply with its agreement with the IESO to coordinate Ontario's
24 compliance with reliability standards as they pertain to planning.

STRATEGIC OBJECTIVE 2

Together with our partners, plan, procure and support the development of verified conservation/energy-efficiency resources as identified in the integrated plan and its subsequent iterations. Build capability and enable partners to achieve targets and contribute to a culture of conservation in Ontario.

The *Green Energy and Green Economy Act, 2009* has introduced significant changes to the way conservation¹ is implemented in Ontario. In the future, local distribution companies (“LDCs”) will be assigned conservation targets and be responsible for meeting those targets. The OPA remains responsible for meeting the overall provincial conservation targets of a peak-demand reduction of 6,300 megawatts by 2025 as well as corresponding annual energy savings targets as set out in the Integrated Power System Plan (“IPSP”). The OPA will play a key role in facilitating the implementation of the government’s green energy vision by working closely with the LDCs as they broaden their conservation responsibilities.

The implementation details and timing of conservation elements within the Green Energy Act are currently under development and the economic outlook remains volatile and unpredictable, thereby creating significant challenges for planning and delivering conservation programs in the near term. It is critical for 2010 that the OPA remain flexible and responsive to an evolving marketplace and policy environment and be able to mobilize resources to ensure that conservation success and momentum gained since 2005 are maintained. Pursuant to further direction on GEA framework implementation, the OPA will work in partnership with LDCs in 2010 to implement the new Green Energy Act framework and to develop a feasible, flexible transition plan for delivering conservation during 2010. This collaborative approach will ensure that progress toward provincial conservation goals will continue.

Achieving Strategic Objective 2 is primarily the responsibility of the Conservation division. Customer-based generation programs, as defined in the previous footnote, contribute to the

conservation target and are managed by the Electricity Resources division. Activities to achieve Strategic Objective 2, the 2010 Budget and a summary of 2009 results are set out below.

Conservation Organization at the OPA

The planning, facilitation, procurement and evaluation of conservation resources is consolidated in the Conservation division reporting to a single vice-president, as illustrated in Exhibit A-4-1. The division is divided into 4 groups: (1) LDC Conservation, (2) Marketing and Conservation Awareness, (3) Demand Response and Industrial, and (4) Innovation and Evaluation. In 2009, the Evaluation, Measurement and Verification ("EM&V") group was moved from the Finance and Administration division into the Conservation division.

1.0 ACTIONS TO ACHIEVE STRATEGIC OBJECTIVE 2

The OPA is adopting a long-term planning, market transformation approach to ensure that conservation is sustainable, reliable and cost-effective. In parallel with this long term planning, the OPA is funding incentive programs, awareness campaigns, capability building initiatives and other enabling activities that together encourage immediate conservation actions by consumers and businesses and which will help the province meet its near term targets.

The OPA has identified the following strategic initiatives that will be undertaken in 2010:

- Undertaking conservation planning and program design in partnership with LDCs;
- Facilitating the procurement of verified energy efficiency/conservation resources through ratepayer-funded programs;
- Building capability of the conservation services industry, the customer and the supply chain to accelerate conservation;
- Increasing conservation awareness and measuring progress in building a culture of conservation province-wide;

¹ For the purposes of this evidence, and consistent with the OPA's Integrated Power System Plan (IPSP), "Conservation" refers collectively to electricity efficiency, demand response/conservation behaviour, fuel switching, renewable customer-based generation projects less than or equal to 500kW and clean energy customer-based generation projects less than or equal to 10MW.

- Transforming the way electricity is used; planning for changes to codes and standards; and
- Supporting innovation in emerging technologies and conservation programs.

These initiatives are described in detail below.

Initiative 1 – Undertaking conservation planning and program design in partnership with LDCs

As indicated above, the introduction of the Green Energy Act represents a significant shift in conservation delivery in Ontario. The OPA anticipates allocating a significant amount of staff resources in 2010 to working directly with the Electricity Distributors Association (“EDA”), LDCs and others to develop a flexible, feasible plan for transitioning to the conservation delivery model outlined in the Act. The OPA intends to work closely with the MEI and others to coordinate and consolidate conservation program offerings into a “one-stop shop” for Ontario consumers to access information and to participate in these initiatives. This will include coordinating with natural gas companies on opportunities for conservation.

The OPA will also initiate or continue several other conservation planning activities in 2010. In 2009, the OPA began working directly with several LDCs to address local reliability requirements through integrated solutions and this work will continue in 2010. The OPA will also work collaboratively with LDCs to establish and update risk mitigation plans which will provide for conservation reserves/buffers for the overall provincial target.

To further build a collaborative culture of innovation between the OPA and the LDCs, the eligibility criteria for the Conservation Fund (“CF”) will be changed to permit applications from LDCs for projects that align with the CF’s priorities. The main discussion of the CF occurs under Initiative 6.

Initiative 2 – Facilitating the procurement of verified energy efficiency/conservation resources through ratepayer-funded programs

The OPA currently has a robust portfolio of conservation initiatives that reach all sectors of the Ontario marketplace. Conservation initiatives are currently delivered through LDCs and

1 other delivery agents, in four program areas: (a) Consumer Program; (b) Low-income
2 Consumer Program; (c) Business Program; and (d) Industrial Program. As indicated in
3 EB-2008-0312, the focus in 2009 has begun to shift from program design and planning
4 towards portfolio management, now that the majority of the portfolio is in market. Portfolio
5 management includes contract management, driving results through activities to increase
6 program participation and monitoring and evaluating program and portfolio performance.

7 As described above, depending on specific implementation timing and details for the
8 conservation elements of the Green Energy Act, the OPA will work in partnership with
9 LDCs in 2010 to implement the new *Green Energy Act* framework and to develop a
10 feasible, flexible transition plan for continuing existing conservation efforts prior to the
11 switch to the new framework.

12 Once the GEA framework is in place, LDCs will be responsible for assembling a portfolio
13 and meeting their individual conservation targets. The OPA's key role for this Initiative in
14 2010 will be to provide LDCs with other appropriate, sufficient and effective support
15 (e.g. technical research, market research, communications support) to facilitate LDCs in
16 meeting their individual conservation targets. In anticipation of this transition, the OPA is
17 currently developing an LDC support and development plan. The OPA will complete
18 development of the plan and initiate its implementation in 2010.

19 Prior to the implementation of the new framework, the OPA will continue to ensure that
20 conservation resources are procured in the near term so that progress towards Ontario's
21 conservation goal is maintained and opportunities are not lost. Partnering with LDCs, the
22 OPA will continue to provide province-wide conservation initiatives for delivery by LDCs
23 and other partners in 2010.

24 The OPA will also undertake several activities in 2010 within this initiative, which are not
25 directly dependent on implementation timing for the Green Energy Act framework,
26 including:

- 1 • Continuing to work with LDCs and other partners to explore strategies for
2 accelerating conservation results, including the refinement of existing initiatives and
3 the development of new initiatives for delivery beyond 2010. This process will be
4 informed by program performance to date and insights from the long term planning
5 process (described in more detail under Initiative 5);
- 6 • Continuing to provide conservation initiatives to transmission-connected customers.
7 The OPA is currently developing an energy efficiency initiative for transmission-
8 connected customers and anticipates launching this initiative in late 2009 or early
9 2010; and
- 10 • Investigating ways to support business and industrial consumers with financing of
11 conservation projects, in light of the current credit-crunched financial environment.
12 Because the economic outlook remains volatile and unpredictable, credit availability
13 is expected to remain tight during 2010.

14 Evaluation and Reporting

15 Evaluation, Measurement and Verification (“EM&V”) is an integral part of the OPA’s
16 conservation activities. EM&V is used for three primary purposes:

- 17 • Verifying and ensuring the reliability of demand reduction and energy savings
18 achieved from OPA funded programs;
- 19 • Enhancing the quality of the data used for forecasting and verifying the feasibility of
20 conservation potential for planning purposes; and
- 21 • Informing new and existing program design and development.

22 The EM&V of conservation initiatives will continue to be a key focus during 2010. The OPA
23 has been a leader in developing an EM&V framework that provides the basis for a
24 consistent and systematic methodology for tracking and evaluating the effectiveness and
25 impacts of conservation programs it funds. In order to provide transparency and
26 information to the market and key stakeholders, the OPA will:

- 27 • Verify program savings results in a manner that can be used for enhancing load
28 forecast and conservation potential studies for system planning purposes;
- 29 • Compare conservation forecast, reported and verified results and identify and define
30 the variances;
- 31 • Provide reasonable assurances to interested parties that energy and demand
32 savings are being attained and program spending is cost-effective;

- Provide feedback on program design and delivery to facilitate continuous improvement of the ongoing conservation program portfolio; and
- Publish an annual report on 2009 program EM&V results.

In 2010, the OPA will continue to develop and enhance its abilities to track and report on the performance of ratepayer-funded conservation programs. A cornerstone activity, which began in 2009, is the development of a centralized conservation information management system which will be used to capture and track activity and results data for all programs in the current portfolio and will also act as a communication portal between OPA and LDCs. When complete, the system will be accessible by LDC partners to both submit and access data for their service territories. The development of the system began in early 2009 and will continue into 2010. The OPA will work with LDCs and others in developing the system to ensure that their needs are met.

Initiative 3 – Building capability of the conservation services industry, the customer and the supply chain

Capability building is one of three approaches being adopted by the OPA, along with market transformation and resource acquisition, for accelerating the achievement of Ontario's peak demand and energy savings targets. As presented in the IPSP, the OPA has identified three priority areas with respect to capability building:

- The development and skill enhancement of a variety of program design and delivery agents;
- The support of M&V professionals; and
- The development of the electricity customer's ability to understand and incorporate Conservation in their daily lives and businesses.

Initiative 3 focuses on all three priority areas, with the support of Conservation Awareness activities (Initiative 4).

Capability Building Plan and Initiatives

The OPA developed "*An Integrated Capability Building Plan for an Energy Efficient Ontario – 2010-2014*" in 2009. The goal of the plan, once implemented, is to help the conservation

1 service industry and other market players develop the skills and knowledge necessary to
2 deliver or participate in conservation activities. The Integrated Capability Building Plan is
3 divided by sector (residential, commercial & institutional, and industrial), and proposes 23
4 initiatives for further investigation and development. The initiatives are divided into training
5 and segment support. As a next step, the OPA is retaining a consultant to finalize the
6 selection of a suite of proposed initiatives that will then be designed for implementation in
7 2010. The Integrated Capability Building Plan will be the basis for the work of the
8 consultant.

9 The OPA's Conservation Fund ("CF"), discussed in greater detail below, plays a key role in
10 these capability building initiatives. Several late 2008 and early 2009 CF projects are
11 helping to build market capability in several sectors. These projects have significantly
12 informed the development of the Integrated Capability Building Plan, and will directly inform
13 the suite of capability building initiatives slated for development and implementation in
14 2010.

15 **Initiative 4 – Increasing conservation awareness and measuring progress in building**
16 **a culture of conservation province-wide**

17 The OPA will continue to undertake initiatives to build and maintain public awareness of the
18 importance of electricity conservation, to drive participation in conservation programs, and
19 to influence behaviour towards wiser use of electricity. In addition to supporting all
20 conservation programs, awareness-raising activities advance the longer-term objective of
21 the development of a conservation culture.

22 Initiatives in 2010 will include OPA-developed marketing initiatives, materials, advertising
23 campaigns and events where appropriate. The momentum that began with a province-
24 wide Energy Conservation Week in 2008 and 2009, together with the Count Me In! pledge
25 drive and Community Challenge Day in 2009, will be fostered in the coming years with
26 similar province-wide campaigns as well as local initiatives undertaken by the LDCs.

27 Of particular importance to OPA's conservation strategy is the renewed commitment for
28 2010 to support the development of a culture of conservation in the province by influencing

1 the youth market. Children and teens are major energy consumers and influencers within
2 their families and social networks and are the household decision-makers of tomorrow.
3 The youth engagement strategy will be based on identifying opportunities to reach children
4 and teens in the classroom, through engaging and interactive online environments and by
5 using a particular style and tone that resonates with the youth segment.

6 Independent research into the awareness, attitudes and behaviours of Ontarians toward
7 electricity and conservation will continue and will build upon the results of previous years.
8 The results of this research will be used to track trends, to inform the refinement of existing
9 programs, where required and where possible, as well as to inform the design and
10 development of future program proposals.

11 In addition to activities to *raise* awareness, the OPA will be undertaking activities in 2010 to
12 increase its ability to *measure* awareness, including establishing and tracking progress
13 against meaningful benchmarks and indicators of a conservation culture.

14 **Initiative 5 – Transforming the way electricity is used; planning for changes to codes**
15 **and standards**

16 Market transformation refers to the long-term objective of achieving a substantial and
17 sustainable increase in the market share of energy-efficient technologies, buildings and
18 production processes. Transforming the conservation marketplace cannot be achieved by
19 the OPA alone, however the OPA has an important role to play, both as a planner and as a
20 program implementer to support and accelerate the transformation process.

21 In 2010, the OPA will complete an assessment and plan to support market transformation
22 in the Industrial Sector, which will include a vision of the sector by 2030, quantifiable market
23 transformation metrics, and an implementation plan to achieve this objective. This plan will
24 be used to inform the process of refining and developing new initiatives referenced in
25 Initiative 2 above.

26 The OPA will also continue to work for more efficient building codes and appliance and
27 equipment standards. These changes require participation in the standards development

1 process and may involve enacting regulations or legislation, but they will make a significant
2 contribution to achieving Ontario's conservation target in the long term.

3 With regard to building codes, the OPA expects to work on two areas: 1) residential
4 building code beyond Energuide 80; and 2) application of the building code to commercial
5 retrofit situations.

6 With regard to minimum energy performance standards for key end use equipment, the
7 OPA will continue with its current activities. These include providing support as needed to
8 both provincial and federal standards regulators; participation in the National Advisory
9 Council for Energy Efficiency, the Forum for Leadership in Energy Efficiency; participation
10 in the CSA standard development process; and funding end-use research to enable the
11 development of end-use market transformation plans and/or justify new or improved
12 minimum energy performance standards.

13 In 2010, the OPA will also continue its work on benchmarking and building performance, as
14 well as integrated community energy systems and sustainable communities.

15 In addition, the OPA will continue as an active participant in Ontario's Smart Grid Forum to
16 help evaluate the opportunities for enhancing distributed generation, energy efficiency and
17 demand management initiatives offered by the future development of a smart grid.

18 The OPA will continue to work with the federal and provincial governments and be active in
19 national and international market transformation efforts. This includes participation in the
20 Demand-Side Management Working Group, the Forum for Leadership in Energy Efficiency,
21 the Canadian DSM Alliance, the Consortium for Energy Efficiency, the Quality Urban
22 Energy Systems of Tomorrow, as well as the steering committee for the annual Market
23 Transformation Symposium. The OPA will continue to monitor national and international
24 developments and best practices that support market transformation to inform and improve
25 its ongoing work.

Initiative 6 – Supporting innovation in emerging technologies and conservation programs

In response to *the* Green Energy Act and ministerial direction to accelerate the achievement of conservation and renewables targets, the OPA will work in 2010 to further enhance the role of innovation in meeting these targets.

The Conservation and Technology Development Funds have been key programs in helping the OPA stimulate innovation in conservation programming and bring emerging technologies to market more quickly. The OPA will continue to operate both funds in 2010 with several important changes to align with the GEA.

Conservation Fund

The CF provides funding for sector-specific electricity conservation pilot projects that inform future conservation programs and build marketplace capability. R&D and innovation are critical to ensuring that future conservation programming align with new technologies, consumer usage patterns, and social or economic change.

Capability building has been a key focus for the CF in late 2008 and 2009, with several of the following projects informing the development of the Capability Building Plan as referenced above, under Initiative 3:

- Ontario Centres of Excellence – Energy Connections Program builds on the success of an existing OCE program to match 50 student teams with sponsoring employers on energy and energy efficiency related initiatives.
- Canadian Urban Institute – Integrated Energy Mapping for Ontario Communities is currently finalizing plans with four municipalities to develop integrated community energy plans.
- Enerquality Corporation: Home Builders' Technology Adoption Pilot ("TAP") will work with homebuilders to increase the penetration of energy efficient technologies into new home designs, helping to overcome the risk aversion that is traditional in this sector.
- University of Windsor - Advanced Professional Certificate in Energy Management ("UWin APCEM") is currently developing curriculum.
- Seneca College- Building Energy Savings Training is currently developing curriculum.

- 1 • Métis Nation of Ontario - The Métis Energy Conservation Workforce Project is
2 currently developing curriculum.
- 3 • District School Board of Niagara - Ambassadors for Conservation of Energy ("ACE")
4 is in its first year of operation. This initiative has resulted in the creation of a
5 province-wide Ministry of Education program for high school students helping to
6 prepare students for careers in energy and energy efficiency.

7 Upstream approaches and national or continental collaboratives have significant potential
8 for innovation and market transformation because of the scale at which they operate, and
9 these types of projects will become of increasing importance to the CF in 2010. Examples
10 of current CF projects in this category include:

- 11 • National Set Top Box Collaborative (Marbek): Set top boxes cover a wide range of
12 products and functions to convert television signals, filter programming, record
13 programming and download movies, representing part of a fast growing segment of
14 residential load. The OPA has formed a consortium with BC Hydro, Manitoba
15 Hydro, and Hydro Quebec to transform this market in Canada, through the
16 development of a regionally-tailored national program.
- 17 • 80-Plus Initiative (Ecos): This initiative provides funding to retailers who sell desktop
18 computers, servers and LCD monitors that meet high levels of energy efficiency to
19 Ontario-based consumers.

20 In response to the GEA, certain changes will be made to the CF in 2010:

- 21 • **Issuing topic-specific calls for proposals based on an established 2010**
22 **Investment Strategy.** The strategy will be completed in Q1 2010 and will inform the
23 first call for proposals in April 2010. Subject to development of strategy, significant
24 areas of focus for the CF in 2010 will likely include: approaches to further engage
25 upstream players (chains, national accounts, manufacturers); innovation in existing
26 conservation programming (residential demand response evaluation, integrated
27 inspections processes); and capability building (training, education and segment
28 support).
- 29 • **Changing eligibility criteria to allow applications from LDCs.** This change
30 aligns the CF with the GEA and the increasingly collaborative partnership between
31 the OPA and the LDCs.

32 Technology Development Fund

33 The OPA's Technology Development Fund ("TDF") provides funding to support emerging
34 technologies or applications that have the potential to improve future electricity supply or
35 conservation. Funding can be used to support research, development or performance

1 verification of pre-commercial technologies. In the case of emerging end use technologies,
2 support for their development and commercialization accelerates market penetration of
3 more energy efficient technologies, thereby increasing or improving the range of choices
4 available for future supply and conservation resources.

5 Since its inception in 2006, the TDF has provided funding to 29 projects, with a cumulative
6 expenditure of \$4.5 million, leveraging an additional \$49 million in contributions from the
7 Ontario Centres of Excellence - Centre for Energy ("OCE"), Natural Resources Canada and
8 from utilities and other partners from across North America. In 2010, the OPA will continue
9 to partner with the Centre of Energy Advancement through Technology Innovation
10 ("CEATI") and OCE and will continue to explore further collaborative opportunities as they
11 arise with the Ministry of Research and Innovation.

12 As described in EB-2008-0312, the OPA, in partnership with BC Hydro, Manitoba Hydro
13 and Hydro Quebec, has formulated three emerging technologies priority areas on the
14 conservation side for 2009-2011: High efficiency lighting, next generation cooling and
15 refrigeration and advanced building controls. Three research initiatives will be developed in
16 2009/2010 to align with these priorities and support a more aggressive funding strategy for
17 2010:

- 18 • Emerging Cooling and Refrigeration Technologies Roadmap: this study will identify
19 the most promising technologies in the category. The results will further inform
20 future calls for proposals.
- 21 • Small and Medium Enterprises ("SME") Controls Market Scan: this research project
22 on the existing and emerging state of building controls for the SME market will help
23 to identify the costs of these systems, determine demand reduction potential and
24 accelerate their inclusion into rate-payer funded conservation programs.
- 25 • Next Generation Residential Demand Response ("DR"): in Q4 09 the OPA solicited
26 research on the next generation of technologies that could be utilized in residential
27 demand response. This research is intended to help inform OPA and LDC
28 programs, and further guide future investments.

29 The existing supply side priorities for the TDF, which will continue in 2010, are distributed
30 generation ("DG") technologies and DG enabling technologies (those which facilitate the
31 integration of renewable and other DG into the distribution and transmission system).

Changes to the TDF in 2010 in order to address the requirements of the *GEA*, and help to build Ontario's innovation momentum during a time of strong economic headwinds include:

- Issuing targeted calls for proposals. The calls will be informed by the research initiatives in priority areas described above.
- Introducing criteria to prioritize technologies which demonstrate economic development potential for Ontario, consistent with the *GEA*.

2010 Milestones

The OPA's 2010-2012 Business Plan, filed at Exhibit A-2-1, identifies the following Milestones for achievement by year-end 2010:

- An LDC support and development plan is established, and its implementation is underway.
- The Power Authority, LDCs and other delivery agents are working together to ensure that a robust portfolio of ratepayer-funded conservation programs continues to be available in the Ontario marketplace and is delivering electricity savings and contributing to peak demand and energy savings.
- The energy-efficiency program for directly connected industrial users is implemented and achieving expected results.
- Meaningful indicators of conservation awareness by sector are established to track the achievement of a culture of conservation.
- Risk mitigation plans are established to provide for conservation reserves/buffers.
- A plan for developing funding, support and training resources for all partners to help build the skills and capacity of market participants to deliver conservation is established, and its implementation is underway.

2.0 2010 BUDGET

The 2010 Budget for Strategic Objective 2 reflects the greater role to be played by LDCs in implementing conservation, reflected primarily in a reduction in Professional and Consulting Costs.

The 2010 Budget for Strategic Objective 2 by major cost category, as well as a summary of the variance between the 2009 and 2010 Budgets can be found in Table 1, below.

Table 1

Strategic Objective #2
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	7,884	7,642	242	7,411
Professional & Consulting Costs	4,440	7,533	(3,093)	6,203
Conservation/Technology Initiatives	3,700	4,061	(361)	3,929
Operating & Administration Expenses	460	836	(376)	554
Total Costs	16,484	20,072	(3,588)	18,097

A detailed discussion of the variances is included in Exhibits D-2-1 and D-2-2.

3.0 2009 RESULTS

In 2009, the OPA's Strategic Objective 2 relating to Conservation was to "plan and procure conservation resources to meet the requirements identified in the IPSP and promote sustainable conservation practices that contribute to a culture of conservation". The success metrics set for 2009 and the status of their achievement are described below.

As outlined in the evidence below, the OPA was substantially successful in fulfilling these broad objectives.

- A robust portfolio of OPA conservation programs continues to be available in the Ontario marketplace and is delivering electricity savings, contributing to reduced peak demand and raising awareness of the value of conservation to all Ontarians.**

In partnership with LDCs and other delivery agents, the OPA continued to offer a robust portfolio of conservation initiatives in 2009 that reached all segments of the Ontario market. A summary of initiatives available in 2009 is provided in the table below. Verified results of 2009 program impacts (energy savings, demand reductions, conservation awareness) will be available in 2010.

Table 1: OPA Conservation initiatives available in 2009

Consumer Program	<ul style="list-style-type: none"> • Free pick up and decommissioning of old inefficient fridges, freezers and room air conditioners • Automatic load control on central air conditioning • Aboriginal pilot - energy conservation kits and building retrofits • Rebates on high efficiency replacement central cooling systems • Bi-annual in-store coupon event on lighting and control devices • Capability building and conservation awareness initiatives
Low Income Program	<ul style="list-style-type: none"> • Rebates on energy efficient retrofits of lighting, motors, heating ventilation, air conditioning system overall electricity systems • Capability building and conservation awareness initiatives
Business Program	<ul style="list-style-type: none"> • Rebates on energy efficient retrofits of lighting, motors, heating ventilation, air conditioning system overall electricity systems in commercial and institutional buildings • Incentives for high efficiency new construction • Turn-key audit and direct installation of lighting and water heating retrofits for small commercial business in office or non-food sub-sectors • Pilot on chiller plant recommissioning • Demand response incentives for: Voluntary peak shedding; Contractual load shifting; Contractual peak shedding • Emerging technology development • Capability building and conservation awareness initiatives
Industrial Program	<ul style="list-style-type: none"> • Demand response incentives for: voluntary peak shedding; contractual peak shedding; contractual load shifting <ul style="list-style-type: none"> ▪ Rebates on energy efficient retrofits of lighting, motors, heating ventilation, air conditioning system overall electricity systems ▪ Emerging technology development ▪ Capability building and conservation awareness initiatives

Source: OPA

- **Reports on conservation programs progress, including EM&V results for 2008, and the 2009 Chief Energy Conservation Officer's annual report have been produced.**

With the passage of the Green Energy Act, the responsibility for producing an annual report on provincial conservation progress and barriers has moved to the Environmental Commissioner of Ontario and as such, the OPA will not be producing a 2009 Annual Report from the Chief Energy Conservation Officer. The EM&V process for 2008 programs has recently been completed and the OPA expects to publish a report on final 2008 results by end of 2009.

- **OPA activities to identify and support conservation opportunities in areas of the province with urgent and emerging reliability issues, such as northern York Region, southwest GTA and Kitchener-Waterloo-Cambridge-Guelph, are underway.**

The OPA is undertaking several activities to identify and support conservation opportunities in areas of the province with urgent and emerging reliability issues. For example, the Ontario OPA is currently working with LDCs in West GTA and Kitchener-Waterloo-Cambridge-Guelph on Conservation Potential and Market Capability Assessments. The assessments will provide detailed local area specific information and recommendations for maximizing and accelerating the achievement of feasible, cost-effective conservation in the local areas. In 2009, the OPA's Conservation Attitudes and Behaviour research oversampled in areas with urgent and emerging reliability issues for the first time to gather data specific to each local market on attitudes and opinions towards electricity sector issues, current conservation behaviour, and conservation promotion. The OPA has also begun the process of identifying and engaging LDCs in areas with emerging reliability issues.

- **An overarching capability building plan has been developed that focuses on conservation program administrators including LDCs, the supply chain and other influencers, and customers.**

As described in the evidence above, the Plan - *"An Integrated Capability Building Plan for an Energy Efficient Ontario – 2010-2014"* - was developed in 2009. The Integrated Capability Building Plan is divided by sector (residential, commercial & institutional, and industrial) and proposes 23 initiatives for further investigation and development. As a next step, the OPA is retaining a consultant in late 2009 to finalize the selection of a suite of proposed initiatives that will then be designed for implementation in mid 2010. The Integrated Capability Building Plan will be the basis for the work of the consultant.

- **The OPA will have sponsored a minimum of three Certified Measurement and Verification Professional training sessions.**

The OPA has sponsored two training sessions to date and anticipates sponsoring an additional session by the end of 2009. Development of a full scale initiative whose objective is building market capability for program and project evaluation is a key proposed initiative as outlined in the Capability Building Plan, which will be implemented in 2010.

- 1 • **Awareness of conservation has increased, and the OPA has launched an award**
2 **program to recognize conservation leadership in Ontario's business community.**

3 The Conservation Attitude & Behaviour public opinion poll will measure Conservation
4 Awareness against 2008 levels. Results are scheduled for delivery by end of October.
5 The OPA has not yet launched a Conservation Awareness business leadership awards
6 program to date, however development activity is underway and a program launch is
7 anticipated in 2010.

- 8 • **Progress is being made on identifying and implementing appropriate minimum**
9 **energy performance standards and on removing barriers to conservation.**

10 The Minister of Energy and Infrastructure announced increases to the minimum energy
11 performance standards for white goods ahead of the Federal government and the
12 Department of Energy. The Federal government announced a number of new standards,
13 including for room air conditioners and T12 light bulbs, ahead of the Department of Energy.
14 The Council of Energy Ministers approved the Community Energy Solutions Roadmap,
15 benchmarking and commissioning proposals and an industrial energy management
16 standard proposal, and authorized further action. The Federal Government's Natural
17 Resources Committee issued a positive report endorsing the concept of integrated
18 community energy solutions. The OPA has been involved in committees and activities that
19 supported and enabled all of the above listed achievements.

- 20 • **An EM&V framework for demand response has been developed.**

21 A draft framework has been developed and is on track to be finalized by the end of 2009.

STRATEGIC OBJECTIVE 3

Plan and design standardized tariff-based, competitive and bilateral procurement processes and enter into procurement contracts for generation resources. These procurements and contracts will meet the requirements identified in the integrated plan, ministerial directives and legislation, and incorporate world-class contracting and settlement practices that support investment in electricity.

The *Green Energy and Green Economy Act, 2009*, including amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998*, were proclaimed into law in September 2009. The GEA's aim is to foster the growth of renewable energy supply projects, promote a green economy and energy conservation and to encourage the efficient use of energy. The GEA fundamentally alters how Ontario manages energy supply and demand and changes the way the OPA procures and contracts for renewable energy.

On September 24, 2009, the OPA was directed by the Minister of Energy and Infrastructure to develop a Feed-in Tariff Program to procure energy from a wide range of renewable energy sources. The development of this program is a key element of meeting the objectives of the GEA and is critical to Ontario's success in becoming a leading renewable energy jurisdiction.

This FIT Program is the first comprehensive FIT Program in North America. Around the world, 46 jurisdictions have already adopted some form of FIT Program or standard offer procurements. The objectives of Ontario's FIT Program are to:

- Increase capacity of renewable energy supply to ensure adequate generation and reduce emissions;
- Introduce a simpler method to procure and develop generating capacity from renewable sources of energy;
- Enable new green industries through new investment and job creation; and
- Provide incentives for investment in renewable energy technologies.

The OPA established a project team with more than 40 professionals from both within the OPA and external agencies including the Independent Electricity System Operator ("IESO") and Hydro One to develop the program. Key features of the FIT Program include:

- 1 • Promotion of greater use of renewable energy sources including wind, solar
- 2 photovoltaic ("PV"), bio-energy, and hydro up to 50 MW;
- 3 • Different prices for different technologies and project sizes;
- 4 • Long-term contracts; and
- 5 • Opportunities for promoting First Nations, Métis and community projects.

6 As part of the major activities in developing the program, the OPA implemented an
7 extensive consultation and stakeholder engagement program in March 2009. The program
8 lasted for nine weeks.

9 The FIT Program was launched on October 1, 2009. Other than developing the program
10 within the OPA, the OPA is also coordinating with the Ministry of the Environment as it
11 develops a Renewable Energy Approval ("REA") process and participating in Ontario
12 Energy Board processes for the amendment or development of relevant policies and
13 codes. The OPA also worked with Local Distribution Companies to define their roles and
14 responsibilities in administering the FIT Program.

15 In addition to the development of the FIT Program, the OPA continues its efforts in
16 procurement of identified generation resources using OPA procurement processes under
17 ministerial directives ("Directives") issued by the Minister of Energy and Infrastructure.
18 These Directives include procuring energy from waste ("EFW") and negotiating new
19 contracts with "early movers" generation facilities and hydroelectric generation facilities.

20 The OPA continues to manage existing contracts with developers and perform financial
21 settlements for all contracts that have achieved commercial operation. As of October 2009,
22 the OPA had a total of 12,913 MW of electricity supply capacity under contract, as shown in
23 Appendix A to this exhibit. Most of these are large-scale contracts, however 1,419 MW
24 were contracted under RESOP. Out of the total, 42.5 percent are in commercial operation;
25 with the remaining under development. Renewable energy accounts for 3,144 MW, with
26 1,264 MW of that in commercial operation and the remaining under development.

1.0 ACTIONS TO ACHIEVE STRATEGIC OBJECTIVE 3

Initiative 1 – Continue to evolve and refine the FIT Program and manage FIT contracts

After the FIT Program was announced on September 24, 2009, acceptance of applications started on October 1, 2009. It is anticipated that applications for up to 2,500 MW of generation capacity from various technologies will be submitted to the OPA within the first year. Assuming the Bruce-to-Milton line is on schedule, another 1,500 MW is expected in the following two years. OPA's Electricity Resources staff are responsible to process these applications and manage the contracts.

Since this is a new program for investors and energy developers in North America, in 2010 the OPA will continue to monitor and facilitate the process. It is also anticipated that during implementation some areas of the program will need to be revisited and refined. In 2010, the OPA will continue to evolve and refine the program and will undertake appropriate actions and modifications, as necessary, to enhance the process.

In 2010, the OPA will continue to evaluate application materials for the award of FIT contracts to the successful proponents. The progress and development of the Program will be communicated to the public through the OPA reporting system and public website. The OPA will continue to work with developers, the IESO, Hydro One, LDCs, and Aboriginal communities and continue to seek improvement of the program.

Initiative 2 – Maintain nuclear generation in the province

In March 2008, as part of the implementation of a 20-year energy plan to ensure clean, affordable and reliable energy supply, the province invited four internationally recognized vendors to participate in a competitive procurement process for the supply of new nuclear generating units. The process was in two phases, with the final pricing due by the end of February 2009. In June 2008, Ontario Power Generation ("OPG") was selected by the province as the operator of the new nuclear units and the Darlington site was identified as the location for the new units. In June 2009, the province suspended the nuclear new build

1 project because the competitive bidding process that was launched in 2008 did not provide
2 a suitable option for Ontario at that time.

3 Despite temporary suspension of the new build project, the province remains committed to
4 the modernization of the existing Ontario nuclear fleet. The province had stated that the
5 Bruce site will continue to provide approximately 6,300 MW of baseload capacity over the
6 long-term. Presently, the OPA is managing a contract with Bruce Power for the
7 refurbishment of four nuclear units with a total capacity of 3,000 MW at its A Station. The
8 OPA is currently conducting studies on various refurbishment schedule scenarios, taking
9 into account system supply and professionals and trades needed for the refurbishment
10 project. Once a refurbishment schedule has been confirmed, the OPA plans to enter into
11 project scoping and contract negotiation with Bruce Power for the remaining 3,300 MW.
12 This remaining capacity will come from the refurbishment of four units at Bruce Power's B
13 Station. Project scoping is anticipated to start in late 2009. Contract negotiation will follow
14 as soon as the scoping activities are complete. Contract negotiation is planned for 2010
15 and contract execution in early 2011.

16 **Initiative 3 – Procurement**

17 In the absence of an approved IPSP and procurement process, the Procurement group
18 may only launch procurements for generation through Directives received from the Minister
19 of Energy and Infrastructure. The following describes the generation resources other than
20 those from the FIT Program and nuclear refurbishment which will be procured, or for which
21 procurement work will have begun in 2010.

22 A number of the non-utility generation ("NUG") contracts that were established by the
23 former Ontario Hydro will expire within the next few years. These NUG contracts amount to
24 1,700 MW, or about five percent of Ontario's total installed capacity. They can be classified
25 into two main groups, namely, natural gas-fired and hydroelectric. A NUG Working Group
26 that consists of the OPA, IESO, MEI and Ontario Electricity Financial Corporation ("OEFC")
27 has been established for data gathering and strategy development for the natural gas-fired
28 facility contracts, which amount to 1,400 MW. Among these contracts, a total capacity of

1 600 MW will expire before 2015. The first contract to expire is a 103 MW cogeneration
2 facility in 2010. The OPA is preparing to enter into contract negotiations with contract
3 counterparties once a strategy has been established and a Directive has been received
4 from the MEI.

5 With respect to the hydroelectric NUG contracts, the OPA has initiated processes for the
6 negotiation of new contracts with owners or operators in response to a Directive dated
7 May 7, 2009. The Directive covers almost all of the existing hydroelectric facilities
8 regardless of whether they are currently under a NUG contract or not, provided they are
9 presently connected to the grid and they are not owned by OPG. There are approximately
10 125 facilities meeting these requirements. The estimated total capacity of these facilities is
11 up to 1,300 MW. Potential owners or operators who meet the Directive requirements have
12 been contacted. Preparatory work is underway and contract negotiation activities will be
13 carried out in 2010.

14 The OPA will continue its effort to procure more high efficiency combined heat and power
15 ("CHP") projects. The OPA and St. Marys Paper Corporation have begun discussion to
16 explore opportunities for a cogeneration project at St Marys facilities in Sault Ste. Marie.
17 The initiative remains a part of the "Smart Gas" strategy which is one of the principles of the
18 Integrated Power System Plan. In addition, the OPA is also in the process of negotiating a
19 contract with AbitibiBowater for a cogeneration facility. The OPA has currently contracted a
20 total of 429 MW of CHP projects and has an obligation to complete the Directive that was
21 issued in June 2005 for 1,000 MW. The remaining CHP capacity from large projects will
22 probably be contracted starting in 2010 through bilateral negotiations with project sponsors.
23 They will take extensive effort and resources. In addition, the OPA will explore a small
24 (< 10 MW) clean energy standard offer program which may be similar to the renewable FIT
25 Program.

26 The OPA will continue to participate in the Energy from Waste ("EFW") Pilot Demonstration
27 Project through procurement of the project's net electricity output. This initiative, driven by
28 the Ministry of the Environment, will assess the merits of EFW technologies and assist in

the development of improved technologies, as well as facilitate the testing and evaluation of EFW technologies to obtain necessary information on environment impacts.

Initiative 4 – Managing newly executed large-scale gas-fired facilities

The OPA has recently entered into two large scale gas-fired generating facility contracts with developers. These facilities, with a combined capacity close to 1,300 MW, are located in supply-constrained areas. One of them is a peaking facility at Northern York Region and the other one is a combined cycle generating facility at Southwest Greater Toronto Area (“SWGTA”), both of which are managed through the Contract Management group. The OPA will continue to work with the developers to ensure these facilities are placed in commercial operation on schedule to ensure timely delivery of needed power in these areas.

Initiative 5 – Contract management and financial settlements

A list of the conservation and generation resource contracts that are managed and administered by the Contract Management group as of October 2009 is attached to this exhibit as Appendix A. These 50 contracts have a total contract capacity of approximately 11,500 MW and include renewable generation (wind, hydro, and bio-energy), demand-response, natural-gas fired generation including CHP generation and refurbishment of nuclear generation. RESOP contracts are not included.

The portfolio of contracts listed in Appendix A represents approximately \$15.3 billion of new investment in Ontario's electricity sector since 2005.

As counterparty to the contracts listed in Appendix A, the OPA is responsible for managing these contracts with the developers to ensure timely completion of the facilities for commercial operation. Once the facility reaches its Commercial Operation Date (“COD”), the OPA is responsible for the financial settlement of each facility, as well as meeting any other financial obligations of the contracts. This involves producing timely and accurate settlement statements listing all relevant information, which includes calculating monthly settlement values; researching contracts to clarify interpretation; and resolving issues and

concerns with suppliers in a professional and timely manner. It also involves adapting existing processes and systems to accommodate new contracts.

The OPA's financial settlement system is automated; however, further enhancements will be implemented in 2010, to develop and implement a more robust settlement system.

Currently, the OPA financially settles 34 of the 50 contracts listed in Appendix A. By the end of 2010 the OPA is expected to settle an additional seven contracts. The remaining contracts will be financially settled by the OPA once they reach commercial operation in 2011 or later.

2010 Milestones

The OPA's 2010-2012 Business Plan, filed at Exhibit A-2-1, identifies the following Milestones for achievement by year-end 2010:

- The FIT Program and associated initiatives have been successfully launched with 2,500 MW of renewable generation contracted;
- Approximately 11,950 MW of contracted generation is in service, in addition to the 2,500 MW contracted through the FIT Program;
- Considerable progress has been made on contracting for new nuclear facilities and nuclear refurbishments, in accordance with government policy direction; and
- Financial settlements for 2010 have been completed accurately and on time under a new settlement system.

2.0 2010 BUDGET

The 2010 Budget incorporates the activities as described above. Increases in Compensation and Benefits reflect additional internal resources required to support FIT implementation, and are partially offset by a decrease in Professional and Consulting costs.

The 2010 Budget for Strategic Objective 3 by major cost category, as well as a summary of the variance between the 2009 and 2010 Budgets can be found in Table 1, below.

Table 1

Strategic Objective #3
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	4,571	3,334	1,237	3,316
Professional & Consulting Costs	3,067	4,205	(1,138)	7,152
Operating & Administration Expenses	198	193	5	140
Total Costs	7,836	7,732	104	10,608

A detailed discussion of the variances is included in Exhibits D-2-1 and D-2-2.

3.0 2009 RESULTS

The following is a discussion of the status of the 2009 Milestones, which were included in the OPA's 2009-2011 Business Plan.

- **Progress is being made on the competitive procurements to acquire additional electricity generating resources.**

Over 2009, the OPA continued to design procurement processes and contracts to efficiently procure large and small scale generation. During the planning process, the OPA extended further resources to reach out to communities, proponents, regulatory bodies and the public at large to ensure that cost effective generation capacity was sited and built in a timely manner to meet Ontario's needs. The success of these efforts affected the investment community's views of Ontario as an attractive place to invest.

Progress continued to be made in addressing Ontario's electricity challenge. As of October 2009, the OPA had 11,494 MW of new electricity supply under large-scale contracts ranging from renewable energy projects to natural gas-fired generating facilities. In addition, the Renewable Energy Standard Offer Program ("RESOP") executed 443 contracts for a total of 1,419 MW.

- 1 • **Contract negotiations, where necessary, have been completed to the overall**
2 **benefit of the ratepayer, and all financial settlements for 2009 have been**
3 **completed accurately and on time.**

4 The OPA completed negotiations with Bruce Power for a second amending agreement to
5 the Bruce Power Refurbishment Implementation Agreement. One of the key features of
6 this amendment is that Ontario ratepayers are protected over the long-term by a cap on
7 cost-overruns greater than \$3.4 billion for the refurbishment of units 1 and 2.

8 On December 24, 2008, the OPA was directed to enter into negotiations for new contracts
9 for the seven existing facilities listed in the Directive dated December 14, 2005. Five of the
10 listed facilities are presently on Early Movers Clean Energy Supply ("EMCES") contracts
11 with the OPA. These 5-year term contracts with a combined capacity of 1,075 MW will
12 expire at the end of January 2011. A negotiation process has been initiated. It is expected
13 that negotiations will have been completed with new contracts executed within 2009.

14 For the period between January 1, 2009 and August 31, 2009 the OPA issued over
15 240 invoices to in-service facilities under contract. All settlement payments were
16 processed and issued to suppliers on time, and no interest calculations for late payments
17 were required. Errors identified on settlement invoices for the period between January 1,
18 2009 and August 31, 2009 represented 0.0148% of total settlement payments and
19 corrections were applied to the next month's invoice to the counterparties.

- 20 • **Outreach and public education efforts are underway in southwest GTA.**

21 The OPA conducted a series of public and stakeholder meetings to raise awareness about
22 the new power plant. In addition to OPA efforts, each of the four proponents held open
23 houses and undertook community relations activities.

- 24 • 11 public open houses were held from October 2008 to March 2009 (beginning with
25 the Minister's town hall of October 28, 2008);
- 26 • 2 meetings with residents associations or their executives at their request;
- 27 • 4 meetings with individual SWGTA MPPs at their riding offices;
- 28 • Group briefing meeting with SWGTA MPPs at Queen's Park;
- 29 • Numerous meetings with municipal officials – Mayors, Councils, Planners
30 (Mississauga, Peel Region, Oakville, Etobicoke);

- 1 • Joint meeting with Public Health Officials – (Toronto, Peel and Halton) to discuss the
- 2 Jacques Whitford Report;
- 3 • Meetings each with Dr. Boyd Upper, Co-Chair, Clarkson Airshed Study Group and
- 4 Julie Desjardins, Co-Chair, Clarkson Airshed Advisory Committee;
- 5 • Meeting with Mississauga Board of Trade Policy Committee; and
- 6 • Effective communication material has been made available to proponents in
- 7 southwest GTA, and best-practice community engagement guidelines have been
- 8 developed.

9 A wide variety of outreach tools were used to engage the southwest GTA communities in a
10 dialogue about electricity and the required infrastructure for the area. The OPA maintained
11 a consistent visible presence in the area by hosting a number of in person sessions with
12 residents and community leaders. These sessions began with the Minister's Town Hall
13 meeting on October 28, 2008 and continued with ten public information centres (6 in 2008
14 and 4 in 2009), as well as 22 meetings with ratepayers associations, municipal and
15 provincial politicians and business leaders.

16 In addition to the above communication materials, the OPA also created two southwest
17 GTA newsletters (October 2008 and January 2009) which were electronically distributed to
18 over 2,000 interested parties and posted to the website.

19 Input was also sought from a number of Community Opinion Leaders in Etobicoke,
20 Mississauga and Oakville through telephone interviews and a focus group. Insight from the
21 opinion leaders was shared with the proponents.

22 The consistent visible presence of the OPA in the southwest GTA area, reinforced with the
23 development of various communication vehicles, forms the cornerstone of the best-practice
24 community engagement guidelines. This approach reinforces the OPA guiding principles of
25 transparency, accountability, collaboration, and flexibility, and will be utilized in the full
26 development of the guidelines in 2010.

- 1 • **A number of new procurement contracts have been signed with both small and**
2 **large developers.**

3 In 2009, the OPA entered into a total of eight contracts with a combined capacity of
4 1,407 MW. Six of these are Renewable Energy Supply III contracts for a total capacity of
5 492 MW; one CHP III contract for 15 MW; and one natural gas-fired combined cycle facility
6 located at SWGTA for 900 MW. In addition, a total of 17 RESOP contracts for a combined
7 capacity of 7 MW were also executed.

- 8 • **New and improved mechanisms to procure different types of renewable energy**
9 **resources have been developed.**

10 As described in the evidence above, the OPA developed a FIT Program to encourage and
11 promote greater use of renewable energy sources for electricity generation in Ontario. The
12 Program incorporates different prices for different technologies and project sizes, long-term
13 contracts and opportunities for promoting community-based and Aboriginal projects.

1 **Appendix A**

2 **OPA – Contract Management group managed contracts**

ENERGY SOURCE		CONTRACT FACILITY	AVERAGE CONTRACT CAPACITY (MW)	SUB-TOTAL	SETTLEMENT
WIND (1,576 MW)	1	Byran Wind Project	64.5	Picton	✓✓
	2	Enbridge Ontario Wind Farm	181.5	Kincardine	✓
	3	Erie Shores Wind Farm	99.0	Port Burwell	✓
	4	Gosfield Wind Project	50.4	Town of Kingsville	
	5	Greenwich Windfarm	99.0	District of Thunderbay	
	6	Kingsbridge I Wind Power Project	39.6	Goderich	✓
	7	Kruger Energy Chatham Wind Project	101.2	Municipality of Chatham-Kent	
	8	Kruger Energy Port Alma Wind Power Project	101.2	Municipality of Chatham-Kent	✓
	9	Melancthon I Wind Plant	67.5	Shelbourne	✓
	10	Melancthon II Wind Plant	132.0	Melancthon and Amaranth Counties	✓
	11	Prince I Wind Power Project	99.0	Sault St. Marie	✓
	12	Prince II Wind Power Project	90.0	Sault St. Marie	✓
	13	Raleigh Wind Energy Centre	78.0	Municipality of Chatham-Kent	✓✓
	14	Ripley Wind Power Project	76.0	Ripley	✓
	15	Talbot Windfarm	99.0	Municipality of Chatham-Kent	
	16	Wolfe Island Wind Project	197.8	Wolfe Island (Kingston)	✓
HYDRO (140 MW)	17	Glen Miller Generating Station	8.0	Trenton	✓
	18	Healey Falls Generating Station	15.7	Trenton	✓✓
	19	Island Falls Generating Station	20.0	Bradburn Township	
	20	Lac Seul/Ear Falls Generating Station	29.3	Ear Falls	✓
	21	Umbata Falls Generating Station	23.0	White River, near Marathon	✓
	22	Upper Matagami/Hound Chute <ul style="list-style-type: none"> • Hound Chute GS • Lower Sturgeon GS • Sandy Falls GS • Wawaitin GS 	44.0	Timmons/District of Timiskaming	✓✓
BY-PRODUCT GAS (63 MW)	23	Algoma Energy Cogeneration Facility (CHP I)	63.0	Sault St. Marie	✓
NATURAL GAS (6,707 MW)	24	Becker Cogeneration (CHP III)	15.0	Haig Township	
	25	Brighton Beach Power Station	550.0	Trenton	✓
	26	Durham College District Energy Project (CHP I)	2.3	Oshawa	✓
	27	East Windsor Cogeneration Centre (CHP I)	84.0	Windsor	✓✓
	28	Goreway Station	839.1	Brampton	✓
	29	Great Northern Tri-Gen Facility (CHP I)	11.3	Kingsville	✓
	30	Greenfield Energy Centre	1,005.0	near Sarnia	✓
	31	Greenfield South Power Plant	280.0	Mississauga	
	32	GTAA Cogeneration Plant	90.0	Mississauga	✓
	33	Halton Hills Generating Station	631.5	Halton Hills	✓✓

ENERGY SOURCE		CONTRACT FACILITY	AVERAGE CONTRACT CAPACITY (MW)	SUB-TOTAL	SETTLEMENT
	34	London Cogeneration Facility (CHP I)	12.0	London	✓
	35	Oakville Generating Station	900.0	Oakville	
	36	Portlands Energy Centre	550.0	Toronto	✓
	37	Sarnia Regional Cogeneration Plant ¹	505.0	Sarnia	✓
	38	St. Clair Energy Centre	577.0	near Sarnia	✓
	39	Sudbury District Energy Cogeneration Plant	5.0	Sudbury	✓
	40	Sudbury District Energy, Hospital Cogeneration	6.7	Sudbury	✓
	41	Thorold Cogeneration Project (CHP I)	236.4	Thorold	✓✓
	42	Trent Valley Cogeneration Plant ¹	8.3	Trenton	✓
	43	Warden Energy Centre (CHP)	5.0	Markham	✓
	44	York Energy Centre	393.0	King Township	
BIO-ENERGY (9 MW)	45	Eastview Landfill Gas Energy Plant	2.5	Guelph	✓
	46	Hamilton (Digester Gas) Cogeneration Project	1.6	Hamilton	✓
	47	Trail Road Landfill Generating Facility	5.0	Ottawa	✓
NUCLEAR (3000 MW)	48	Bruce A Refurbishment	3000.0	Kincardine	✓
DEMAND REDUCTION (28 MW)	49	Loblaws DR	10.0	Province-wide	✓
	50	York DR	18.4	York Region	✓
RESOP	Total RESOP Contracts		1419.0	Province-wide	

1

2

3 1. ✓

- Currently settled by the OPA

4 2. ✓✓

- Expected for settlement by the OPA by end of 2010

STRATEGIC OBJECTIVE 4

Identify barriers and limitations; develop and/or define methods and solutions to deliver enhanced generation developments, through innovation, analysis, assessment and benchmarking with a view to efficiency and environmental sustainability.

As Ontario's electricity sector continues to evolve, the OPA must be ready to facilitate the transformation taking place with appropriate advice, initiatives and processes that align with government policy direction and that deliver the best solution for Ontario ratepayers.

For the remainder of 2009 and for 2010, Strategic Objective 4 has evolved to address the OPA's analytical and research work on various industry initiatives to enhance efficient and environmentally sustainable generation development in Ontario.

Specifically, the initiatives contained in this Strategic Objective will be undertaken by the Policy and Analysis group within the Electricity Resources division. As part of this work, the OPA will assess the integration and operation of contracted generation resources in the electricity market. This will provide the basis for initiatives and undertakings to ensure that Ontario's electricity system is efficient, cost-effective and sustainable.

In addition, to reduce barriers for communities, municipalities and First Nations and Métis people, the OPA is developing various support programs to facilitate the development of renewable energy projects for these target groups.

Ontario's electricity sector continues to mature as a hybrid structure with both regulated and competitive components. This trend is expected to continue through current government policies to enable and accelerate the development of renewable sources of energy. The OPA will continue to work with the Ministry of Energy and Infrastructure, the Independent Electricity System Operator, the Ontario Energy Board and other industry participants to examine and monitor the workings of the hybrid market and to further the efficient evolution of the electricity sector. This work will assess the changes taking place and address the areas where improvement can be achieved in such areas

as economic efficiency, reliability improvement, higher value for ratepayers and improved resource procurement and integration.

The work undertaken through this Strategic Initiative will allow the OPA to gain further insights and to better understand the implications of potential changes to the sector to ensure that the OPA can react in appropriate ways.

1.0 ACTIONS TO ACHIEVE STRATEGIC OBJECTIVE 4

Initiative 1 – Reducing barriers to involvement in renewable energy projects for community groups, municipalities and First Nation and Métis communities by establishing funding mechanisms

On September 24, 2009, the Minister of Energy and Infrastructure directed the OPA to develop specific support programs for communities, First Nation and Métis and municipalities to encourage involvement in renewable energy project development. As part of this directive, the OPA is developing the Community Energy Partnership Program (“CEPP”), the Aboriginal Energy Partnerships Program (“AEPP”) and the Municipal Renewable Energy Program (“MREP”). Certain components of these programs involve the provision of funding to particular classes of participants to assist in overcoming unique barriers to participation in renewable energy project development. These funding components will be developed and overseen by Electricity Resources division’s Policy and Analysis group.

The Community Energy Partnership Program provides financial grants to community groups in the province of Ontario that are developing renewable energy projects. These grants provide funding for community-based renewable energy projects over 10 kW but less than 10 MW to receive up to \$200,000 for soft costs associated with project development. Soft costs would include site investigation and control; resource assessments; business and financial planning; project management; and studies associated with the Renewable Energy Approval.

As per the directive, the program will be administered by a third party, which will be competitively procured. The third party will provide a “one window access” to the

1 program for community groups. The third party will report back to the OPA on a regular
2 basis to provide evidence on performance and activities including:

- 3 • Marketing/Promotion/Outreach
- 4 • Managing Applicant Relationships/Communications
- 5 • Managing Applications, Review and Funding Process

6 Historically Aboriginal communities have faced capacity, planning, technical and
7 financial barriers to developing renewable energy projects. The Aboriginal Energy
8 Partnerships Program aims to address some of these barriers. In particular, the
9 program consists of three parts to build capacity and encourage Aboriginal participation
10 in developing renewable energy projects:

- 11 • Support for Community Energy Plans, which will allow First Nation and Métis
12 communities to determine local interests, needs and opportunities for renewable
13 energy development and conservation. This will assist First Nations and Métis
14 communities in planning their participation in the electricity sector. This initiative
15 is also discussed in the evidence in Exhibit B-5-1.
- 16 • Support to establish the Aboriginal Renewable Energy Networks (“AREN”), to
17 facilitate sharing of knowledge and best practices related to First Nation and
18 Métis green energy projects, discussed in Exhibit B-5-1. This will build and
19 create capacity within those communities to undertake renewable energy
20 projects; and
- 21 • An Aboriginal Renewable Energy Fund, to provide funding for soft costs
22 associated with project development for First Nation and Métis communities.
23 The financial support is targeted at soft costs associated with developing a
24 renewable energy project, as described above.

25 The AEPP will be developed and administered by the OPA. In order to obtain advice
26 and guidance on the development of program details, the OPA will establish an
27 Aboriginal Advisory Committee.

28 The purpose of the Municipal Renewable Energy Program is to reimburse municipalities
29 for any direct costs incurred in hosting a renewable energy project that is not reasonably
30 covered by a project developer. The program will facilitate the development of

renewable energy projects by assisting municipalities with some of the associated costs.

The scope of the program, including a list of potential costs which a municipality could incur will be developed through consultations with select municipalities. Examples of costs that could be considered eligible under the program include, but would not be limited to, costs associated with rehabilitation of municipal infrastructure, traffic management, and training of emergency services personnel.

The MREP will be developed and administered by the OPA.

Initiative 2 – Monitoring and Analysis of Policy and Current Procurement and Contract Management Processes

Ontario's electricity sector continues to go through changes as a result of new policies in the electricity industry in recent years, such as the introduction of the Green Energy Act. As policy changes, there is a need to monitor and analyze the impact of policy change on the operability of the electricity system, the efficiency of the electricity market and procurement and contracting of resources. The OPA will develop tools and mechanisms to examine and assess policy changes and market evolution initiatives; impacts will be quantified through the testing of scenarios to make informed decisions. The OPA will also work to improve procurement and contracting mechanisms to provide better outcomes and value to the Ontario ratepayer.

To gain a concrete understanding of the current market design and the options available to improve and evolve the market, the OPA will also examine and assess:

- Market design and evolution initiatives and market rule amendments in Ontario and neighboring jurisdictions;
- The impact of environmental legislation on OPA contracted resources; and
- Investigating how contracted facilities are physically dispatched and operating in the market.

1 The OPA will also develop options and a strategy surrounding the role and potential
2 evolution of the electricity market; establish models to quantify planning changes and
3 market rule changes and their effects on OPA contracts; and conduct research on
4 potential market, system and government policy developments in Ontario and other
5 jurisdictions that could affect the resources that the OPA has contracted or will procure
6 in the future and that will ultimately affect the Ontario ratepayer.

7 **Initiative 3 – Investigate approaches for dealing with carbon mitigation.**

8 The OPA facilitates the government policies to move to a cleaner and greener economy
9 by procuring renewable energy and conservation initiatives. In addition, there are
10 various other governmental initiatives to address the issue of climate change at the
11 provincial, federal and international levels. At the provincial level, “Ontario’s Climate
12 Change Action Plan” was released in the summer of 2007, setting in motion Ontario’s
13 approach to tackling climate change including the gradual phase-out of coal-fired
14 electricity generation by the end of 2014. In addition, Bill 150, Ontario’s Green
15 Energy Act received royal assent in May 2009, providing a foundation for continued
16 renewable procurement to expedite the growth of clean, renewable sources of energy
17 and positioning Ontario as a leader in renewable energy policy and energy
18 conservation. In June 2009, a provincial discussion paper, “Moving Forward: A
19 Greenhouse Gas Cap-and-Trade System for Ontario” was released, providing a basis
20 for stakeholder discussions for a cap-and-trade system for Ontario. The OPA continues
21 to monitor developments on the climate change front, in particular, on the proposed cap
22 and trade system for Ontario. The OPA also continues to monitor developments at the
23 federal level, such as the discussion paper, “Turning the Corner - An Action Plan to
24 Reduce Greenhouse Gases”, which was released in April 2007, providing a proposed
25 cap-and-trade system comparable to the other proposed North American cap-and-trade
26 systems, specifically the Western Climate Initiative and the American Clean Energy and
27 Security Act of 2009 (Waxman-Markey).

28 Considering the multitude of initiatives, the OPA is taking a flexible approach and
29 examining options and strategies for addressing climate change policies and

1 understanding their impacts on the OPA and its contracted resources. As carbon
2 mitigation policies evolve and details become known, the OPA will examine options and
3 identify an approach for dealing with the impact of carbon mitigation policies on its
4 operations, initiatives, programs and contracted resources.

5 **Initiative 4 – Facilitate and Contract for New Combined Heat and Power and** 6 **Distributed Generation**

7 The OPA received a Directive in June 2005, to procure 1,000 MW of combined heat and
8 power projects in Ontario. The OPA has released two Request for Proposals (CHP I
9 RFP and CHP II RFP) and to date has contracted for 429 MW of capacity. In 2010, the
10 OPA will re-examine its procurement and contracting strategy with respect to combined
11 heat and power projects to obtain the additional 500 MW to meet the 1,000 MW target
12 in the June 2005 Directive.

13 Procuring combined heat and power projects competitively provides some challenges
14 as each project is very unique and it is difficult to procure resources through a “one size
15 fits all” approach. The OPA will be reviewing how it can procure combined heat and
16 power projects more effectively. As part of this review, the OPA will examine the
17 feasibility of different types of projects and develop appropriate and efficient processes
18 to procure CHP projects. This work will include quantifying the value to the Ontario
19 ratepayer with respect to the procurement of economic and efficient combined heat and
20 power projects.

21 2010 Milestones

22 The OPA’s 2010-2012 Business Plan, filed at Exhibit A-2-1, identifies the following
23 Milestones for achievement by year-end 2010:

- 24 • Policy development is monitored, analyzed and assessed; solutions are identified
25 to reflect new developments in procurement and contract management.
- 26 • Contracts are successfully amended where necessary to reflect market rule
27 changes, as required.

- 1 • The Community Energy Partnerships Program, the Municipal Renewable Energy
2 Partnerships Program and the Aboriginal Energy Partnerships Program are
3 established and operational.
- 4 • An approach to deal with carbon mitigation policies has been identified.
- 5 • A robust process has been developed to facilitate and contract for new combined
6 heat and power projects, including distributed generation projects.

7 **2.0 2010 BUDGET**

8 The 2010 Budget reflects a new divisional structure put in place during 2009 to better
9 reflect the changing needs of the organization arising from government priorities
10 aligning more directly with Green Energy initiatives. The 2010 Budget for Strategic
11 Objective 4 by major cost category, as well as a summary of the variance between the
12 2009 and 2010 Budgets can be found in Table 1, below.

Table 1

Strategic Objective #4
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	593	635	(42)	383
Professional & Consulting Costs	240	360	(120)	200
Operating & Administration Expenses	0	36	(36)	3
Total Costs	833	1,031	(198)	586

A detailed discussion of the variances is included in Exhibits D-2-1 and D-2-2.

3.0 2009 RESULTS

The following is a discussion of the status of the 2009 Milestones, which were included in the OPA's 2009-2011 Business Plan.

- **A comprehensive assessment of barriers to distributed generation has been developed.**

Studies have been conducted on distributed generation by the power system planning group to determine the potential uptake of distributed generation in an urban setting. A significant amount of study was also done on the Feed-In-Tariff program which incorporates the methods of procurement of distributed generation in the form of renewable energy projects. The work conducted under the Feed-In Tariff program has also removed barriers and enabled distributed generation in Ontario. Further study into the barriers associated with distributed generation will also be investigated throughout 2010 as the barriers for cogeneration (Combined Heat and Power) are investigated through Initiative 4, discussed above.

- 1 • **The total-year volume of Ontario electricity products traded on the forward**
2 **market in 2009 exceeds the volume traded in 2008.**

3 The total year volume of Ontario electricity products traded on the forward market via
4 the Natural Gas Exchange year-to-date (2009) is 13 TWh, over twice as much as the
5 total year volume of 5 TWh traded in 2008.

- 6 • **A clear path has been identified to mitigate the effects on electricity customers**
7 **of a rising Global Adjustment Mechanism.**

8 The OPA is working closely with the IESO and other stakeholders in order to identify
9 ways to allocate GAM in a more efficient manner and to develop initiatives that would
10 provide greater pricing efficiency. Work on mitigating the effects of the GAM will
11 continue in 2010 through Initiative 2 discussed above.

- 12 • **Progress has been made in reaching consensus on the use of customer**
13 **entitlement agents in Ontario's electricity sector.**

14 The OPA produced three technical documents in September 2008, outlining the
15 discussions with stakeholders regarding CEAs and proof of concept initiatives for CEAs.
16 These documents provide the basis for potential CEA development. However, as noted
17 above, changes in government and OPA priorities in 2009 resulted in a shift in focus to
18 implementation of GEA initiatives. Further investigation of the CEA concept has been
19 postponed.

STRATEGIC OBJECTIVE 5

Develop and maintain organizational capacity to achieve the strategic objectives and be recognized as a strategic partner.

As a knowledge-based organization, it is important for the Ontario Power Authority to have processes and a governance structure that enable its success.

Several internal service departments provide the OPA with support and guidance to fulfill its mandate. These include financial accounting, planning and analysis, human resources, business services, legal services and regulatory affairs, and First Nation and Métis relations. These groups perform core business functions, provide decision support and act as strategic partners with other parts of the organization and the sector. Over the next year, the Ontario Power Authority will continue to develop and recruit people to have the skills required to meet the changing needs of the evolving electricity sector, implement processes that will enable the organization to grow as needed and develop better tools as part of those processes.

The departments within Strategic Objective 5 and their respective budgets that perform this strategic function are provided in Table 1 below. A discussion of the variances for each division is included in Exhibit D-2-2, including the Contingency Fund.

Table 1

Strategic Objective #5
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Division	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
CEO Office	1,091	1,235	(144)	1,569
Finance	5,141	3,511	1,630	4,480
Human Resources	1,869	1,487	382	1,484
Business Services	6,688	6,452	236	6,914
LARA	8,886	9,497	(611)	6,253
Contingency	800	1,500	(700)	0
Total Costs	24,474	23,682	792	20,700

The purpose of the following evidence is to provide a discussion of each of the divisions identified in Table 1 above, with their initiatives being undertaken in 2010.

1.0 ACTIONS TO ACHIEVE STRATEGIC OBJECTIVE 5

1.1 CEO OFFICE

The office of the CEO provides leadership and guidance to the organization in formulating and accomplishing its Strategic Objectives. In this capacity, the CEO is responsible to represent the OPA's position to the Ministry of Energy and Infrastructure, industry participants and other stakeholders through speaking engagements and active participation in meetings and public forums.

Table 2

CEO Office
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	791	985	(194)	1,345
Professional & Consulting Costs	200	157	43	122
Operating & Administration Expenses	100	93	7	102
Total Costs	1,091	1,235	(144)	1,569

A detailed discussion of the variances is included in Exhibits D-2-1 and D-2-2.

1.2 FINANCE

Assurance that the OPA's financial resources are being effectively managed continues to be provided by the organization's Finance group. Proper financial management is essential for the success, credibility, and viability of the OPA. The initiatives carried out by Finance relate to the prudent expenditure and management of public funds. The list of major responsibilities for Finance is as follows:

- strategic planning
- risk management
- monitoring and review of internal controls
- business planning and budgeting
- financial modeling
- financial reporting
- performance measurement
- accounting
- transaction processing
- tax compliance and program / contract structures
- development and maintenance of policies and procedures
- payroll, and
- treasury management

1 In addition to the above core activities of the Finance group, in 2010 additional focus will be
2 placed on enhancing partnerships with internal customers and in providing value to them
3 through application of professional expertise and collaboration. Supporting this are
4 activities to ensure availability of data and information as well as an appropriate
5 organizational accountability model.

6 **Initiative 1 – Implement new systems**

7 With increasing activity at the OPA, there is a need for both an accounting system as well
8 as a business intelligence system that will support the streamlining of current processes,
9 provide enhanced functionality and provide options for scalability in order to respond to
10 future needs. The new systems will improve productivity and financial controls through:

- 11 • Streamlined processes for the Accounts Payable (invoice tracking), Procurement
12 (link to payment process), Financial Planning and Analysis groups;
- 13 • Greater controls and automation of processes (monthly general ledger reconciliation,
14 invoice approvals);
- 15 • Reduced time spent in 'data manipulation' with more time for decision support and
16 analysis; and
- 17 • Automated generation of all regular financial reports, quarterly memos, and key
18 performance indicators.

19 Implementation of these systems will allow for greater organizational collaboration through
20 improved engagement in development of operating budgets and re-forecasts, and support
21 improvement in forecast accuracy. System integration of business intelligence tools with
22 operations-based tools will provide:

- 23 • Synthesis of operations data with financial data – opportunity for greater 'data
24 mining';
- 25 • Increased visibility into financials; and
- 26 • Further evolution of performance metrics to enhance performance and
27 accountability.

Initiative 2 – Enhancing partnerships with internal customers

With the goal of greater collaboration and partnership with teams in other divisions, the OPA's Financial Planning & Reporting function will become 'decentralized' during 2010. In doing this, the OPA plans to achieve the following:

- Increase opportunities for Finance to be an engaged and active part of operational discussions and enhance the quality of information used in daily decision making by the divisions they support; and
- Play a more active role in conducting reviews of planned initiatives associated with the OPA's projects and programs.

By residing with business teams, and acting as an extension of the operations teams, the planning function will support productive financial outcomes at the OPA. The development of deeper relationships and improved understanding of both operations and finance roles will also create succession opportunities for staff and improve long-term employee retention.

Initiative 3 – Enhance risk management processes

During 2010, the OPA's finance team will continue to enhance activities in the area of risk management, conducting a collaborative process with the OPA's leadership team to determine the scope and classification of risks that exist at the OPA. In doing this, the following benefits will be achieved:

- Provide ongoing visibility to the OPA's Executive team and the Board of Directors through the provision of information in a risk framework. This supports their greater understanding of risks and their support in managing them;
- Enhance understanding of potential risks and align Management agreement regarding risks that are most likely to occur and those having the greatest impact on the achievement of the organization's goals; and
- Embed risk management into operational activities, with use of risk evaluation tools and techniques (such as decision mapping) that support the development of mitigation strategies.

2010 Milestones

The OPA's 2010-2012 Business Plan filed at Exhibit A-2-1 identifies the following Milestones for achievement by year-end 2010:

- The OPA will have streamlined financial processes and measurement systems to support the implementation of the Green Energy Act.

2010 Budget

The 2010 Budget for Finance by major cost category, as well as a summary of the variance between the 2009 and 2010 Budgets can be found in Table 3, below:

Table 3

Finance
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	2,015	1,540	475	1,772
Professional & Consulting Costs	597	309	288	972
Operating & Administration Expenses	203	173	30	239
Amortization	2,326	1,489	837	1,497
Interest	0	0	0	0
Total Costs	5,141	3,511	1,630	4,480

A detailed discussion of the variances is included in Exhibit D-2-1 and D-2-2.

1.3 HUMAN RESOURCES

Human Resources will continue to provide leadership, systems, policies, processes and programs that are designed to attract, engage and retain the skilled staff required to achieve the OPA's organizational goals. In 2010, Human Resources will continue on its multi-year strategy to develop and maintain organizational capacity and create and implement programs that promote and support the organizational culture and values

1 required for success. Greater detail regarding these core deliverables can be found in the
2 evidence filed in EB 2008-0312, Exhibit B-5-1.

3 For 2010, the following specific initiatives will be undertaken:

4 **Initiative 1 – Recruitment and Selection**

5 The Human Resources team will be actively engaged to support the staffing needs of the
6 OPA in 2010. Recruitment activity is predominantly focused on the attraction of highly
7 skilled and experienced staff. Addition of this type of employee is both more time
8 consuming and expensive as additional reference checks, recruitment fees, and expenses
9 related to the engaging of the candidate may apply (for example, expenses for attending
10 career fairs, publishing print employment advertisements, posting available positions on-
11 line and / or engaging search firms). In future years, the labour market within the electricity
12 sector is expected to experience a significant demographic shift. Due to this, it is important
13 that the OPA begin to participate in activities that help us attract both new graduates and
14 experienced high potential candidates. To meet this need, during 2010 the OPA plans to
15 deploy an employment brand as well as further develop and implement a student
16 employment and development strategy. To develop relationships further, the OPA will be
17 participating in select on-campus and career fair recruitment events. These activities will
18 help ensure that the organization can attract the highly skilled, high potential resources that
19 will be needed in the future.

20 **Initiative 2 – Performance Management**

21 In 2010, the OPA will conduct additional communication and training on performance
22 objective setting and the performance management process itself. In addition, specific
23 training for management will be conducted that will improve their capability in conducting
24 performance based discussions with staff – with the goal of elevating staff performance
25 overall. There will also be an increased focus on department-based competencies as well
26 as technical / professional skill requirements for each job at the OPA. Through
27 engagement with management, the performance management process will be improved
28 with the incorporation of specific skill requirements as needed by employees to execute
29 their role at the OPA.

Initiative 3 – Reward and Recognition

In 2010, the Human Resources department will continue to ensure that total compensation programs are internally equitable and externally competitive, and that the full value of programs are well communicated and understood. To achieve this, a comprehensive and integrated compensation benchmarking study will be conducted in 2010, following an initial study conducted for the OPA in 2006. This study will capture the total rewards from all programs associated with employment at the OPA. In addition, research will be conducted on the OPA's annual salary structure and the organization's job-specific salary targets.

Initiative 4 – Training and Development

During 2010, the Human Resources department will be working with divisional managers to identify function and department-specific competencies as well as technical / professional skill requirements for each job at the OPA. Competencies and training requirements that are identified by management will form the basis for investing in training to meet specific needs of the organization. For example, the OPA will conduct partnership building training for staff who work directly with external stakeholders and partners within the electricity sector. In addition, the Human Resources group will ensure that development planning and coaching are embedded management practices at the OPA. This will provide opportunity for staff to continue their professional development and be positioned for future opportunities as they arise within the OPA. To manage the OPA's training activities, the Human Resources group will also implement a Learning Management System ("LMS") in 2010. An LMS is an IT-based solution for employee self-managed program registration, recording of employee training attendance and developmental activities, and maintenance of data relating to employees' skills, qualifications and capabilities. Efforts will include the development of the business requirements for the system, and the procurement and implementation of an off-the-shelf solution.

Initiative 5 – Career Planning, Succession Planning and Management

2010 activities will foster employee career progression by providing assessment, facilitated feedback, as well as processes for self-managed and manager-supported career planning. This will include the development of career paths within and across job families and functional areas. The Human Resources department will also conduct semi-annual talent and development plan reviews ensuring that professional development plans are in place for high potential, high performing employees. Employees identified in this category will receive both core leadership and customized training specific to their competency development needs, as well as required role-specific technical / professional training, and support for continuous learning through individual coaching relationships.

Initiative 6 – Organizational Development

The Human Resources department will continue to support sustained organizational success. Activities to achieve this will include:

- Conducting a current culture audit, and identify the culture, values and behaviours required to achieve organizational goals and objectives through engagement with management across the OPA. The Human Resources group will develop strategies and action plans to transition from the current state to the desired future state;
- Delivering incentive programs, and targeted training programs and events that facilitate team / group cohesiveness, collaboration and high performance;
- Providing support for successful change and transition management by assisting management in the application of change management theory and by providing targeted training and the engagement of external resources if needed; and
- Conducting an annual employee engagement survey and facilitate the follow-up action planning process at three levels, Organizational, Divisional and Departmental, to achieve improvements in the working environment and conditions across the OPA.

2010 Milestones

The OPA's 2010-2012 Business Plan filed at Exhibit A-2-1 identifies the following Milestones for achievement by year-end 2010:

- A robust policy framework and talent management system that promotes an engaged and high-performing work environment is established.

2010 Budget

The 2010 Budget for Human Resources by major cost category, as well as a summary of the variance between the 2010 and 2009 Budgets can be found in Table 4, below:

Table 4

**Human Resources
Variance Between 2010 Budget and 2009 Budget
(\$'000s)**

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	668	766	(98)	649
Professional & Consulting Costs	925	317	608	268
Operating & Administration Expenses	275	404	(129)	567
Total Costs	1,869	1,487	382	1,484

A detailed discussion of the variances is included in Exhibits D-2-1 and D-2-2.

1.4 BUSINESS SERVICES

The Business Services group is a support function within the Finance and Administration division. The four support areas of Business Services are:

- **Procurement Services** – this group provides internal and external support during the procurement process for all goods and services with the exclusion of electricity procurement;
- **Office and Facilities Services** (“OFS”) – this group provides internal and external support for all facility, hospitality and office issues;
- **Information Technology** (“IT”) – this group is an internal support function, including system infrastructure, web management and supporting application selection, development and maintenance activities; and
- **Business Projects** – this role provides internal support for business project management, process improvements, as well as documenting current and future processes.

Business Services provides the internal day-to-day support services that assist OPA divisions in meeting their mandates, and provide advice and support regarding the

1 deployment of new tools and systems and space requirements. Business Services will
2 continue working with staff to improve the efficiency of service delivery and ensure that the
3 provision of services is conducted in a timely manner.

4 **Initiative 1 – Expand and improve consultancy role**

5 Throughout 2010, the Business Services departments will be engaging their internal
6 customers in an expansion of the consultancy role associated with the work that they
7 perform. Through policy development and deployment at direct meetings, presentations
8 and lunch-and-learns with internal customers, it is envisioned that the benefit of early
9 engagement in project planning with Procurement, IT, and Facilities will be evident.
10 Through engagement in planning, the Business Services team will provide guidance
11 regarding the most effective, efficient and appropriate decisions regarding new projects. In
12 addition, policies and strategies may have already been implemented at the OPA that
13 internal customers are unaware of or to which they have limited exposure. By engaging
14 Business Services early in their project planning stage it is expected that the OPA will
15 achieve greater strategic and policy alignment with a reduced need to revisit project
16 decisions and timelines once work has been started.

17 **Initiative 2 – Installation and support of key information technology**

18 The Information Technology department will be critical in the OPA's efforts to implement
19 and continue enhancement of key systems. External consultants will be engaged to
20 develop a strategy on IT architecture integration of both existing and new systems. This
21 will establish priorities for integration of key systems and set policy regarding future
22 infrastructure additions.

In 2010, the following key projects will be supported:

- Finance: Accounting and Business Intelligence: The IT team will be critical in providing technical support to ensure that system hardware needs are maintained and that the installation of any needed software updates is completed. The IT team will also interface with the vendor of the system regarding technical matters;
- Electricity Resources: Settlement System: The IT team will support the specification and selection activities for a technology solution for managing the OPA's generation contracts, as well as installation, configuration and on-going technical support of the system;
- Conservation: iCon (information management system for Conservation programs and results) The IT team will continue to engage the staff on the Conservation team to support expanded functionality;
- Conservation: implementation of a Customer Relationship Management ("CRM") system: The IT team will support the specification and selection activities for a technology solution for managing the OPA's stakeholders and engagements with them that further our conservation efforts. The IT team will also install and configure a technology solution to suit the requirements of the OPA; and
- OPA-wide: Back-up and retention system: The IT team will support the specification, selection and installation of a system that provides enhanced technical back-up for data.

2010 Milestones

The OPA's 2010-2012 Business Plan filed at Exhibit A-2-1 identifies the following Milestones for achievement by year-end 2010:

- Foundational initiatives, which are prerequisites for business enablement projects, have been implemented and result in process improvements.

2010 Budget

The 2010 Budget for Business Services by major cost category, as well as a summary of the variance between the 2010 and 2009 Budgets can be found in Table 5, below:

Table 5

Business Services
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	2,147	1,935	212	2,172
Professional & Consulting Costs	345	521	(176)	705
Operating & Administration Expenses	1,291	1,014	277	1,220
Premises	2,905	2,982	(77)	2,817
Total Costs	6,688	6,452	236	6,914

A detailed discussion of the variances is included in Exhibits D-2-1 and D-2-2.

1.5 LEGAL, ABORIGINAL AND REGULATORY AFFAIRS

The Legal, Aboriginal and Regulatory Affairs division provides support to the organization in four key areas. Legal services are provided on a variety of matters, including contract development, contract management and procurement processes for the full range of OPA conservation programs and supply procurements. Regulatory Affairs oversees OPA participation in regulatory proceedings, including its own IPSP and revenue requirement applications, as well as applications of other entities relating to GEA infrastructure requirements and changes to the regulatory framework to support GEA implementation. The division is also responsible to provide corporate secretarial support to the OPA's Board of Directors to ensure effective and timely decision-making, and manage requests of the organization under the *Freedom of Information and Protection of Privacy Act*.

The fourth key area of support is provided through the First Nations and Métis Relations group. The Green Energy Act contains provisions to establish measures to facilitate the participation of Aboriginal peoples in the development of renewable energy generation facilities. The group is responsible to lead OPA efforts to reduce barriers and facilitate involvement in renewable energy projects by First Nations and Métis communities.

Initiative 1 – Continue to provide effective legal counsel to the organization in the areas of contract development, procurement processes and contract management

Legal services will continue to be provided to the organization through a combination of internal and external resources. The legal services group is responsible to manage the balance of these resources to ensure that services provided reflect the best use of specialist expertise and are cost-effective. In general, legal services are provided through internal resources when feasible. External counsel are utilized when necessary to manage overflow work requirements due to timing of client demands; or to make use of specialist expertise as required in such areas as intellectual property, information technology, securities or climate law, or privacy law.

In 2010, the legal services group will be involved in FIT implementation through review of the performance of the FIT and microFIT contracts under live conditions, making recommendations and adjustments as necessary. In addition, the group will conduct a review of internal processes to manage personal information collected through small scale applications to ensure compliance with privacy law requirements.

Legal services will also oversee a larger-scale initiative to review OPA policies and procedures pertaining to the collection of personal information throughout the organization. The review will be conducted by external privacy law specialists, who will ensure legal compliance and make any necessary recommendations to improve OPA's practices in this area.

Further internal efforts will be expended in providing contract development and/or contract management as necessary to the Conservation group as it transitions to a decentralized program design and delivery model as specified in the GEA. Finally, legal services will begin examining the legal implications of climate change and carbon trading as they may pertain to future OPA contracts.

Initiative 2 – Provide support and guidance for OPA participation in regulatory proceedings

As noted above, the regulatory affairs group oversees the OPA's applications to the OEB for approval of its revenue requirement and power system plans. In 2010, regulatory affairs will be responsible for the 2011 revenue requirement submission, consistent with legislative requirements and past practice. In addition, the group will provide support to the Planning division as it prepares a plan consistent with the current policy environment in the province.

With the proclamation of the GEA, greater focus within the regulatory affairs group will shift toward regulatory initiatives to support its implementation. Regulatory approvals for a significant number of transmission projects will be required in the short term to facilitate renewable energy connection. The OPA's mandate allows it to examine electricity system development in an integrated and independent manner and ensure that proposed development is consistent with government policy and the needs of the province. As the province moves to enable and accelerate the development of renewable energy, OPA support for proponents will be required to demonstrate need for proposed infrastructure development in regulatory approval proceedings. This will involve internal regulatory resources to oversee evidence and interrogatory preparation and review, as well as external legal support as required.

In addition, changes to the regulatory framework are required to support implementation of the GEA. These changes ensure that Codes and Regulations support government policy and enable industry participants to fulfill their obligations. Internal resources within the regulatory affairs group are responsible to identify key OPA positions in consultation with internal experts, and actively participate in these proceedings as required. Participation in these proceedings could include review and comment on OEB position papers, preparation of submissions or attendance and participation in stakeholder consultations. The regulatory affairs group also seeks to establish common positions with industry participants, collaborating where possible to strengthen the effectiveness of these efforts to remove barriers to renewable energy development and related system investments.

Initiative 3 – Maintain and enhance positive relationships with First Nations and Métis communities

The responsibilities of the First Nations and Métis relations group builds on work initiated as a result of initial outreach and engagement undertaken by the OPA for the first IPSP. Since that time, government policy has strengthened this commitment through the September 17, 2008 Directive and the GEA. First Nations and Métis communities have an important role to play in the transformation of Ontario's electricity system. The First Nations and Métis relations group, whose work was formerly contained within Communications, has been recently formed within the Legal, Aboriginal and Regulatory Affairs division with specific accountability for OPA efforts in this area.

An important activity in this area is to develop and deliver training on Aboriginal issues for all OPA staff. This training has been developed with input from First Nations and Métis representatives, and has been informed by lessons learned from initial outreach experiences. This work began in the third quarter of 2009, and a general session was conducted for all OPA staff, with the involvement of key government ministries. This introductory training provided an overview of cultural, legal, social and economic issues as they pertain to First Nations and Métis communities, to enable OPA staff to more effectively identify and support renewable energy projects and conservation programs that will meet the needs of these communities. This general overview will be followed in 2010 with more concentrated training initiatives related to First Nations and Métis community programs targeted to relevant audiences.

Further work will focus on developing the capacity of First Nations and Métis communities to participate in the development of renewable energy generation and related transmission and distribution projects. The Aboriginal Energy Partnerships Program ("AEPP"), consisting of three complementary initiatives will be launched in 2010 to facilitate this objective. The First Nations and Métis Relations group will work with other OPA divisions to implement these initiatives:

- Community Energy Plans will assist First Nations and Métis communities in identifying community goals to meet energy needs through conservation, renewable generation and/or infrastructure development and the resources required to achieve

1 these goals. This initiative will be supported by the planning division, and is further
2 discussed in Exhibit B-1-1. The First Nations and Métis Relations group will develop
3 a template and toolkit to support this initiative in 2010;

- 4 • The Aboriginal Renewable Energy Fund will provide funds to First Nations and Métis
5 groups to cover a portion of development costs for renewable energy generation
6 projects. This initiative is discussed in greater detail in Exhibit B-4-1; and
- 7 • The Aboriginal Renewable Energy Network will connect First Nations and Métis
8 communities with the technical information and tools they require to identify and
9 develop renewable energy generation and related transmission and distribution
10 projects. In 2010, the group will examine alternatives to ensure that the
11 communities have access to necessary information.

12 The OPA will seek the input and guidance on the design, development and administration
13 of the AEPP by an external Aboriginal Advisory Committee.

14 With the launch of the FIT Program, increased opportunities will be available to First
15 Nations and Métis communities to develop their own renewable energy generation projects.
16 The First Nations and Métis Relations group will work with the Electricity Resources
17 division to explain to the communities the opportunities under the FIT Program.

18 Building on lessons learned from a pilot program conducted from 2006-2009, the group will
19 roll out a conservation program in 2010, tailored to meet the needs of the First Nations and
20 Métis communities. The proposed program will continue to utilize the insight and
21 experience of Community Elders and Champions to gain support within the communities
22 and provide valuable feedback for ongoing program developments.

23 2010 Milestones

24 The OPA's 2010-2012 Business Plan, filed at Exhibit A-2-1, identifies the following
25 Milestones for achievement by year-end 2010:

- 26 • The OPA will have helped shape a regulatory framework that encourages the
27 development of renewable generation and related transmission and distribution
28 projects.
- 29 • The Aboriginal Energy Partnership Program, to assist First Nation and Métis
30 communities to participate in the development of renewable energy generation and
31 related transmission and distribution projects is established and operational.

- A conservation program tailored to meet the needs of First Nation and Métis communities has been successfully implemented.

2010 Budget

The 2010 Budget for Legal, Aboriginal and Regulatory Affairs reflects a reduction in legal costs for IPSP proceedings as contained in the 2009 budget, offset by increased spending on First Nations and Métis initiatives and Green Energy Act implementation.

The 2010 Budget by major cost category, as well as a summary of the variance between the 2010 and 2009 Budgets can be found in Table 4, below:

Table 4

**Legal, Aboriginal and Regulatory Affairs
Variance Between 2010 Budget and 2009 Budget
(\$'000s)**

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	2,915	2,357	558	2,625
Professional & Consulting Costs	4,034	5,657	(1,623)	2,142
Operating & Administration Expenses	1,936	1,483	453	1,486
Total Costs	8,886	9,497	(611)	6,253

A detailed discussion of the variances is included in Exhibits D-2-1 and D-2-2.

2.0 2009 RESULTS

- **The OPA's 2009 internal service, human resources and information management needs have been met efficiently and cost-effectively, and leading practices in internal controls have been implemented.**

In 2009, the OPA's internal service departments successfully met this objective through:

- Streamlining through re-evaluation and re-design of business processes;
- Creation of new and simplified forms, deployed throughout the OPA;
- Implementation of an internal control framework and quarterly reporting based on the Committee of Sponsoring Organization's ("COSO") internal control standards, to provide a continuing and structured basis for the review of internal controls across

1 the organization and further strengthen collaboration within the OPA;

- 2 • Restructuring of financial responsibilities, allowing for further improvements in the
3 segregation of duties, timeliness of financial reporting and the consistency of
4 reviews of operational results;
- 5 • Supporting, through redeployment and hiring activities, the OPA's organizational
6 restructuring required to meet the new requirements stemming from the Green
7 Energy and Green Economy Act, which resulted in new functional areas and roles in
8 addition to the redefinition of some existing roles and newly defined or created roles;
- 9 • On-going collaboration and support for divisional leadership in the areas of skill
10 planning; individual goal-setting and performance evaluation; training and
11 development activities; building management and leadership capability; facilitating
12 team / group cohesion and performance; and enabling effective change and
13 transition management;
- 14 • Continued excellent people management practices resulting in voluntary employee
15 turnover below 4.5%;
- 16 • Compliance with all government initiatives and policy revisions with regards to the
17 procurement of goods and services;
- 18 • Implementation of recommendations of a review of the procurement process in late
19 2008, allowing for greater efficiency and control;
- 20 • Completion of IT and Information Management Assessments to identify areas of
21 improvement in computer and system controls; security practices; quality of service;
22 governance structure for prioritization of IT projects;
- 23 • Implementation of a dedicated help-desk function, along with added capacity in
24 many core work areas; and
- 25 • Implementation of IT performance metrics and incident reports related to IT
26 performance.

- 27 • **IPSP 1 has been revised and submitted to the Ontario Energy Board, and the**
28 **OPA's 2010 revenue requirement case has been submitted and approved.**

29 With the introduction of the Green Energy Act, the planning environment in Ontario has
30 changed significantly. Greater focus has been placed on decentralized generation, storage
31 and renewable energy technologies, as well as incorporating FIT projects when and where
32 they may be accommodated on the system, and developing infrastructure to support these
33 projects where capacity or infrastructure is not available. Under these circumstances,
34 power system planning must evolve to become more scenario-based with regard to both
35 demand and supply, and more flexible to meet the needs of generators, electricity

1 consumers and other industry participants as circumstances change. The OPA is currently
2 formulating an approach to an integrated plan that will meet these needs.

3 This application for the OPA's 2010 Revenue requirement has been submitted to the OEB
4 for approval on November 2, 2009. Regulatory Affairs will oversee its review process
5 through the balance of 2009 and into 2010, as necessary. It is expected that the OEB will
6 issue its Decision in 2010.

- 7 • **More clarity has been achieved on the roles of the Ministry of Energy and**
8 **Infrastructure, the OPA and project proponents on consultations with First**
9 **Nations and Métis communities; capability-building agreements with First**
10 **Nations and Métis groups are in place; and partnership opportunities with First**
11 **Nations and Métis communities in generation and transmission matters have**
12 **been identified.**

13 The rollout of the GEA and FIT Program has made the respective roles more clear. The
14 Renewable Energy Approvals process addresses the role of generation project proponents.
15 As a result, the OPA has moved to facilitate engagement with First Nations and Métis
16 regarding the FIT Program and the AEPP. Capability-building agreements are in place with
17 Union of Ontario Indians ("UOI"), Nishnawbe-Aski Nation ("NAN") and Métis Nation of
18 Ontario ("MNO") and similar agreements are under discussion with other groups.

- 19 • **The OPA has contracted for renewable generation from projects in which**
20 **Aboriginal Peoples have an interest.**

21 The OPA's RESOP program was put on hold in 2009 with the announcement of the FIT
22 Program in early 2009; therefore there was no appropriate program in place to meet this
23 milestone. With the FIT launch in Q4 2009, these efforts will be resumed.

STRATEGIC OBJECTIVE 6

Be a trusted and respected source of information in the electricity sector.

The OPA has a leadership role in planning and enabling a cleaner, more cost-effective and reliable supply of electricity for the benefit of Ontario ratepayers, now and in the future. Communications plays a pivotal part in achieving these objectives within a complex and dynamic setting.

Environmental issues, particularly the need to respond to the climate-change challenge, have re-shaped to a large extent how the province plans its electricity system to meet future needs. This shift in focus is at times met with some community resistance to electricity infrastructure. This means that, more than ever, Ontarians need to be informed and engaged about the opportunities and challenges facing the province's energy supply. Ontarians need to be a part of the planning and decision-making process.

One of the most significant aspects of the GEA is its focus on energy as a contributor to environmental and social outcomes, and empowering the green economy. With this shift in focus, there is a greater responsibility for the OPA to engage with government, communities, industry stakeholders, and Ontario ratepayers to build social understanding and greater participation for all its public projects. The overarching focus is to educate, collaborate and engage the public to foster greater understanding of Ontario's electricity system and the opportunities and challenges we face. Through this process, the Communications division will build stronger relationships at every level of government, with stakeholders and industry partners.

The OPA has encompassed this responsibility in a new strategic objective for the organization. To effectively deliver on this objective, the OPA created a new executive position, Vice President, Communications, to lead the Corporate Communications division in building upon and enhancing the OPA's strategic communications capacity.

As Ontario's electricity sector enters a transformative era, Ontario ratepayers, industry partners, governments and other interested parties all need a credible source of information on the challenges and choices facing the sector. Building stronger relationships means building trust and respect through transparency, accountability and a collaborative approach to providing the information that is important to all audiences.

1.0 ACTIONS TO ACHIEVE STRATEGIC OBJECTIVE 6

Initiative 1 – Identifying key stakeholders and developing a greater understanding of their information needs and associated action plans.

In 2010, OPA will develop a strategy and work plan for interacting with key stakeholders including local distribution companies, renewable energy associations, municipalities, business groups, educational institutions, and consumer groups. This will include a province-wide scan to identify key organizations within these stakeholder groups and an analysis of their information needs and interests in, and expectations of, the OPA. The strategy will also identify opportunities to interact with key stakeholders and stakeholder groups, and opportunities for the provision of information or services.

The OPA speech program will also be used where appropriate, to convey information to stakeholder groups and to enhance the opportunity for two-way dialogue.

A Stakeholder Quick Links page will be added to the website that connects each of the stakeholder groups to the information most relevant to them (i.e. for municipalities, the quick links section could connect users to the Municipal Fund, the Municipal Energy Conservation Officer ("MECO") initiative, Energy Conservation Week, Local Area Supply Projects and the FIT Program). A regular stakeholder information column will be added to OPA's E-newsletter.

Initiative 2 – Delivering enhanced community relations to meet communities' needs to be more informed about electricity matters.

An electronic information resource about electricity matters will be created on the OPA website that can be shared with communities and which they can utilize as part of their

1 communication vehicles. The resource will be promoted with the assistance of municipal
2 and community organizations. For potentially supply constrained communities, the OPA,
3 through its Local Area Supply Working Group, will initiate dialogue with the community to
4 determine their expectations of the OPA. A strong internal dialogue will be maintained
5 among the working group members to ensure that the OPA's activities within each
6 community are coordinated.

7 OPA will also keep LDCs informed about activities within their communities (i.e. research
8 initiatives etc.) and where possible support the LDCs with their outreach efforts. OPA will
9 partner with Association of Municipalities of Ontario ("AMO"), the Electricity Distributors'
10 Association ("EDA") and other relevant organizations, to inform local and regional
11 governments of new programs available for municipalities, their residents or businesses
12 (i.e. an informational webinar for municipalities as part of the launch of the Municipal
13 Fund). This would include utilizing the OPA's existing communication vehicles with
14 Ontario's municipalities such as the MECOs and the activities surrounding Energy
15 Conservation Week to highlight all of the resources available at the OPA for communities
16 and exploring partnership opportunities with AMO and the EDA to increase awareness of
17 sustainability issues within local communities.

18 As part of the FIT outreach plan, OPA will undertake meetings with local government
19 officials and Board/Chamber representatives to discuss electricity issues and solicit
20 feedback for future activities. As part of the stakeholder identification initiative, the OPA will
21 identify local energy groups and undertake research and outreach regarding their needs
22 (i.e. the Halton Energy Network, the Durham Strategic Energy Alliance). The OPA will also
23 continue dialogue and outreach with all orders of government including federal, provincial
24 and municipal, and First Nations and Métis communities.

Initiative 3 – Gaining broad public and stakeholder understanding of sustainable electricity policy and conducting ongoing research to inform improvements in understanding of OPA’s role.

Transparency with stakeholders and the public is foundational in building trust and understanding. The means through which the OPA engages with and gains public and stakeholder acceptance is varied, and it is continually looking for new opportunities for interaction. The OPA participates in conferences and summits organized by stakeholder associations and other interest groups to promote a culture of conservation and ideas that lead to more sustainable practices including renewable energy, the Time of Use program, elimination of coal in Ontario and others.

Partnership Opportunities

The OPA has the responsibility to engage the public and industry stakeholders to foster dialogue on sustainability and electricity policy. Opportunities will be explored within many sectors such as finance, business, academic, municipal, provincial and federal level governments, and First Nations and Métis to participate in conferences, public fora and summits. The OPA will also explore participation at large scale consumer exhibitions such as the Green Energy Show, and at spectator sports events such as professional soccer where there exists a good opportunity to engage with youth. Additionally, the OPA will collaborate with LDCs and other partners to participate in initiatives organized by local chapters of the Chamber of Commerce and at grass roots community events.

In 2009, the OPA developed a unique six-month pilot project to promote energy efficiency among businesses through a series of articles and advertisements featured in a business publication. The pilot project presents strategic value on several fronts:

- Opportunity to raise awareness of energy efficiency within business sectors;
- Engaging a wide range of businesses from small to large in Toronto and throughout the province;
- Showcasing businesses that are leading change in energy efficiency and a culture of conservation; and
- A good medium in which to advocate conservation and energy efficiency to all Ontarians.

1 The sponsorship has many components comprising both online and print elements. The
2 online component will be used by the OPA as a hub for social media interaction and as a
3 starting point to drive users to more in-depth content on the OPA's website. The trial
4 sponsorship will be assessed in late 2009 and if targets are achieved, the sponsorship will
5 be extended for the 2010 fiscal year.

6 2010 Energy Conservation Awareness Campaign

7 Over the past two years, The Power Authority, in collaboration with the Ministry of Energy
8 and Infrastructure ran a province-wide Energy Conservation Awareness Week aimed at
9 increasing awareness of the importance of conserving energy during summer peak
10 demand times. In 2009, the theme was "Count Me In", aimed at encouraging ratepayers to
11 pledge to conserve energy. The event was extended to August 14 (Challenge Day) to
12 coincide with the 6th anniversary of the 2003 Eastern North American black-out day. The
13 event culminated with the declaration of the two winning municipalities that conserved the
14 most energy per capita (Kingston) and signed up the most residences (Sioux Lookout).

15 The energy conservation awareness campaign will be continued in 2010 and the "Count
16 Me In" theme will be more fully expanded. The OPA will explore several new key strategies
17 to build on the success of the campaign in the previous years. These include the following:

- 18 • Explore partner opportunities with environmental movements to raise conservation
19 awareness and motivate ratepayers to become involved in tangible ways;
- 20 • Develop events with organizations and institutions that touch our target audiences
21 such as: food service establishments, retailers, malls, school boards, businesses
22 etc.;
- 23 • Develop a youth engagement campaign with school boards and media who target
24 youth to reach elementary and early high school age levels;
- 25 • Partner with the OPA's existing delivery channels, primarily electricity utilities to
26 develop grass roots initiatives;
- 27 • Engage municipalities to promote key events and to develop initiatives of their own
28 (in 2009, 83 municipalities participated); and
- 29 • Culminate the series of activities in a large scale event to occur on August 14, the
30 anniversary of the 2003 eastern North American black-out day.

1 Research

2 The OPA will continue to conduct public, industry stakeholder and government sector
3 opinion polls to inform acceptance of initiatives, understanding of issues and opportunities
4 for improvement in communications, issues management and relationship building. The
5 OPA will procure a research firm in late 2009 to conduct the polling each quarter. The
6 research firm will design and implement a statistically-reliable survey of stakeholders
7 (individuals) in each of the industry and government sectors with whom the OPA has had
8 contact during the quarter to obtain feedback in a number of areas related to understanding
9 of issues, and opportunities for improved communications and issues management to meet
10 the market research objectives.

11 **Initiative 4 – Conducting enhanced consultation with existing and new stakeholders**
12 **on electricity system planning.**

13 Stakeholder Relations will work with Power System Planning to identify both existing and
14 new stakeholders related to electricity system planning across the province and develop an
15 outreach initiative to identify and address their requirements and expectations of the OPA.

16 If appropriate, an internal working group will be established to undertake this dialogue,
17 monitor the evolving needs of this group and to develop an action plan to address its
18 needs. This planning stakeholder group will be part of the new Quick Links page on the
19 OPA website so that they may easily access the most current and relevant information and
20 a column will be added to the E-newsletter to discuss the latest information specifically for
21 this group and encourage their subscription to the newsletter.

22 **Initiative 5 - Ensuring superior communications support for major organizational**
23 **initiatives.**

24 The Communications division of the OPA is responsible for both internal and external
25 communication. The division's resources were realigned in 2009 to help implement the
26 government's commitment to green energy policies. This realignment ensures a more
27 robust approach to communicating on renewable energy and conservation matters with
28 Ontarians.

A key focus in 2010 will be the redesign of the OPA's corporate website and the design of a comprehensive online FIT section. The FIT website is an important source of information and is also the primary entry point for individuals and companies registering and submitting applications, interacting with LDC websites to obtain connectivity approvals, engaging with the government's Renewable Energy Facilitation Office ("REFO") for completion of environmental assessments and keeping abreast of new information issued by the OPA and the Ontario government. The FIT website contains information on rules and regulations, funding available to community groups, municipalities and First Nations and Métis communities.

2010 Milestones

The OPA's 2010-2012 Business Plan, filed at Exhibit A-2-1, identifies the following Milestones for achievement by year-end 2010:

- The capacity of the communications team will be further developed to significantly reduce the requirement for external resources.
- Protocols for proactive and responsive communications have been developed and are being used.
- The annual employee survey shows improved scores for communication and employee engagement factors.
- OPA outreach activities and communications support for major initiatives are of high quality and meet organizational and stakeholder needs.

2.0 2010 BUDGET

The 2010 Budget for the Communications division reflects the increased focus on these initiatives at the OPA. The new division was formerly contained as a group within Strategic Objective 5. The 2009 Budget shown below is the budget for that group.

The 2010 Budget for Strategic Objective 6 by major cost category, as well as a summary of the variance between the 2009 and 2010 Budgets can be found in Table 1, below.

Table 1

Strategic Objective #6
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	2,787	1,410	1,377	2,179
Professional & Consulting Costs	5,571	3,743	1,828	5,470
Operating & Administration Expenses	750	1,613	(863)	1,530
Total Costs	9,108	6,766	2,342	9,179

A detailed discussion of the variances is included in Exhibits D-2-1 and D-2-2.

3.0 2009 RESULTS

- The OPA has met extensively with leaders and key stakeholders in relevant areas to improve understanding of electricity-related issues in their communities.**

Engaging a wide variety of stakeholders remains a key priority for the Ontario OPA. In the first nine months of 2009, the OPA initiated a dialogue with stakeholders in the following local areas:

- Southwest GTA – Outreach was undertaken with local leaders and citizens through a series of meetings and four Public Information Forums.
- Northern York Region – The OPA participated in the Minister's Town Hall meeting with local leaders and citizens.
- Kitchener-Waterloo-Cambridge-Guelph – A meeting was held with the local utilities and municipal representatives, with subsequent meetings held with municipal, political and utility representatives. The OPA also supported Hydro One at their first Public Information Centre for the Guelph transmission line.
- Ottawa – An initial meeting was held with Hydro Ottawa.

In addition to the local area activities listed above, in the first nine months of 2009 the OPA undertook 45 events to solicit input and discuss a variety of programs and initiatives. The vast majority of these events (22) were focused on the FIT and MicroFIT consultations, followed by events with the First Nations and Métis (10), conservation programs (5),

1 Energy Conservation Week (3), the regular management teleconference (3) and other
2 programs (2).

3 In order to most effectively communicate with diverse stakeholder groups, events are
4 hosted in various forms ranging from web and telephone based conferencing, to in-person
5 meetings in Toronto and across the province. One example of this is the dialogue with the
6 First Nations and Métis communities. A total of 18 meetings were held in 2009, which
7 included five web-enabled teleconferences as well as nine regional in-person forums, in
8 addition to smaller, more informal meetings.

2010 REVENUE REQUIREMENT AND USAGE FEE

1.0 REVENUE REQUIREMENT

The OPA is seeking approval of its fiscal year 2010 revenue requirements as required by sections 25.20 and 25.21 of the *Electricity Act, 1998*. Consistent with prior years, the OPA is requesting approval of its operating costs less registration fees. The OPA proposes to reduce funding requirements by the balance in its Forecast Variance Deferral Account ("FVDA"). In addition, the OPA proposes to recover the balance in its Government Procurement Cost Deferral Account ("GPCDA") and continue amortizing the balance in the Retailer Contract Settlement Deferral Accounts ("RCSDA"). The details of the requests are described below.

The 2010 OPA operating cost budget is \$65.1 million, approximately level with the OEB-approved budget in 2009. This is offset by estimated registration fees of \$375 thousand, which have increased from \$200 thousand forecast for 2009. Increased forecast registration fees in 2010 reflect the launch in 2009 of the FIT program. The resultant revenue requirement for 2010 is \$64.8 million, which represents a slight reduction from that approved by the OEB for 2009, as illustrated in Table 1, below.

The 2010 FVDA balance is (\$3.2) million due to an estimate for \$1.5 million in additional fee revenue in 2009 as a result of the launch of the Feed-in Tariff program, as well as from a greater than expected surplus at the beginning of 2009.

The OPA's total revenue request also includes the continued amortization of the balances in the RCSDA. In 2009, the OEB approved the OPA's proposal to dispose of the balances over a three-year period from 2009 to 2011. The portion proposed for recovery in 2010 is \$14.3 million, consistent with the amount recovered in 2009. In addition, the OPA proposes to recover the full balance in the GPCDA of \$102 thousand. These account balances are partially offset by the FVDA balance of (\$3.2 million). The proposed adjustments result in a total revenue requirement after deferral account recovery ("net revenue requirement") of \$76.0 million, as shown in Table 1 below:

Table 1		
OPA Revenue Requirement		
(\$ 000)		
	2009	2010
Operating Cost Budget	\$65,073	\$65,127
Registration Fee Income	(\$220)	(\$375)
Revenue Requirement	\$64,853	\$64,752
FVDA	(\$10,312)	(\$3,151)
RCSDA	\$14,324	\$14,324
GPCDA	\$1,341	\$102
Net Revenue Requirement	\$70,206	\$76,027

2.0 USAGE FEE

The OPA proposes to recover the 2010 revenue requirement by establishing a \$0.551/MWh usage fee to Ontario electricity customers to be effective January 1, 2010.

The usage fee is derived by dividing the net revenue requirement (revenue requirement, as above, adjusted for the estimated FVDA balance and deferral accounts) of \$76.0 million by the Ontario electricity forecast of 141.1 TWh, adjusted for line losses of 3.1 TWh for a net forecast¹ of 138.0 TWh.

The OPA is proposing to continue to charge a volumetric usage fee to recover the company's operating costs and deferral account balances from Ontario electricity consumers, effective January 1, 2010. Consistent with past practice, the OPA proposes a wholesale market service charge to customers.

The fee components are shown in Table 2, below:

¹ The energy forecast utilized is that which underpins the IESO's 18-month Outlook: An Assessment of the Reliability of the Ontario Electricity System, issued September 1, 2009.

Table 2		
OPA Fee Components		
	2009	2010
<i>IESO Energy Forecast (TWh)</i>	<i>144.7</i>	<i>138.0</i>
Operating Cost Budget	\$0.448	\$0.469
FVDA	(\$0.071)	(\$0.023)
RCSDA	\$0.099	\$0.104
GPCDA	\$0.009	\$0.001
Usage Fee	\$0.485	\$0.551

The overall requested fee for 2010 increases by approximately 14% over 2009 due to the following:

- There is a 4.6% reduction in the forecast electricity demand in Ontario, resulting in fewer TWh over which to recover expenses;
- The FVDA is significantly reduced in 2010 as compared to 2009. Higher balances in this account in past years have resulted in greater reductions from the total revenue requirement;
- The per unit amount of the balance in the RCSDA to be recovered is also slightly higher in 2010 due to the reduced forecast for electricity demand, and;
- These increases are slightly offset by the lower 2010 balance in the GPCDA.

Exhibit D-2-1 provides a detailed explanation of the registration fees, the OPA's operating expenses and variance analysis on an organizational basis, as well as capital expenditures. As in prior years, the OPA proposes to recover its 2010 capital expenditures of \$1.8 million through amortization expense included in the operating cost budget. The OPA is not seeking recovery of these capital expenditures through the revenue requirement.

Exhibit D-2-2 provides year-over-year variance analyses of operating costs by Strategic Objective.

Exhibit D-3-1 describes the GPCDA and the RCSDA deferral accounts and their balances.

The derivation of the FVDA is described in Exhibit D-3-3.

**2010 REGISTRATION FEES, OPERATING COSTS AND CAPITAL EXPENDITURES:
DISCUSSION OF VARIANCES ON AN ORGANIZATIONAL LEVEL**

The 2010 Budget was developed to support the strategic objectives detailed in the OPA's 2010 to 2012 Business Plan. The evidence provided in this exhibit is a detailed explanation of the variances from the 2009 Budget in registration fees, operating costs and capital expenditures.

1.0 REGISTRATION FEES

In 2010, the OPA proposes to continue its practice of charging a non-refundable registration fee for participants in OPA standard offer and competitive procurement processes for electricity supply and capacity, consistent with the practice in many other jurisdictions. The registration fees serve as a valuable tool to focus OPA resources on participants who are committed to the competitive procurement process.

In EB-2008-0312, the OEB approved the OPA's proposal to charge registration fees of up to \$10,000 per proposal for electricity supply and capacity. This proposal allowed the OPA to continue to charge \$10,000 per proposal for competitive procurements, and provided flexibility to develop appropriate fees for the FIT Program, with input from affected parties.

Under this process, the OPA established non-refundable application fees for the FIT Program of \$0.50/ kWh of proposed Contract Capacity, having a minimum of \$500 and to a maximum of \$5,000.

The OPA continues to charge non-refundable registration fees of \$10,000 per proposal for other OPA competitive procurement processes.

For 2009, the OPA budgeted \$220 thousand in registration fees. It is expected that the initial project launch for FIT will result in a significant number of applications from proponents who have been waiting to take advantage of this much-anticipated program to secure scarce capacity on the electricity system early in the process. These fees were not

1 anticipated in the 2009 Budget therefore amounts in excess of the 2009 budgeted revenue
2 will be captured in the FVDA.

3 Following program launch, it is expected that the number of applications will level off as the
4 capacity that is currently available on the system becomes fully subscribed. For 2010, the
5 OPA has budgeted to receive \$375 thousand in application fees, primarily from electricity
6 procurements through the FIT Program.

7 As in its past submissions, the OPA proposes to utilize the revenue received to reduce
8 operating costs and consequently, the OPA's required usage fee.

9 **2.0 OPERATING COSTS**

10 **2.1 Variances by Project**

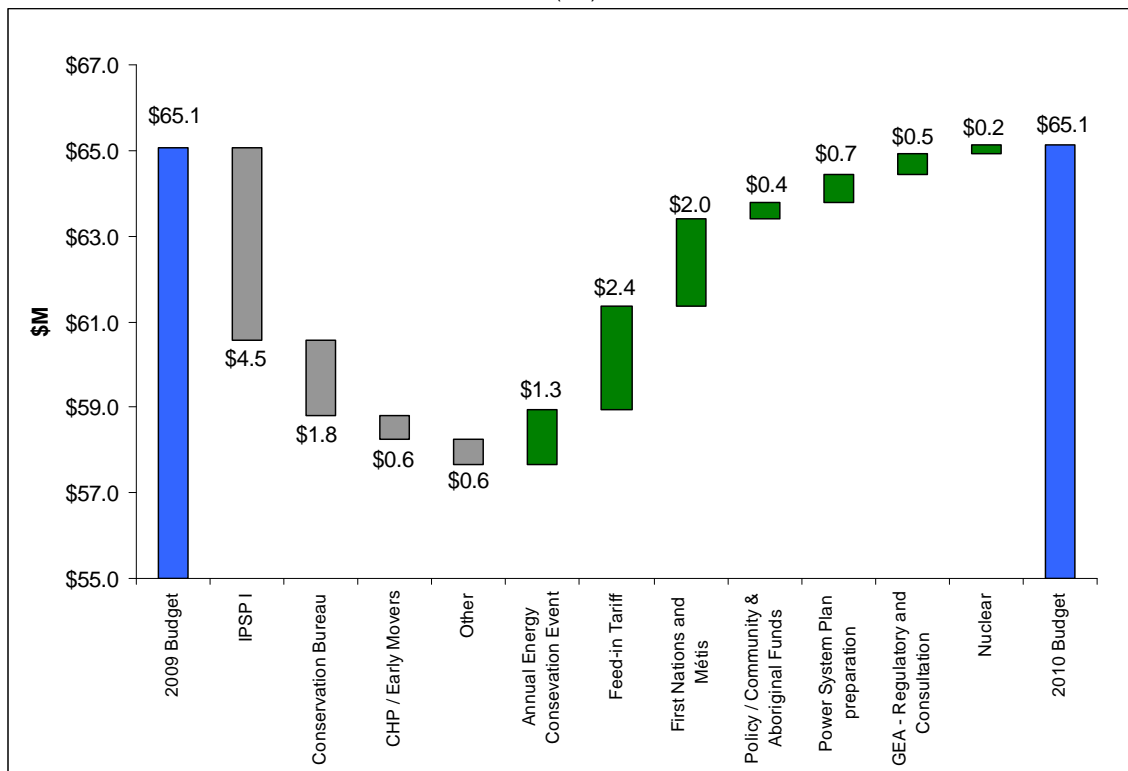
11 Subsequent to the preparation of the 2009 Revenue Requirement Submission, the Minister
12 of Energy and Infrastructure proposed the *Green Energy and Green Economy Act, 2009*,
13 which received Royal Assent in May, 2009. The introduction of this Act resulted in
14 significant changes to the OPA's initiatives as originally planned for 2009. Significant effort
15 was undertaken in 2009, and will continue in 2010, to support government policies in this
16 area, including: designing and developing the FIT Program for its launch in late 2009, and
17 managing its implementation through 2010; preparing for the redistribution of conservation
18 program delivery to LDCs and supporting the new conservation delivery model; and
19 expanding efforts to engage First Nations and Métis communities. These efforts were
20 undertaken by redeploying resources from planned initiatives, and in many cases, involved
21 cross-divisional cooperation and support.

22 For these reasons, year-over-year variance analyses by Strategic Objective as traditionally
23 presented do not provide the most effective examination of changes in OPA spending for
24 the years 2009 and 2010. However, this information has been provided in Exhibit D-2-2, to
25 illustrate the impact of these policy changes by Strategic Objective and to provide continuity
26 with past submissions.

The remainder of this evidence describes the OPA's costs at an organizational level, both by initiative and operating cost category. Table 1, below, shows the change in spending for significant initiatives, on a year-over-year basis. This summary captures any significant changes in year-over-year spending and is inclusive of all cost categories:

- Compensation and Benefits;
- Conservation and Technology funds;
- Professional and Consulting; and
- General and Administrative.

Table 1
Spending change – year-over-year 2010 vs. 2009
((\$M))



IPSP 1

In the 2009 Budget, prepared in 2008, the OPA expected the IPSP proceeding to conclude in 2009, budgeting expenses for intervenor funding, legal consulting and stakeholder

engagement accordingly. The IPSP was suspended as a result of the Minister's Directive of September 17, 2008, and did not continue as planned in 2009. The OPA is currently preparing its response to the Directive, which will take into consideration the evolving policy environment in the province. Developments such as the introduction of the GEA and the FIT Program, as well as the Minister's September, 2009 transmission announcement, the development of local distribution company distribution plans and other changes arising out of the GEA will be taken into consideration in presenting a useful and relevant response.

Conservation Bureau

Due to changes in policy as directed within the Green Energy Act, the activities of the Conservation Bureau and the Chief Energy Conservation Officer have moved to the office of the Environmental Commissioner of Ontario, and are no longer part of the OPA budget.

CHP/Early Movers

In December 2008, the OPA received a Directive to renegotiate contracts initially contained in a Directive issued in 2005, for certain clean energy generators ("Early Movers"). This activity was largely completed during 2009, resulting in decreased legal consulting spending planned for 2010. In addition there are reduced consulting costs anticipated for the Combined Heat and Power program in 2010 as compared to that planned in 2009.

Annual Energy Conservation Event

The 2010 Budget captures greater spending for Energy Conservation Events beyond what was originally planned for Energy Conservation Week in 2009. Expanded activities in 2010 will provide enhanced promotion through traditional and digital media as well as a greater number of conservation promotion events overall.

Feed-in-Tariff

The Feed-in Tariff Program is a key piece of the Green Energy Act. Throughout 2009, the OPA has focused efforts on its design and development. The program was launched on October 1, 2009. Considerable resources across the organization will be required to support implementation throughout 2010, including:

- 1 • Additional staff within the Power System Planning divisions to provide information on
2 transmission system availability and perform Economic Connection Tests,
3 Transmission Availability Tests; coordinate with LDCs regarding Distribution
4 Availability Tests;
- 5 • Additional staff within the Electricity Resources division to manage the increased
6 volume of contracts and to support the implementation of the program overall; and
- 7 • Enhanced communication support to promote the Feed-in Tariff Program with
8 stakeholders.

9 First Nations and Métis

10 The GEA contains provisions to better enable the involvement of First Nations and Métis
11 peoples in Ontario's electricity system. Expanded consulting resources and some staff
12 increases have been budgeted within the Legal, Aboriginal and Regulatory Affairs division
13 to support OPA plans to launch the FIT Program and a targeted conservation program for
14 First Nations and Métis communities. Further consulting resources will be expended to
15 undertake work to build capacity for First Nations and Métis to participate in the
16 development of renewable energy and support community energy planning.

17 Municipal, Community and Aboriginal Funds

18 On September 24, 2009, the Minister of Energy and Infrastructure directed the OPA to
19 develop specific support programs for communities, First Nations and Métis and
20 municipalities. In response to this Directive, the OPA established internal staffing
21 resources and a provision for external consulting resources within the Policy and Analysis
22 department to develop and manage the Community Energy Partnerships Program, the
23 Aboriginal Energy Partnerships Program and the Municipal Renewable Energy Program.

24 Plan Preparation

25 The OPA has budgeted legal expenses in 2010 to support future long term planning
26 activities, as described in Exhibit B-1-1.

Green Energy Act Regulatory Support

OPA involvement will be required to support regulatory applications by other parties for infrastructure required to support renewable energy generation development. OPA involvement will be required to provide broad context and support for the need for these projects. Increased legal expenses have been budgeted for 2010 in anticipation of OPA staff appearances in these regulatory proceedings, and to support OPA involvement in other GEA-related consultations or generic proceedings that may arise.

Nuclear

Finally, the OPA is planning for legal and financial consulting activities related to project scoping and contract negotiation with Bruce Power for nuclear capacity from the refurbishment of four units at Bruce Power's B Station, as described in Exhibit B-3-1.

2.2 Variances by Expense Category

The OPA's operating expenses for 2009 and 2010 are provided in Table 2, below, by major expense category:

Table 2				
Operating Costs by Major Expense Category				
2010 vs. 2009				
(\$'000)				
	2010 Budget	2009 Budget	Variance	2009 Forecast
Compensation & Benefits	29,128	24,665	4,464	26,194
Professional & Consulting Costs	20,774	24,260	(3,486)	24,550
Conservation/Technology Funds	3,700	4,061	(361)	3,929
Operating & Administration Expenses	10,725	10,587	138	10,447
Contingency Fund	800	1,500	(700)	0
Total Operating Costs	65,127	65,073	54	65,120

Variances are largely driven by the factors discussed in Section 2.1, above. This section will provide a detailed discussion of the variances by expense category.

Compensation and Benefits

The 2010 Compensation and Benefits budget of \$29.1 million is 44.7% of the total 2010 Budget, reflecting the fact that the OPA is a knowledge-based organization which employs highly skilled professionals. A breakdown of this expense item by sub-category is as follows in Table 3:

Table 3				
Compensation & Benefits				
2010 vs. 2009				
(\$'000)				
	2010 Budget	2009 Budget	Variance	2009 Forecast
Salaries	24,442	20,999	3,443	21,824
Pension and Benefits	4,178	3,165	1,013	3,862
Board of Directors Remuneration	508	500	8	508
Total Operating Costs	29,128	24,664	4,465	26,194

Of the total \$29.1 million Compensation and Benefits cost, \$24.4 million is directly associated with salaries. Pension and Benefits costs of \$4.2 million include \$2.0 million for Pension expenses with the remainder being health benefits and payroll taxes. Changes in these cost components are driven by changes in staffing levels, which reflect increased responsibilities as discussed below, and the fact that many activities previously out-sourced to consultants will be done in-house. Finally, Board of Directors Remuneration remains fairly constant at \$0.5 million.

Staffing

The OPA takes into consideration the cost effectiveness and efficiency of various staffing arrangements. The Compensation and Benefits budget includes amounts budgeted for permanent employees, as well as consultants/contractors, temporary and part-time employees. Permanent employees are retained to meet core, long-term requirements, while temporary and consulting resources are used wherever possible for non-core, short-term assignments.

The staffing level is measured using Full Time Equivalents (“FTEs”). This is to clearly demonstrate the employee support that is budgeted for the entire year. It is calculated per person by dividing the total number of budgeted person-work months by the 12 months in the year.

The FTE levels that underpin the 2010 Compensation and Benefit expenses by strategic objective are as follows in Table 4:

Table 4							
OPA Full Time Equivalent by Strategic Objective							
2010 vs. 2009							
(\$'000)							
	2010 Budget			2009 Budget			Variance
	Regular	Temporary	Total FTE	Regular	Temporary	Total FTE	
Strategic Objective 1	36.3	5.0	41.3	29.5	4.7	34.2	7.1
Strategic Objective 2	64.8	1.0	65.8	62.5	0.6	63.1	2.7
Strategic Objective 3	35.3		35.3	25.0	2.0	27.0	8.3
Strategic Objective 4	6.0		6.0	4.2	-	4.2	1.8
Strategic Objective 5	57.4	3.8	61.2	52.3	1.0	53.3	7.9
-CEO Office	2.0		2.0	3.0	-	3.0	(1.0)
- LARA	17.4	1.0	18.4	11.0	1.0	12.0	6.4
- Finance	12.6	1.0	13.6	13.7	-	13.7	(0.1)
-Human Resources	5.0		5.0	4.6	-	4.6	0.4
-Business Services	20.4	1.8	22.2	20.0	-	20.0	2.2
Strategic Objective 6	21.6		21.6	8.9	3.0	11.9	9.7
Total OPA FTE	221.4	9.8	231.2	182.4	11.3	193.7	37.5

The increase in FTEs reflects the OPA’s increased responsibilities through the implementation of the Green Energy Act, enhanced stakeholder engagement and anticipated workload associated with FIT implementation. Of the total increase in FTEs, 33 are related to GEA changes. Detailed analysis of the total FTE increase by Strategic Objective is provided in Table 5, below:

Table 5		
Staff Change		
2010 vs. 2009		
Strategic Objective	Staff Change (FTE)	Explanation
Strategic Objective 1	7.1	Staffing increases are due to added resources in First Nations consultation and transmission integration activities and are related to the Green Energy Act and the Feed-in Tariff program
Strategic Objective 2	2.7	Growth is due to the launch of the Industrial Efficiency program and is partly offset by the removal of the Conservation Bureau and some consolidation in LDC Conservation programs
Strategic Objective 3	8.3	Staffing additions are due to resource needs in support of the Feed-In Tariff program as well as other procurement and contract management activities
Strategic Objective 4	1.8	Addition of the Municipal, Community and Aboriginal funds administration role
Strategic Objective 5	7.9	Staffing growth in Legal, Aboriginal and Regulatory Affairs (6 FTE) is due to resource needs in capacity building with First Nations and Métis groups. The remainder is in Business Services primarily in the IT function
Strategic Objective 6	9.7	Staffing growth is due to the requirement for increased engagement in Generation, Conservation and Planning activities arising from the GEA, requiring the creation of a separate division for the Communications function.
Total OPA FTE	37.5	

Professional and Consulting Costs

A breakdown of Professional and Consulting costs is provided in the following Table 6:

Table 6				
Professional and Consulting Costs				
2010 vs. 2009				
(\$'000)				
	2010 Budget	2009 Budget	Variance	2009 Forecast
Audit	721	694	27	840
Legal	1,669	3,855	(2,186)	3,908
Stakeholder Consultation	2,772	4,477	(1,705)	1,892
Other Professional Consulting	15,612	15,234	378	19,280
Total	20,774	24,260	(3,486)	25,920

Audit Consulting costs remain fairly constant for 2010. Reductions in Legal Consulting in 2010 relate to the fact that significant amounts had been budgeted in 2009 to support the

IPSP 1 regulatory proceedings. This is partially offset by increased legal support for GEA regulatory initiatives. In addition, there is a projected reduction in spending within the Electricity Resources division for Early Movers contracts. There is also a reduction in legal spending planned in support of Conservation initiatives, reflecting the decentralization of delivery to LDCs.

Stakeholder Consultation costs are projected to be \$1.7 million lower overall. This cost category includes intervenor funding, which had been budgeted during 2009 for the IPSP 1 proceeding, but has not been budgeted for 2010. This decrease is partially offset by costs related to increased engagement with First Nations and Métis communities.

Other Professional Consulting increases by \$378 thousand in 2010. Lower costs are planned for the Conservation division as the Local Distribution Companies will be taking a greater responsibility for developing and implementing conservation initiatives. Offsetting this decrease is an increase in costs within the Communications division, related to increased activity planned for the Energy Conservation Initiative. Finally, there is a planned increase within the Human Resources group to support enhanced activity in the areas of organizational development, career planning and training.

A summary of the Professional and Consulting costs by strategic objective is shown in Table 7 below:

Table 7				
Professional and Consulting Costs by Strategic Objective				
2010 vs. 2009				
(\$'000)				
	2010 Budget	2009 Budget	Variance	2009 Forecast
Strategic Objective 1	1,355	1,458	(103)	1,323
Strategic Objective 2	4,440	7,533	(3,093)	6,201
Strategic Objective 3	3,067	4,205	(1,138)	7,148
Strategic Objective 4	240	360	(120)	199
Strategic Objective 5	6,101	6,961	(860)	5,508
Strategic Objective 6	5,571	3,743	1,828	5,470
Total	20,774	24,260	(3,486)	25,850

Conservation and Technology Development Funds

Consistent with the OEB's Decision in EB-2006-0233, the OPA budgets for and seeks recovery through fees of the forecast spending in these two funds in a given year, rather than the fund amounts approved by the OPA Board of Directors, which are established by internally restricting the amounts in net assets.

The budget for spending is \$2.5 million in 2010 for the Conservation Fund and \$1.2 million for the Technology Development Fund. The total spending represents the sum of the spending estimates for milestone payments related to grants awarded in 2007, 2008, 2009 and anticipated 2010 grants, as illustrated in Table 8 below:

Table 8					
Conservation/Technology Initiatives					
Spending in 2010					
(\$'000)					
Year Grant Awarded	2007	2008	2009	2010	Total
Conservation Fund	214	1,036	1,250		2,500
Technology Fund	59	548	416	177	1,200
Total	273	1,584	1,666	177	3,700

Operating & Administration Expenses

Operating & Administration Expenses represent all other costs related to operations support. The 2010 Budget for Operating & Administration Expenses is \$10.7 million as shown in Table 9:

Table 9				
Operating & Administration Expense Category				
2010 vs. 2009				
(\$'000)				
	2010 Budget	2009 Budget	Variance	2009 Forecast
Premises	2,905	2,982	(77)	2,817
Amortization	2,326	1,489	837	1,497
Other Costs	5,494	6,117	(623)	6,212
Total	10,725	10,588	137	10,527

Premises costs capture office rent, repairs and maintenance, housekeeping services, and security. Costs are lower in 2010 by \$77 thousand as a result of temporary rental office space no longer being required in 2010.

Amortization in 2010 reflects the accelerated depreciation rate in leasehold improvements as additions are amortized over a shorter period as the OPA nears the lease expiration date in 2015. As well, there were capital additions made in 2009 for the Conservation Information Management System (iCon), and a Load forecasting system used by the Power System Planning division. Table 10 shows the timeframes used to develop the amortization expense:

Table 10	
Depreciation Rates	
Furniture and Equipment	10 years
Leasehold Improvements	Over the remaining period of lease
Computer Hardware and Software	2.5 years
Audio Visual Equipment	10 years
Telephone System	5 years

The category "Other Costs" includes information technology expenses with regard to software and licenses, data communications, computer maintenance and computer supplies. It also includes office and administration costs, such as: OPA fees & licenses, meetings & events, office expenses, payroll services, equipment repairs, travel expenses for employees and board members, professional membership fees, professional development, recruitment costs and miscellaneous interest. Relative to the 2009 Budget, there are reduced costs for meetings and events related to Municipal Outreach and the planning activities. In addition, the CECO reports are not budgeted in 2010, as this activity has been reorganized under the GEA to be within the Office of the Environmental Commissioner. These expense reductions are partially offset by a higher OEB cost assessment to the OPA.

Interest

Interest expense and income occurs due to the nature of the OPA's operations. Revenues are received over the course of the year through the usage fee, and are not directly tied to the timing or amount of the OPA's capital or operating expenditures. Operational financing is required to address the timing differences between the receipt of revenues and the need to meet spending obligations. In 2010, it is projected that interest revenue from the cumulative surplus of \$3.2 million at the end of 2009 will be sufficient to offset the interest expense arising from operational financing.

Contingency Fund

The OPA must be able to respond to unforeseen issues which may arise during the year, such as Government Directives, or policy changes or announcements. The OPA is proposing a \$0.8 million contingency fund in 2010 to address unexpected operating costs, and additional work associated with new Directives or letters of request from the Minister. The contingency fund provides some flexibility to handle unforeseen and unbudgeted events.

2.3 Capital Expenditures

As in prior years, the OPA will utilize cash flow from amortization expenses included in the usage fee to fund the 2010 capital expenditures of \$1.8 million. As a result, the revenue requirement does not propose additional funding requirements for the 2010 capital expenditures.

The budget for 2010 capital expenditures is \$1.8 million, as provided in Table 11:

Table 11				
Capital Expenditures				
2008-2010				
(\$'000)				
	2010 Budget	2009 Budget	Variance	2009 Forecast
Furniture and Equipment	53	799	(746)	424
Leasehold Improvements	100	1,736	(1,636)	510
Computer Hardware and Software	1,600	300	1,300	1,934
Telephone/Audio Visual Equipment	3	62	(59)	12
Total Capital Expenditures	1,756	2,897	(1,141)	2,879

- 1
- 2 The spending is primarily required to accommodate IT system enhancements during 2010,
- 3 as described in greater detail in Exhibit B-5-1. Leasehold Improvements, Furniture and
- 4 Equipment and Telephone/Audio Visual Equipment expenses are significantly reduced as
- 5 most expansion work was completed in 2009.

VARIANCE ANALYSES BY STRATEGIC OBJECTIVE

Exhibit D-2-1 discusses the variances between the 2010 Budget and 2009 Budget on an organizational level, reflecting the cross-divisional nature of many of the OPA's current and proposed initiatives for 2010. This exhibit will describe the impact of these initiatives on a divisional level, as presented in past submissions.

In 2009, the OPA added Strategic Objective 6, as described in Exhibit B-6-1, to its business plan, to reflect the importance of communication in all its business activities. The budget for the Communications division was previously contained within Strategic Objective 5.

Table 1, below shows the 2009 break-out of the Communications division, as originally submitted within Strategic Objective 5 in EB-2008-0312.

Table 1		
Operating Costs by Strategic Objective		
2009		
(\$'000)		
	2009 Budget as filed in EB- 2008-0312	2009 Budget as filed in EB- 2009-0347
Strategic Objective 1	5,790	5,790
Strategic Objective 2	20,072	20,072
Strategic Objective 3	7,732	7,732
Strategic Objective 4	1,031	1,031
Strategic Objective 5 (& 6)	28,948	
Strategic Objective 5		22,182
Strategic Objective 6		6,766
Contingency Fund	1,500	1,500
Total	65,073	65,073

The 2009 Budget columns as shown above, and within the written evidence for each Strategic Objective in Exhibits B-1 to B-6, have been restated to reflect the organizational change and provide a consistent basis for comparison with the 2010 Budget and 2009 Forecast.

1.0 STRATEGIC OBJECTIVE 1

Strategic Objective #1
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	4,755	4,060	695	4,343
Professional & Consulting Costs	1,355	1,458	(103)	1,316
Operating & Administration Expenses	281	272	9	291
Total Costs	6,391	5,790	601	5,950

The 2010 Budget for the Power System Planning division is \$601 thousand higher than the 2009 Budget. The increase is predominantly due to an increase in staff of 7.1 FTEs over the 2009 Budget of 34.2 FTEs, required for transmission integration activities related to the Feed-in Tariff Program and the Green Energy Act, as well as First Nations and Métis engagement .

In 2009, Power System Planning is forecast to be over budget by \$160 thousand due to higher compensation and benefits costs. The projected Professional and Consulting spending to support planned IPSP 1 activity in 2009 will not occur, but has been partially offset by additional model support, regional studies and First Nations and Métis engagement arising from Green Energy Act initiatives.

2.0 STRATEGIC OBJECTIVE 2

Strategic Objective #2
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	7,884	7,642	242	7,411
Professional & Consulting Costs	4,440	7,533	(3,093)	6,203
Conservation/Technology Funds	3,700	4,061	(361)	3,929
Operating & Administration Expenses	460	836	(376)	554
Total Costs	16,484	20,072	(3,588)	18,097

The 2010 Conservation Budget is \$3.6 million less than the 2009 Budget. The difference is primarily attributable to lower budgeted professional and consulting costs, reflecting a

planned increase in the role for LDCs in developing and implementing conservation initiatives arising from the provisions of the GEA. The marketing research spending budget is reduced for 2010, and a portion of the conservation awareness marketing has been transferred to Strategic Objective 6. Changes in staffing result in an increase in overall compensation for Strategic Objective 2. Elimination of the Conservation Bureau, as described in Exhibit D-2-1, is offset by staffing additions for the Industrial Energy Efficiency initiative.

For 2009, the major difference between the budget and the forecast is in Professional & Consulting expenses. The 2009 economic environment resulted in delays in implementation and the cancellation of some initiatives. Added efficiency achieved internally is another key factor affecting the anticipated reduction. The elimination of the Conservation Bureau, with the passage of the Green Energy Act, results in savings as the OPA will not be publishing the Chief Energy Conservation Officer annual report.

3.0 STRATEGIC OBJECTIVE 3

Strategic Objective #3
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	4,571	3,334	1,237	3,316
Professional & Consulting Costs	3,067	4,205	(1,138)	7,152
Operating & Administration Expenses	198	193	5	140
Total Costs	7,836	7,732	104	10,608

The 2010 Budget for Electricity Resources is \$0.1 million higher than the 2009 Budget. Higher expenses for Compensation & Benefits are offset by lower Professional & Consulting costs. Increased internal resources will be required for ongoing management of the Feed-in Tariff Program, while the need for external resources required for program design is reduced. Further reductions in Professional and Consulting costs are anticipated due to completion in 2009 of Hydroelectricity and Early Movers contracts.

In 2009, operating costs are forecast to be \$2.9 million higher than budget. This increase is mainly attributable to Professional and Consulting costs required for development of the

Feed-in Tariff Program, a greater number of and more complex contract re-negotiations, and public engagements with stakeholders in various constrained area projects.

4.0 STRATEGIC OBJECTIVE 4

Strategic Objective #4
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	593	635	(42)	383
Professional & Consulting Costs	240	360	(120)	200
Operating & Administration Expenses	0	36	(36)	3
Total Costs	833	1,031	(198)	586

The 2010 Budget reflects a supporting organizational structure that was put in place during 2009 and will result in lower Compensation and Benefits in 2010. This was completed in conjunction with a reassessment of the activities carried out by the group. Lower Professional and Consulting costs planned for 2010 reflect requirements to support initiatives for administration of programs for Aboriginal, Community groups and Municipalities to encourage the development of renewable energy projects, as well as monitoring, analysis and assessment of resource and policy developments.

In 2009, total expenses will be below original budget estimates. Planned studies for 2009 were not required due to the organization change, resulting in lower than budgeted professional and consulting costs. Lower than budget compensation costs for 2009 are due to recruitment delays to staff the group as envisioned.

5.0 STRATEGIC OBJECTIVE 5

Strategic Objective #5 Variance Between 2010 Budget and 2009 Budget (\$'000s)

Division	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
CEO Office	1,091	1,235	(144)	1,569
Finance	5,141	3,511	1,630	4,480
Human Resources	1,869	1,487	382	1,484
Business Services	6,688	6,452	236	6,914
LARA	8,886	9,497	(611)	6,253
Contingency	800	1,500	(700)	0
Total Costs	24,474	23,682	792	20,700

5.1 CEO OFFICE

CEO Office Variance Between 2010 Budget and 2009 Budget (\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	791	985	(194)	1,345
Professional & Consulting Costs	200	157	43	122
Operating & Administration Expenses	100	93	7	102
Total Costs	1,091	1,235	(144)	1,569

The 2010 Budget for the Chief Executive Office is \$144 thousand lower than the 2009 Budget. This reflects a reduction in FTEs in the group.

For 2009, operating costs are forecast to be \$334 thousand above budget due to restructuring costs to support the implementation of the Green Energy Act.

5.2 FINANCE

Finance
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	2,015	1,540	475	1,772
Professional & Consulting Costs	597	309	288	972
Operating & Administration Expenses	203	173	30	239
Amortization	2,326	1,489	837	1,497
Interest	0	0	0	0
Total Costs	5,141	3,511	1,630	4,480

The 2010 Budget for Finance is \$1.6 million higher than the 2009 Budget. The 2010 compensation and benefits expense increase reflects an increase in staff, and the employment of professionals having greater skill and experience than was originally planned. Professional & Consulting expenses increase due to activity in the Audit, GST, Risk Management and Strategic Planning areas, as described in Exhibit B-5-1.

The increase in amortization reflects additional capital investment related to information technology systems and software.

For 2009, total costs are forecast to be over budget due to the use of agency staff for IT and Finance related projects, as well as additional expenses incurred for consulting in Audit, GST, Risk Management and Strategic Planning.

5.3 HUMAN RESOURCES

Human Resources
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	668	766	(98)	649
Professional & Consulting Costs	925	317	608	268
Operating & Administration Expenses	275	404	(129)	567
Total Costs	1,869	1,487	382	1,484

The 2010 Budget for Human Resources is \$0.4 million higher than the 2009 Budget. Professional and Consulting expenses rise with increased activities in career planning,

organizational and management development, and corporate training. In addition, some expenses have been reallocated from Operating and Administration to Professional and Consulting.

For 2009, the forecast of \$1.5 million is in line with the 2009 Budget.

5.4 BUSINESS SERVICES

Business Services
Variance Between 2010 Budget and 2009 Budget
(\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	2,147	1,935	212	2,172
Professional & Consulting Costs	345	521	(176)	705
Operating & Administration Expenses	1,291	1,014	277	1,220
Premises	2,905	2,982	(77)	2,817
Total Costs	6,688	6,452	236	6,914

The 2010 Budget for Business Services is \$0.2 million higher than the 2009 Budget.

Compensation and Benefits reflect the full year impact of staff added in 2009 for additional IT and procurement support. The decrease in Professional and Consulting expenses is mainly due to the completion of projects in 2009. The increase in Operating & Administration Expenses reflects additional software license expenses.

For 2009, operating costs are forecast to be \$0.5 million higher than budget.

Compensation & Benefits include an increase in staff to support procurement and IT departments. Professional & Consulting expense is higher due to additional spending for initiatives including accounting and reporting systems replacement. Operating & Administration expenses are forecast to be above budget due to additional software license expenses.

5.5 LEGAL, ABORIGINAL AND REGULATORY AFFAIRS

Legal, Aboriginal and Regulatory Affairs Variance Between 2010 Budget and 2009 Budget (\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	2,915	2,357	558	2,625
Professional & Consulting Costs	4,034	5,657	(1,623)	2,142
Operating & Administration Expenses	1,936	1,483	453	1,486
Total Costs	8,886	9,497	(611)	6,253

The 2010 Budget for Legal, Aboriginal and Regulatory Affairs is \$0.6 million lower than the 2009 Budget. Significant amounts had been budgeted in 2009 for legal fees and intervenor funding for IPSP 1, which have not been budgeted in 2010. These are partially offset by increases in these costs for capacity building and engagement activities related to First Nations and Métis communities. Compensation and Benefits are higher due to the need to staff the Aboriginal Affairs group. Office and Administration expenses reflect an increase in the OEB cost assessment to the OPA.

For 2009, operating costs are forecast to be \$3.2 million lower than budget. In Professional and Consulting costs, lower than budgeted spending to support the IPSP is partially offset by capacity building and engagement with First Nations and Métis communities.

6.0 STRATEGIC OBJECTIVE 6

Strategic Objective #6 Variance Between 2010 Budget and 2009 Budget (\$'000s)

Major Cost Category	2010 Budget	2009 Budget	Budget Variance	2009 Forecast
Compensation & Benefits	2,787	1,410	1,377	2,179
Professional & Consulting Costs	5,571	3,743	1,828	5,470
Operating & Administration Expenses	750	1,613	(863)	1,530
Total Costs	9,108	6,766	2,342	9,179

The 2010 Budget for Communications is \$2.3 million higher than the 2009 Budget. The increase in the Professional and Consulting budget is the result of planned Energy Conservation initiative spending which is more reflective of actual 2009 spending levels,

1 which had not been budgeted, as well as the reassignment of some conservation marketing
2 activities previously managed within Strategic Objective 2. These increases are partially
3 offset by a reduction in consulting activities which will be performed in-house. The increase
4 in compensation and benefits reflects broader public engagement in planning, conservation
5 and generation procurement activities related to implementation of the GEA and FIT
6 program, resulting in increased staff.

7 For 2009, operating costs are forecast to be \$2.4 million over budget due an increase in
8 Compensation and Benefits from the accelerated expansion of the Communications
9 division, and in Professional and Consulting costs due to an increase in the scope of the
10 2009 Energy Conservation initiative.

DEFERRAL AND VARIANCE ACCOUNTS

The Act and O.Reg 431/04, amended by O.Reg 475/05, place specific financial obligations on the OPA for non-controllable items that must be dealt with through the revenue requirement submission, which are as follows:

Government Procurement Costs - reimbursing the Government for services provided or costs related to procurement activities; and

Retailer Settlements - making or receiving payments to or from retailers for contracts with low-volume and designated customers; and receiving payments related to retailer discounts.

The evidence in this exhibit will provide a detailed discussion on each of these non-controllable transactions regarding the deferral accounts and balances recorded to-date. Also discussed is the OPA's proposed disposition of the balances of these accounts.

Government Procurement Costs

Pursuant to the OEB's Order in EB-2008-0312, the OEB approved the OPA's continuation of its Government Procurement Costs Deferral Account ("GPCDA") to record Government transfer costs associated with section 25.18 of the Act incurred in 2009. The OEB also approved the OPA's proposal to recover the 2008 outstanding balance through fees in 2009. The accumulated balance in the GPCDA as of September 23, 2009 is \$546 thousand. This is inclusive of additional charges received from the Ministry of Finance during 2009. Copies of the Ministry's invoices are filed in Exhibit D-3-2. During the remainder of 2009, monthly dispositions will continue with a forecast outstanding balance of \$102 thousand at December 31, 2009, as shown in Table 1, below.

Table 1			
Government Procurement Cost Deferral Accounts 'GPCDA'			
			Balance
			(\$ 000)
Balance at Sept 30, 2008			1,340.7
Court Costs recovery - Ministry of Finance	April 2009	53.2	1,393.9
Ministry of Finance	July 2009	45.7	1,439.7
Actual dispositions to Sept 23, 2009			
Jan-Aug		(893.8)	545.9
Planned dispositions after Sept 23, 2009			
Sep-Dec		(443.9)	102.0

Retailer Settlements

The Act has two types of retailer payments that relate to the OPA, specifically:

- (a) Retailer Contract Settlements - the payments/receipts related to the settlement of certain retailer contracts that were in effect on November 11, 2002; and
- (b) Retailer Discount Settlements – the payments of discounts, rebates and allowances that relate to a period commencing after December 31, 2004.

Retailer Contract Settlements

Sections 25.34 (1) and (2) of the Act required the OPA to make payments to retailers with respect to certain contracts with low-volume and designated consumers.

These legislative provisions ensured that retailers would be held whole by the OPA for contracts with low-volume and designated consumers, entered into before prices were frozen by legislation in 2002. To ensure that the retailers receive the same amounts that they would have received under those contracts, the OPA and the retailer settle any differences between the Hourly Ontario Electricity Prices ("HOEP") and the contract price. The settlement of these retail contracts is carried out on a monthly basis.

The OEB has approved Retail Contract Settlement Deferral Accounts ("RCSDA") for 2005, 2006, 2007, 2008 and 2009 through its Decisions in EB-2005-0489, EB-2006-233, EB-2007, 0791 and EB-2008-0321. In EB-2008-0321, the OEB approved the OPA's proposal to begin amortizing the outstanding cumulative balance in these accounts over three years, starting in 2009.

As of September 23, 2009 the cumulative RCSDA balance (inclusive of 2005, 2006, 2007, 2008 and 2009 RCSDA balances) reflects \$34.8 million after 2009 amortization, as shown in the following Table 2 below.

Retailer Discount Settlements

On August 18, 2005, O. Reg. 431/04 was amended by O. Reg. 475/05 to provide for the payment from retailers to the OPA of any discounts or allowances required to be paid to regulated consumers under certain circumstances. These amounts are contained in the Retail Discount Settlement Deferral Account ("RDSDA"). In EB-2008-0312, the OEB approved the OPA's proposal to continue this account to record amounts incurred in 2009, and to amortize the balances over three years, beginning in 2009. After amortization during 2009, the cumulative RDSDA balance as of September 23, 2009 is \$(3.8) million as shown in the following Table 2.

Table 2								
RCSDA and RDSDA								
(\$ 000)								
	Balance 30-Sep-08	Principle Oct.08 - Aug/09	Principle Amortization Jan-Aug/09	Interest Allocation (Oct.08 - Aug.09)	Interest Amortization Jan-Aug/09	Balance 23-Sep-09	Interest & Principle Amortization Sept.-Dec/09	Projected Balance Dec.31/09
RCSDA								
2005	-38,749	0	7,726	-525	1,073	-30,475	4,470	-26,005
2006	51,194	0	-10,400	718	-1,225	40,287	-5,904	34,383
2007	35,260	0	-7,419	526	-587	27,780	-4,066	23,714
2008	-410	807	241	(679)	4	-37	125	88
2009	0	-3,372	-	623	-	-2,749	0	-2,749
Total	47,295	(2,565)	(9,852)	663	(735)	34,806	(5,377)	29,429
RDSDA								
	(4,811)	-	1025	(50)	62	(3,774)	552	-3,222
Grand Total	42,484	(2,565)	(8,827)	613	(673)	31,032	(4,824)	26,208
			A		B		C	

Total amortization for 2009 (principle + Interest amortization): (14,324) A+B+C

Disposition of Non-Controllable Balances

The balance of the total cumulative non-controllable deferral accounts was \$43.8 million at September 30, 2008. Through amortization as approved in EB-2008-0312, these accounts have a balance of \$31.6 million at September 23, 2009 with a projected balance at December 31, 2009 of \$26.3 million.

Table 3			
Non-controllable deferral accounts			
(\$'000)			
	Sept 30, 2008	Sept 23, 2009	Dec 31, 2009
	Actual	Actual	Projected
Total Retailer Settlement	42,484	31,032	26,208
Total government procurement Costs	1,341	546	102
Total non-controllable deferral accounts	43,825	31,578	26,310

The OPA will continue to amortize the remaining balances in the Retailer Settlement Deferral Accounts in accordance with the OEB's Decision in EB-2008-0312. The OPA also proposes to recover the projected outstanding balance of \$102 thousand as at December 31, 2009 in the Government Procurement Costs Deferral Account during 2010.

The total amount for to be recovered for these non-controllable deferral accounts is illustrated in Table 4, below.

Table 4			
Non-controllable deferral accounts to be recovered in 2010			
(\$'000)			
	Total Balance	Amount to be Recovered in 2009	Usage Fee Impact
Total Retailer Settlement	26,208	14,324	0.104
Total government procurement Costs	102	102	0.001
Total non-controllable deferral accounts	26,310	15,665	0.105

Establishment of 2010 Deferral Accounts

The OPA is requesting to maintain the 2005, 2006, 2007, 2008 and 2009 Retailer Settlement Accounts until the balances are fully recovered. Although the contracts underlying these accounts have largely expired, the OPA continues to process final transactions, which, depending on contract provisions, could continue into 2010. The OPA

1 therefore requests the establishment of a 2010 RCSDA and a 2010 RDSDA to record any
2 final transactions related to the retailer contracts that may arise. The balances of these
3 accounts will be brought forward for disposition in the OPA's 2011 Revenue Requirement
4 Submission.

5 The OPA further requests the establishment of a 2010 GPCDA to record Government
6 transfer costs that may occur during 2010. This balance will also be brought forward for
7 disposition during the OPA's 2011 Revenue Requirement Submission.



Invoice / Facture

1 / 1

Customer #/N° du client 414263	Ministry / Ministère ENG-GENERAL-NS	Date January 24, 2009
Payment Information / Renseignements sur la facture TO / DESTINATAIRE		Billing Enquiry Renseignements - Facturation 1-877-535-0554
ONTARIO POWER AUTHORITY 120 ADELAIDE STREET WEST TORONTO ON M5H 1T1 <i>ORIGINAL B</i> <i>COPY B</i> <i>ok to pay Mar 16/09</i>		Invoice Number Numéro de la facture 1
		Due Date Date d'échéance February 23, 2009
GST Registration No. / N° d'inscription aux fins de la TPS 124668666	Purchase Order Bon de commande	Payment Terms Modalités de paiement 30 NET

Line No N° de ligne	Item Description Description	Price Prix	Quantity Quantité	Amount Montant	GST TPS	PST TVP
1	029-COURT COSTS AWARDED- OPA-MID-YEAR RECOVERY (APRIL - OCT 2008) PURSUANT TO SECTION 25.18 OF THE ELECTRICITY ACT, 1998 ATTN: TERRY GABRIELE, CONTROLLER	53,247.58	1	53,247.58	0.00	0.00
				53,247.58	0.00	0.00

7540-1028 (02/07)

Interest will be charged on all past due accounts.
Des intérêts seront exigés sur tout compte en souffrance.

Amount Due / Montant dû CAD\$

53,247.58

Detach here / Détachez ici



Ministry of Finance / Ministère des Finances
 Payment Processing Centre / Centre de traitement des paiements
 33 King St. West / 33 Rue King Ouest
 PO Box 647 / CP 647
 Oshawa ON L1H 8X3

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ONTARIO POWER AUTHORITY
 120 ADELAIDE STREET WEST
 TORONTO ON M5H 1T1

COPY

Customer No. / N° du client 414263
Transaction Id / Code de transaction 768743
Invoice No. / N° de la facture 1
Due Date / Date d'échéance February 23, 2009
Amount Due / Montant dû CAD \$ 53,247.58
Payment Amount / Montant remis CAD \$.

40 IN AR 414263

768743

00005324758 6

Ministry of Energy Expenditures (To be recovered from the OPA - Fiscal 2008-09)				
	Total Budget Fiscal 08-09*	April 08 - Oct 08 payments by Ministry	Note	Invoice # (to be invoiced)
Manitoba Project (cost centre 978602)				
Nishnawbe Aski Development Fund	136,954.73	53,247.58	1.	53,247.58
Total	136,954.73	53,247.58		53,247.58
* based on 2009-10 RbP Consolidated Toolkit submission				

Note 1	
Nishnawbe Aski Development Fund	
April 1 - May 31	24,366.07
June 1 - Aug 31	24,557.94
Sept 1 - Oct 31	4,323.57
	53,247.58

Customer #/N° du client 414263	Ministry / Ministère ENG-GENERAL-NS	Date June 30, 2009
Payment Information / Renseignements sur la facture TO / DESTINATAIRE		Billing Enquiry Renseignements - Facturation 1-877-535-0554
ONTARIO POWER AUTHORITY 1600-120 ADELAIDE ST W TORONTO ON M5H 1T1		
GST Registration No. / N° d'inscription aux fins de la TPS 124668666		Invoice Number Numéro de la facture 41 Due Date Date d'échéance July 30, 2009
Purchase Order Bon de commande		Payment Terms Modalités de paiement 30 NET

Line No N° de ligne	Item Description Description	Price Prix	Quantity Quantité	Amount Montant	GST TPS	PST TVP
1	029-OTHER REVENUE - OPA-FINAL 2008-09 COST RECOVERY F OR THE PERIOD NOV 2008 TO MARCH 2009 - ATTN: TERRY G ABRIELE	45,747.96	1	45,747.96	0.00	0.00
				45,747.96	0.00	0.00

7540-1028 (02/07)

Interest will be charged on all past due accounts.
Des intérêts seront exigés sur tout compte en souffrance.

Amount Due / Montant dû CAD\$ **45,747.96**

government procurement cost.

cc/2541
cc 7620

Detach here / Détachez ici



Ministry of Finance / Ministère des Finances
Payment Processing Centre / Centre de traitement des paiements
33 King St. West / 33 Rue King Ouest
PO Box 647 / CP 647
Oshawa ON L1H 8X3

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ONTARIO POWER AUTHORITY
1600-120 ADELAIDE ST W
TORONTO ON M5H 1T1

Customer No. / N° du client 414263
Transaction Id / Code de transaction 801298
Invoice No. / N° de la facture 41
Due Date / Date d'échéance July 30, 2009
Amount Due / Montant dû CAD \$ 45,747.96
Payment Amount / Montant remis CAD\$.

40 IN AR 414263

801298

00004574796 5

2009 FORECAST VARIANCE DEFERRAL ACCOUNT

The 2009 Forecast Variance Deferral Account ("FVDA") was established to record 2009 revenue variances and any cost variances not otherwise incorporated into the revenue requirement submission of the prior year. In 2009, the OPA is forecasting an FVDA balance of (\$3.2) million, as illustrated in Table 1, below.

Table 1	
OPA 2009 FVDA	
(\$'000s)	
2009 Forecast revenue variance	\$ (1,512)
2009 Forecast expense variance	47
2008 Actual FVDA in addition to EB-2008-0312 approved FVDA	(1,686)
Total 2009 FVDA	\$ (3,151)

2009 Forecast Revenue Variance

In its EB-2008-0312 Decision, the OEB approved a revenue requirement of \$64.8 million as filed for the year 2009, which included a deduction for registration fee income in the amount of \$220 thousand. For 2009, there is a forecast revenue variance estimated. This is due to the October 1, 2009 launch of the FIT program, from which the OPA has estimated the receipt of \$1.5 million in additional registration income.

2009 Forecast Expense Variance

The 2009 projected expenses of \$65.12 million are slightly higher than those contained in the 2009 revenue requirement submission of \$65.07 million, resulting in an expense variance of \$0.05 million. These expense variances are described in Exhibit D-2-1.

2008 Actual FVDA vs. EB-2008-0312 Approved FVDA

In EB-2008-0312, the OEB-approved revenue requirement incorporated a revenue reduction of (\$10.3) million for the forecast 2008 FVDA. The actual 2008 FVDA balance is projected to be (\$12.0) million, resulting in an excess of (\$1.7) million.

1 Disposition of the 2009 FVDA

2 The OPA is proposing to reduce its 2010 revenue requirement by the projected 2009 FVDA
3 balance of (\$3.2) million, as shown in Table 1 of Exhibit D-1-1.

4 Proposed 2010 FVDA

5 The OPA's financial results are available at the end of March of each year for the preceding
6 year. This limits the ability of the OPA to have actual variances available for the revenue
7 requirement submission in any given year.

8 Therefore, the OPA is requesting the establishment of a 2010 FVDA to include:

- 9 • The difference between the actual and forecast costs in 2010;
10 • The difference between the actual and forecast revenues for 2010; and
11 • The difference between the actual and forecast balance of the 2009 FVDA.

BOARD STAFF INTERROGATORY 1

Conservation Issue 2.1

Is the Operating Budget of \$16.484 million allocated to Strategic Objective #2 reasonable and appropriate?

References

Exhibit B/Tab 2/Schedule 1/page 4
Exhibit B/Tab 2/Schedule 1/page 17

Preamble

The OPA states in its pre-filed evidence that its key role in the area of conservation will be changed slightly due to the implementation of the GEA. The OPA's key role will now be to provide distributors with other appropriate, sufficient and effective support to facilitate distributors in meeting their individual conservation targets.

Questions

- a) What process will the OPA take to procure conservation resources in the near term so that progress towards Ontario's conservation goal is maintained?
- b) Please discuss the details of the OPA's Conservation Awareness business leadership awards program.

RESPONSE

- a) The OPA will continue to procure conservation resources in 2010 through province-wide conservation initiatives delivered by LDCs and other delivery agents. Specific initiatives planned for delivery in 2010 are outlined in Table 1 below. The OPA will also continue its capability building, conservation awareness, market transformation and innovation activities (Initiatives 3-6, at Exhibit B-2-1, pp. 6 to13) which support and enable the procurement of conservation resources through existing and future ratepayer funded conservation programs.

Program(s)	Initiatives	Description of offering
Consumer	Great Refrigerator Roundup	Pickup of old inefficient secondary refrigeration appliances
	Cool Savings Rebate	Rebates on high efficiency HVAC equipment
	Every Kilowatt Counts Power Savings Event	In-store promotions and discounts of energy efficient products and old appliance for gift card exchange
	Thunder Bay Hydro. – Phantom Load	Power bar with timer give-a-ways (Thunder Bay)
	Niagara-on-the-Lake Hydro Inc. – Res. Load Control Pilot	Direct load control devices for air conditioning and electric water heaters (Niagara-on-the-Lake)
	peaksaver[®]	Direct load control devices for air conditioning and electric water heaters

	Toronto Hydro – Mass Market	Various offers including: discounts on efficient products; incentives for appliance retirement; and product exchanges (Toronto)
Consumer Low- Income	Multi-Family Energy Efficiency Retrofit	Incentives for retrofit (lighting, motors and HVAC) of existing affordable and social housing buildings
	Toronto Hydro – Low-Income	Draft proofing; installation of programmable thermostats; lighting retrofits; installation of lighting controls; window air conditioner retrofits; education: (Toronto)
Multi-Family	Multi-Family Energy Efficiency Retrofit (province wide); Electricity Retrofit Incentive (outside Toronto)	Incentives for retrofit (lighting, motors and HVAC) of existing multi-family buildings
	Better Building Partnerships – New Construction (Toronto)	Incentives for energy-efficient new construction of multi-family buildings
	High Performance New Construction (Outside Toronto)	
Business	Electricity Retrofit Incentive	Incentives for retrofit (lighting, motors and HVAC) of existing buildings (outside Toronto)
	Toronto Hydro – Business Incentive	Incentives for retrofit (lighting, motors and HVAC) of existing commercial buildings less than 25,000 ft ² (Toronto)
	Building Owners & Managers Association CDM Initiative	Incentives for retrofit (lighting, motors and HVAC) of existing commercial buildings over 25,000 ft ² (Toronto)
	Better Building Partnerships	Incentives for retrofit (lighting, motors and HVAC) of existing multifamily and institutional buildings (Toronto)
	Better Building Partnerships – New Construction (Toronto); High Performance New Construction (outside Toronto)	Incentives for energy-efficient new construction
	peaksaver [®]	Direct load control devices for air conditioning and electric water heaters
	Hydro Ottawa Limited – peaksaver [®] Small Commercial	Direct load control devices for air conditioning and electric water heaters for small commercial (Ottawa)
	PowerStream Inc. – Data Centres	Incentives for commercial-scale computer facility energy-efficiency projects (York Region)
	Power Savings Blitz	Incentives for retrofit (lighting and water heating) of small businesses
	ENWIN Utilities Ltd. – Green Suites	Incentives for audits and retrofits of existing hospitality industry buildings (Windsor)
	Thunder Bay Hydro – Winter Parking Lot Control	Incentives for installation of electrical outlet timers and controllers used for car block heater devices in winter (Thunder Bay)
	Demand Response 1 (DR1)	Voluntary load shedding – incentives to reduce load during relatively high price periods
	Demand Response 2 (DR2)	Contractual load shifting – incentives for regularly shifting production from peak to off-peak periods
	Demand Response 3 (DR3)	Contractual load shedding – incentives for committing to reduce load when called upon

Industrial	Electricity Retrofit Incentive (outside Toronto) Toronto Hydro Business Incentive Program (Toronto)	Incentives for retrofit (lighting, motors and HVAC) of existing industrial buildings
	Better Building Partnerships – New Construction (Toronto); High Performance New Construction (outside Toronto)	Incentives for energy-efficient new construction
	Demand Response 1 (DR1)	Voluntary load shedding – incentives to reduce load during relatively high price periods
	Demand Response 2 (DR2)	Contractual load shifting – incentives for regularly shifting production from peak to off-peak periods
	Demand Response 3 (DR3)	Contractual load shedding – incentives for committing to reduce load when called upon
	Industrial Transmission / Direct Connect Electricity Energy Efficiency	Incentives for process changes and equipment retrofits in industrial facilities

b) The purpose of the Program will be to recognize and foster conservation leadership within Ontario's business community, including industrial, commercial and institutional organizations. The detailed design of the Program is still in development, however it is anticipated that the Program will be rolled out in phases as follows:

The first phase will be closely aligned with the launch of the Industrial Transmission Connected Energy Efficient Program to leverage the championship and expertise of some major industrial 'early -movers' that played a significant role in shaping the industrial program. The OPA received ministerial approval to proceed with the Industrial Transmission Connected Energy Efficient Program in late 2009 and is currently working on the program launch plans for early 2010. Detailed design work for the business leadership awards program is proceeding in parallel, with an expected launch in the second half of 2010.

The second phase will broaden the scope of the leadership program to include large and medium commercial and medium-sized manufacturing businesses.

The third phase will broaden the scope to include small business communities across a wide range of business sectors.

BOARD STAFF INTERROGATORY 2

Organizational Capacity Issue 5.1

Is the Operating Budget of \$24.474 million allocated to Strategic Objective #5 reasonable and appropriate?

Reference

Exhibit B/Tab 3/Schedule 1/page 4

Exhibit B/Tab 5/Schedule 1/page 7

Preamble

The OPA states in its pre-filed evidence that the Finance group will continue to be tasked with the responsibilities that relate to the prudent expenditures and management of public funds. It is noted that additional focus will be placed on enhancing partnerships with internal customers and in providing value to them through application of professional expertise and collaboration.

Questions

- a) Please describe the OPA's current accounting system and business intelligent system and provide a comparative analysis of how the current systems differ from the proposed new systems. Within the response, expand on the need for the proposed new systems and the process for sourcing and implementing the new systems.
- b) Please discuss the OPA's plan to deploy an employment brand.

RESPONSE

- a) At a high level, the accounting system captures and records the financial activity of the organization and enables the reporting of financial information for the purpose of managing the operations. The business intelligence system is comprised of data extracts from the financial system and related spreadsheet applications.

The OPA's existing system was put in place in 2006 to support the organization upon its initial launch. It was identified in 2009 that improved capability would be required to operate more effectively to meet the organization's future requirements as they increase in both complexity and scope. Strengthening of internal controls will create improvements in efficiency, while expansion of training options for the new product will result in a reduction in the need for vendor support. Under these circumstances, a comparative analysis was not completed.

A description of the new system is shown at Exhibit B-5-1, page 4.

The organization focused its efforts on the development of business requirements and the management of a competitive procurement process, as outlined in by the major process steps below:

- 1 • Creation of an outline of the business requirements for the new system;
- 2 • Canvassing other agencies on their systems versus OPA needs;
- 3 • Issuance of an RFP to vendors;
- 4 • Review of vendor RFP responses inclusive of vendor demonstrations of proposed
- 5 solutions; and
- 6 • Use of a Cross-functional evaluation committee to provide feedback on the selection
- 7 of a new system.

8 The OPA implemented its new accounting solution during Q4 of 2009 with the support
9 of the above mentioned vendors who provided training and configuration support. OPA
10 staff created test scripts and conducted quality assurance activities during December in
11 support of launching the new system in January 2010.

- 12 b) In 2009, the OPA developed an employer brand, including the identification of an
13 employee value proposition; an employee value positioning statement; descriptors for
14 OPA employer brand essence, character and associations; and supporting brand
15 creative (key words, messaging and images) that best conveys these brand attributes.

16 In 2010, the OPA is deploying this creative content on the Career page of the OPA's
17 corporate website. The OPA has also leveraged the creative content to produce
18 recruitment brochures and a banner which will allow the OPA to participate in on-
19 campus, and other selected career fairs and events. Finally, the imagery, key words
20 and messaging will be used for internal employee communications purposes.

BOARD STAFF INTERROGATORY 3

Communications Issue 6.1

Is the Operating Budget of \$9.108 million allocated to Strategic Objective #6 reasonable and appropriate?

Reference

Exhibit B/Tab 6/Schedule 1/page 7

Preamble

The OPA states that a key focus in 2010 will be the redesign of its corporate website and the design of a comprehensive online FIT section.

Questions

Will the corporate website redesign be done by staff currently employed by the OPA or will the services be contracted out to a third party? Please discuss the decision making process and financial assessment for the staffing option ultimately decided upon for this project.

RESPONSE

The redesign of the corporate website and associated sub-websites such as FIT and Every Kilowatt Counts, has been contracted to a third party.

The current OPA website and its sub-sites were developed over a number of years, since the OPA was first created five years ago. The development of these websites used different service providers and different (mostly proprietary) computer software. They have become difficult for the public to use and it became clear that a full overhaul was required. The redesign, using public software, will be more intuitive and user friendly. The OPA's in-house IT staff lack the resources to conduct the complete overhaul that is needed.

A procurement process launched last fall attracted 30 proponents. These were narrowed down to three finalists. The new service provider, managed by Communications staff, will develop and provide initial maintenance for the website, as well as provide services for changes to network infrastructure, if required. Following the initial maintenance period, and upon stabilization, OPA staff will be responsible to maintain and upload information to the site.

BOARD STAFF INTERROGATORY 4

Registration Fees, Operating Costs and Capital Expenditures Issue 7.2

Are the proposed registration fees per proposal for electricity supply and capacity procurement reasonable and appropriate?

Reference

Exhibit D/Tab 2/Schedule 1/Page 8 and 9

Preamble

In the Board's Decision and Order on the OPA's 2009 Revenue Requirement Submission (EB-2008-0312), the Board discussed the OPA's hiring practices and found that sufficient evidence had been provided to justify its hiring policies since the 2008 fees decision was released.

In its 2010 submission, the OPA states in its pre-filed evidence that the increase in FTEs reflects its increased responsibilities through the implementation of the GEA, enhanced stakeholder engagement and anticipated workload associated with the FIT implementation.

Question

- a) Please discuss the need for the new 37.5 FTEs after the GEA initiatives have been implemented and the associated new processes related to this work have been established. Did the OPA consider employing a more balanced staffing level of consultants, contract staff and FTEs until it has a more concrete vision of the long term workload associated with the GEA activities?
- b) Please describe the OPA's benchmarking policies and practices when establishing employee compensation levels throughout the organization.

RESPONSE

- a) In the development of the revenue requirements for 2010, the OPA made its best assessment of the optimum mix of resources including permanent staff, consultants and temporary help. During 2009, certain temporary workload requirements related to the design and launch of the FIT program were met through the addition of some temporary staff, as well as the temporary redeployment of internal resources and the formation of cross-functional and multi-agency work teams. The 2010 planned increase in staff is expected to address ongoing roles related to the OPA's expanded mandate, as described in Exhibit D-2-1, Table 5. This staffing increase has been corroborated by a robust December, 2009 FIT program uptake that points to a requirement for ongoing activity in areas such as contract management. As additional experience and information with regard to ongoing work requirements for the GEA and other initiatives

1 are acquired, the OPA will continue to reassess its resource requirements through its
2 regular business planning process, as it has in past years.

- 3 b) The HayGroup evaluates the OPA's positions, using its proprietary point value
4 comparison job evaluation system. The HayGroup's job evaluation system assigns
5 points to, and total comparative value of, a position based on four main factors (Know-
6 How, Problem Solving, Accountability and Working Conditions) and 12 sub-factors (of
7 these main factors). Based upon the number of points a job receives, it is assigned a
8 grade level.

9 Each grade corresponds to a salary range in the grade/salary structure designed by the
10 HayGroup for the OPA in 2005. The grade/salary structure was designed, and has
11 been maintained, so that the OPA's compensation is sufficient, but not excessive, to
12 attract, engage and retain the highly skilled workforce required to meet the OPA's
13 strategic objectives.

14 Each salary range has a minimum, mid-point and maximum salary that may be paid to
15 the jobs that fall within that salary range. Since base salaries are the only component of
16 the OPA's non-Executive cash compensation plan, the mid-points of its non-Executive
17 salary ranges are aligned with the 50th percentile of the total direct compensation of a
18 benchmark group of energy sector organizations operating in the four major provinces
19 in Canada (i.e. Ontario, Quebec, Alberta and British Columbia). The mid-points of the
20 OPA's Executive salary ranges plus their Short Term Incentive compensation are
21 aligned with the 50th percentile of the total direct compensation of the same group of
22 energy sector organizations operating in the same four major provinces in Canada.

BOARD STAFF INTERROGATORY 5

Reference

Exhibit D/Tab 2/Schedule 1/Pages 1-2

Preamble

The OPA notes that in EB-2008-0312 the Board approved the OPA's proposal to charge registration fees of up to \$10,000 per proposal for electricity supply and capacity. The OPA proposes to charge non-refundable application fees for the FIT program of \$0.50/kWh of proposed contract capacity, having a minimum of \$500 and to a maximum of \$5,000, and \$10,000 per proposal for other electricity supply and capacity procurements.

The OPA reports that the forecast revenues resulting from these registration fees are \$375,000, and that revenues received would be used to reduce operating costs.

Questions

- a) Please clarify whether the proposed registration fee for non-FIT proposals is \$10,000 or up to \$10,000.
- b) Assuming that the forecasted revenue depends in part on how many applications are received and the proposed contract capacity, and in the event that fewer or a greater number of applications and/or contract capacity is received than forecast, does the OPA expect to track the revenue in a variance account for future disposition?
- c) Why does the OPA believe it is appropriate to have a variable registration fee for the FIT program, but a fixed fee for all other procurements?
- d) What costs are being recovered through the registration fees?
- e) What factors did the OPA consider is establishing the level of the FIT program registration fee?
- f) Please provide a breakdown of the forecasted \$375,000 to show the revenue forecasted from the FIT program registration fee and the registration fee for electricity supply and capacity procurements.
- g) How did the OPA develop the estimate of \$375,000?

RESPONSE

- a) The registration fee for non-FIT proposals is \$10,000.
- b) Any revenue that is received in excess of forecast amounts will be captured within the Forecast Variance Deferral Account ("FVDA").
- c) Typically, projects procured through a competitive procurement have a pre-defined target capacity, and there is less variability among proponents in terms of size, technology, and cost structure. Under these circumstances, a fixed fee is appropriate. It is more appropriate to have a variable registration fee for the FIT program because the projects range from under 10 kW for microFIT projects to several hundred MW in size, and comprise a variety of technologies and cost structures.
- d) Typical costs recovered through the registration fees are (1) staff time in reviewing applications and clarification of issues before finalizing applications and (2) external legal counsel fees to validate letters of credit.
- e) The OPA considered a number of factors in establishing the level of the FIT program registration fees, including:
- (i) precedent from other competitive RFPs;
 - (ii) reflecting a reasonable approach to recover actual costs incurred;
 - (iii) ensuring that proponents that registered and applied were serious about their projects and had done some due diligence in ensuring project maturity; and
 - (iv) encouraging smaller, less experienced developers, such as community groups or First Nation partnerships, while still requiring some payment to reflect a level of due diligence (by setting security amounts at a level of less than 1% of total estimated project cost).
- f) The OPA has forecast that all registration fees received in 2010 will be for FIT projects, as shown below:

Participant	Total Capacity	Applications	Registration Fees
microFIT Applications	10 MW	2,000	\$0
Capacity Allocation Exempt	100 MW	250	\$125,000
Larger Projects (> 1MW)	500 MW	50	\$250,000
Total Registration Fees in 2010.....			\$375,000

This forecast has been prepared assuming projects of varying sizes within each category, and as such, the fees for individual project sizes will vary. There are no other electricity supply and capacity procurements currently planned for 2010.

- g) The estimate of \$375,000 was developed based on the OPA's judgment of likely participation the FIT program and estimated breakdown of projects.

1 **AMPCO INTERROGATORY 1**

2 **QUESTION**

3 **Issue 1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective #1**
4 **(Power System Planning) reasonable and appropriate?**

5 The term "surplus" in the context of excess supply is not used in the OPA application nor
6 does the concept appear to be explicitly applied. The terms "consumer" and "customer" are
7 used almost exclusively in the context of conservation planning, with only vague references
8 to the economic efficiency of the power system.

9 Please indicate the importance the OPA attaches to the current generation surplus in the
10 context of its business planning and the practical implications of this prioritization.

11 **RESPONSE**

12 In the context of business planning, the OPA has developed capability to plan for reliable
13 and sustainable electricity supply. The OPA places importance on all aspects of electricity
14 supply in its planning activities.

15 Current market conditions, including an unanticipated slowdown in economic activity, have
16 lead to a surplus of baseload generation that occurs periodically. The OPA's ongoing long
17 term planning considers the available resources and the forecast demand in order ensure
18 that an appropriate balance between supply and demand is maintained.

AMPCO INTERROGATORY 2

QUESTION

Issue 1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective #1 (Power System Planning) reasonable and appropriate?

Reference: A-2-1 p. 13

"The Power Authority will also continue to develop scenarios and strategies to identify and mitigate risk, as well as address cost and operability issues..."

"The projection of electricity costs and analysis on carbon policy options as they apply to the electricity sector are expected to be other significant issues during the planning period."

With respect to the above noted remarks on page 13 of the 2010-2012 Business Plan:

- a) Please itemize the scenarios and electricity cost projections developed during 2009 and planned for 2010.
- b) Please provide copies of each scenario and the electricity cost projection completed in 2009.

RESPONSE

- a) In light of the uncertainties of future demand for electricity and the possible strategic options available in the long term, the OPA has initiated a scenario-based exploration of potential futures for Ontario's electricity sector. The scenarios prepared reflect a series of conditions, including varying levels of growth in demand and supply (both capacity and source). These scenarios have been developed and analyzed in part to respond to the Minister's September 17, 2008 Directive, which is discussed in greater detail in the response to VECC Interrogatory 5, at Exhibit I-5-10.
- b) The requested scenarios are still under development, and will be included in the OPA's response to the new Minister as discussed in Exhibit I-5-10.

AMPCO INTERROGATORY 3

QUESTION

Issue 1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective #1 (Power System Planning) reasonable and appropriate?

Reference: A-2-1 p. 20

"The OPA aims to bring reliable, cost-effective megawatts into the Ontario electricity system in a continuous improvement framework."

- a) Please provide details of the "continuous improvement framework" referred to above and include all milestones.
- b) Please summarize the progress to date against the milestones.

RESPONSE

- a) The OPA has always and continues to evolve the generation procurement and contracting framework by assessing, adopting and reflecting new needs, requirements and any changes in the sector or related policies. To focus on that activity a new group (Policy and Analysis) has been created within the Electricity Resources division. This group investigates how the OPA can better integrate with the other agencies and stakeholders in Ontario's electricity sector.

The Policy and Analysis group provides guidance and suggestions on how to improve the OPA's procurement and contracting mechanisms by reflecting changes in the electricity sector, which range from the way the electricity market operates (market rules) to adjustments to commonly used procurement techniques. The goal of monitoring and reflecting some of these changes is to achieve more effective procurement processes, improved market interaction and more efficient contract terms. In addition, the Policy and Analysis group monitors other jurisdictions to ensure the OPA remains current on recent procurement methodology, market design and contracting method developments and changes. By continuously assessing and adapting the procurement and contracting framework, as well as other OPA policies and processes such as project evaluation techniques, the OPA ensures that it continues to procure cost-effective generation while meeting all OPA objectives.

These continuous improvements act as a feedback loop that allows the OPA to develop best practices by reflecting on actual experience to provide a prospective view to what could be used in future contracts and procurement processes to yield better results. Specific milestones measuring the progress of these continual improvements are difficult to establish given that these are ongoing. Milestones for 2010 have been

- 1 included at Exhibit B-4-1, pages 6 and 7. Milestones for the 2010 to 2012 period are
- 2 included in the OPA's Business Plan at Exhibit A-2-1, pages 22 and 26.
- 3 b) The milestones referred to above are for the time period from 2010 to 2012. As at
- 4 January 2010, there is no progress to report.

AMPCO INTERROGATORY 4

QUESTION

Issue 1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective #1 (Power System Planning) reasonable and appropriate?

Reference: A-2-1 p. 24

"The OPA will work to implement tools and mechanisms to continue to evolve Ontario's electricity system to be more economically efficient and sustainable and to have minimal environmental impact."

Please detail the "tools and mechanisms" referred to above designed to promote an economically efficient electricity system.

RESPONSE

In its procurement processes, the OPA uses a set of control mechanisms such as benchmarking, open book negotiation or price limits which will vary depending on the procurement process. Furthermore, the OPA has developed and continues to evolve a number of its contract structures (such as the deemed dispatch contract structure), to ensure reliable and economically efficient generation.

The OPA will continue to work with, evolve and develop new tools as needed to improve how electricity resources are planned, procured and contracted in order to continue to promote an economically efficient electricity system. This work is described in greater detail in the response to AMPCO Interrogatory 3 at Exhibit I-2-3.

1 **AMPCO INTERROGATORY 5**

2 **QUESTION**

3 **Issue 1.1 Is the Operating Budget of \$6.391 million allocated to Strategic**
4 **Objective #1 (Power System Planning) reasonable and appropriate?**

5 Please summarize OPA's relations with the Renewable Energy Facilitation Office and detail
6 any impacts on the 2010 budget?

7 **RESPONSE**

8 The OPA provides a two-way liaison between the Renewable Energy Facilitation Office
9 ("REFO") and other agencies, with regard to FIT information and other renewable energy
10 programs. There is no incremental impact on the 2010 budget because this is part of the
11 duties assigned to the staff managing the FIT program.

1 **AMPCO INTERROGATORY 6**

2 **QUESTION**

3 **Issue 2.1 Is the Operating Budget of \$16.484 million allocated to Strategic**
4 **Objective #2 (Conservation) reasonable and appropriate?**

5 **Reference: B-2-1 p. 4**

6
7 Please indicate any benchmarking the OPA has conducted or plans to conduct comparing
8 the cost effectiveness of CDM programs for four C&DM program areas: (a) Consumer
9 Program; (b) Low-income Consumer Program; (c) Business Program; and (d) Industrial
10 Program.

11 **RESPONSE**

12 In October 2008, the OPA published a Conservation Procurement Cost Transparency
13 report which provided a comparison of the cost and operational attributes of OPA
14 conservation programs in market 2006 and 2007. This report is available at:

15 [http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=6671&SiteNodeID=45](http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=6671&SiteNodeID=454&BL_ExpandID=)
16 [4&BL_ExpandID=](http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=6671&SiteNodeID=454&BL_ExpandID=)

1 **AMPCO INTERROGATORY 7**

2 **QUESTION**

3 **Issue 2.1 Is the Operating Budget of \$16.484 million allocated to Strategic**
4 **Objective #2 (Conservation) reasonable and appropriate?**

5 **Reference: A-2-1 p. 10**

6 "Investments made by the Power Authority since 2005, as well as the results of government
7 initiatives, have accounted for 40 percent of the current decline in demand."

8 Please provide the data and studies the OPA relies upon in making this statement. To the
9 extent possible, please break down the factors contributing to the decline in demand by
10 sector.

11 **RESPONSE**

12 This statement was based on an internal analysis conducted by the OPA during June 2009,
13 described below.

14 Since 2005, the demand for energy has fallen in Ontario. IESO measurements as at
15 June 2009 demonstrated that demand in 2008 was 5.3% lower than in 2005 and IESO
16 forecast that the decline would increase to 7.7% in 2009. This represents a decline of
17 12.1 TWh on a weather corrected basis.

18 To determine the attribution of the decline in energy demand between conservation and
19 economic effects, the verified conservation results are considered first and the balance of
20 the difference in demand is attributed to economic factors.

21 For an analysis of conservation results, the OPA relied on the data collected by the
22 Conservation division as well as estimates of other market activity developed in Power
23 System Planning. For the period 2005 to 2007, these results have been reconciled with
24 IESO weather-corrected actual data. The analysis first counts verified conservation results,
25 as well as changes from codes and standards and the EcoEnergy initiative and attributes
26 all of the remaining impact to economic factors. The analysis considers only the period up
27 to 2008 and does not include any analysis of the 2009 year.

Energy (TWh)	2005	2006	2007	2008	2005 to 2008 Growth in Demand	2005 to 2008 Percentage Growth in Demand	Average Annual Growth in Demand
Ontario Demand Weather Corrected	155.2	152.3	151.6	148.9	-6.3	-4.1%	-1.4%
Change in Demand		-2.9	-0.7	-2.7	-6.3		
Change Due to Conservation		-0.9	-1.2	-0.5	-2.6	-1.7%	-0.6%
Change Due to Economy		-2.0	0.5	-2.2	-3.7	-2.3%	-0.8%

AMPCO INTERROGATORY 8

QUESTION

Issue 2.1 Is the Operating Budget of \$16.484 million allocated to Strategic Objective #2 (Conservation) reasonable and appropriate?

Reference: A-2-1 p. 17

For 2010, the OPA has an objective to implement an energy-efficiency program for directly connected industrial customers.

What communication and outreach is planned to present this program to directly connected industrial users, and what will be the role of such users in the program implementation?

RESPONSE

The OPA has initiated a communication and outreach plan to inform Industrial Transmission Connected customers of the program and to seek their feedback in finalizing the program design. The OPA posted Draft Program Rules on December 2, 2009 and Draft Contracts on December 23, 2009 on its website for review and comment. Written comments were accepted until the end of business on Friday, January 29th. The OPA also held a teleconference on January 7th to introduce the program, to review program features, to provide clarification and to invite feedback on the draft program rules.

Additionally the OPA has appointed key account managers that will work with the transmission connected customers to present the program rules and answer their questions. Key account managers will help the industrial customers to identify suitable projects and to prepare feasibility study and project incentive applications, and will facilitate communication with technical reviewers during execution of the projects. Key account managers will also provide a single point of access for the transmission connected customer to all other OPA conservation initiatives.

The OPA is also working closely with Hydro One Networks Inc. to leverage the communication channel and relationships of its existing account managers with these large industrial customers. Similar working relationships have been established with Union Gas, through its natural gas account managers.

The role of industrial transmission connected customers, as participants in the program, will include:

- Contacting OPA Key Account Managers;
- Completing and submitting feasibility studies, where applicable;

- 1 • Allowing/installing metering as necessary and providing data to the OPA as required
2 for M&V reporting periods;
 - 3 • Preparing incentive application package for submission including application form,
4 project study and material; and
 - 5 • As necessary, responding to information requests regarding study or incentive
6 application.
- 7 The OPA anticipates launching the Industrial Transmission Connected Energy Efficiency
8 Program ("ITCEEP") in early 2010.

AMPCO INTERROGATORY 9

QUESTION

Issue 2.1 Is the Operating Budget of \$16.484 million allocated to Strategic Objective #2 (Conservation) reasonable and appropriate?

Reference: B-2-1

“The OPA is currently developing an energy efficiency initiative for transmission connected customers and anticipates launching this initiative in late 2009 or early 2010.”

Please provide updated information on the planning, scope and launch of this program.

RESPONSE

The Ontario Power Authority is in the final stages of designing a new program to assist transmission connected companies with fast-tracking capital investment in major energy efficiency projects.

The five-year Industrial Transmission Connected Energy Efficiency Program (“ITCEEP”) will provide attractive financial incentives to encourage investment in innovative process changes and equipment retrofits so that the rate of return is competitive with other capital projects. In exchange, companies will contractually commit to delivering specific conservation targets within a set period of time and to maintaining them over the term of the contract.

The OPA posted Draft Program Rules on December 2, 2009 and Draft Contracts on December 23, 2009 on its website for review and comment. Written comments were accepted until the end of business on Friday, January 29th. The OPA also held a teleconference on January 7th to introduce the program, to review program features, to provide clarification and to invite feedback on the draft program rules.

The OPA anticipates launching the ITCEEP in early 2010.

1 **AMPCO INTERROGATORY 10**

2 **QUESTION**

3 **Issue 2.1 Is the Operating Budget of \$16.484 million allocated to Strategic**
4 **Objective #2 (Conservation) reasonable and appropriate?**

5 **Reference: B-2-1 p.16**

6 Please file a copy of the EM&V report for the 2008 C&DM programs.

7 **RESPONSE**

8 The 2008 Final Conservation Results are available on the OPA website at:

9 <http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=7145&SiteNodeID=129>

1 **AMPCO INTERROGATORY 11**

2 **QUESTION**

3 **Issue 3.1 Is the Operating Budget of \$7.836 million allocated to Strategic**
4 **Objecting #3 (Supply procurement and contract management) reasonable and**
5 **appropriate?**

6 **Reference: A-2-1 p.6**

7 For managing payments to generators, the efficiency metrics the OPA reports are
8 capacity/FTE and capacity/million budget \$.

9 a) Please indicate whether the OPA compares the costs paid vs. the cost that could have
10 been paid under optimal management of prevailing contracts.

11 b) If yes to a), please provide the results.

12 **RESPONSE**

13 a) The OPA makes every effort to ensure that costs paid under its contracts are
14 appropriate, and undertakes a rigorous contract management process as outlined in the
15 response to Energy Probe Interrogatory 8, at Exhibit I-3-8. In addition, the contract
16 management process is subject to internal and external audits, as described in the
17 response to AMPCO Interrogatory 12, at Exhibit I-2-12.

18 The efficiency metrics shown in the Business Plan represent the total OPA FTEs and
19 millions of budget dollars against total generation under management. The resource
20 requirements identified are those which the OPA believes are necessary to best carry
21 out the mandate of the organization.

22 b) Please see the response to a), above.

AMPCO INTERROGATORY 12

QUESTION

Issue 3.1 Is the Operating Budget of \$7.836 million allocated to Strategic Objecting #3 (Supply procurement and contract management) reasonable and appropriate?

Reference: B-3-1 p. 7

- a) Has the OPA undertaken any peer review of its financial settlement system?
- b) Please detail the audit processes applied to financial settlement.

RESPONSE

- a) In 2007, OPA management requested an internal audit of the Contract Management Department's settlement process from the Finance & Revenue Audit Service Team, which is part of the Ontario Internal Audit Division at the Treasury Board Office in the Ministry of Finance. The audit included a review of the settlement processes, procedures and supplier statements for each of the various contracts that are managed. The review concluded that the settlement process was both "effective and efficient".
- b) Internal audits within the OPA are executed on a three year risk-based rotational audit plan that is updated annually. Each key financial and operational process at the OPA is subject to an internal audit review every three to five years, based on the risk profile of the process. The internal audit process of the Contract Management Department's financial settlement ensures that settlement payments are supported, properly authorized, and conform to the contract, and that payments are properly recorded and completed in a timely manner.

The OPA's financial statements are also audited by an independent external auditor on an annual basis. The scope of the audit includes the OPA's settlement transactions.

AMPCO INTERROGATORY 13

QUESTION

Issue 3.1 Is the Operating Budget of \$7.836 million allocated to Strategic Objecting #3 (Supply procurement and contract management) reasonable and appropriate?

Reference: B-3-1 p. 9

“Errors identified on settlement invoices for the period between January 1, 2009 and August 31, 2009 represented 0.0148% of total settlement payments”.
Please provide the studies or reports supporting this statement.

RESPONSE

The studies and reports are commercially sensitive, containing confidential information that cannot be provided. However, the methodology for conducting the studies is as follows:

The amount reported represents, as a percentage, the dollar amount of errors made relative to the total amount of settlement payments made to suppliers. Upon identification of a calculation or data input error, an adjustment is applied to the settlement payment for the next settlement month. These adjustments are identified separately by the OPA’s settlement system.

From the period between January 1, 2009 and August 31, 2009 the OPA made over \$1 billion in payments to suppliers, with adjustments resulting from errors in settlement calculations amounting to approximately \$150,000. The adjustment was primarily as a result of a third party error that was identified by the OPA.

AMPCO INTERROGATORY 14

QUESTION

Issue 6.1 Is the Operating Budget of \$9.108 million allocated to Strategic Objective #6 (Communications) reasonable and appropriate?

Please itemize the initiatives the OPA is planning for 2010 that directly involve consumers in the work of the OPA.

RESPONSE

Below is an itemized list of initiatives the Ontario Power Authority is planning for 2010 that directly involve consumers in the work of the OPA:

Communications, stakeholder engagement, editorial, media relations and web development for the following programs:

- Industrial Energy Efficiency;
- Electricity Retrofit Incentive Program ("ERIP");
- High Performance New Construction ("HPNC");
- FIT;
- microFIT;
- Multi-family Energy Efficiency Rebates ("MEER");
- First Nations and Métis energy efficiency and renewable energy initiatives;
- Municipal and Community Funds;
- Aboriginal Renewable Energy Network and supporting Aboriginal Funds; and
- OPA Long Term System Planning.

Mass Market conservation programs (Fridge Pick-up, Cool Savings Rebate, Retail Power Savings Event, Power Savings Blitz)

- Corporate Website Development and Maintenance;
- Network design and infrastructure;
- Video development and streaming;
- Communications and repository for reports, RFPs, stakeholder meetings, speeches etc.;

Marketing Communications

- Energy Conservation Awareness campaigns to support the growth of a culture of conservation;
- FIT;
- microFIT; and
- First Nations and Métis initiatives.

Issues Management

Stakeholder Engagement

Editorial Services

AMPCO INTERROGATORY 15

QUESTION

Issue 7.2 Are the proposed registration fees per proposal for electricity supply and capacity procurement reasonable and appropriate?

- a) Please explain what fees the OPA is using and/or intends to use with respect to the OPA's Hydroelectric Contract Initiative and NUG recontracting.
- b) Assuming the implementation of non-refundable application fees on the model of those approved in EB-2008-0312, please estimate the revenue that could have been generated in 2009 and forecast for 2010 from NCI and NUG recontracting.

RESPONSE

- a) The OPA would not charge registration fees for these two initiatives. As discussed in Exhibit D-2-1, page 1, registration fees are a tool to confirm the commitment of participants in a competitive procurement process in order to focus OPA resources. These are existing facilities that have already been placed in commercial operation, and are, as such, committed.
- b) In the event that registration fees of \$10,000 per procurement were charged for these two initiatives, estimated fees collected would be as follows:
 - 2009: 12 HCI and 5 NUG = \$170,000; and
 - 2010: 5 HCI and 3 NUG = \$80,000.

1 **AMPCO INTERROGATORY 16**

2 **QUESTION**

3 **Issue 8.1 Is the proposed disposition of the various Deferral and Variance**
4 **Accounts reasonable and appropriate?**

5 **Reference: D-3-1**

6 Please provide the OPA's justification for recovering the cost consequences of retailer
7 settlements from customers other than low-volume and designated consumers.

8 **RESPONSE**

9 In its EB-2005-0489 Decision, the Board approved the OPA's proposal to completely offset
10 its 2006 revenue requirement with the credit balance then outstanding in its Retailer
11 Contract Settlement Deferral Account. This benefit was applied to all Ontario electricity
12 ratepayers, not just low volume and designated consumers. Under these circumstances, it
13 is appropriate to recover the cost consequences of retailer contract settlements from all
14 Ontario ratepayers.

ENERGY PROBE INTERROGATORY 1

QUESTION

Issue # 1.0 Strategic Objective # 1 – POWER SYSTEM PLANNING – Plan for and facilitate the development of a cost effective, reliable and sustainable electricity system.

Issue # 1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective # 1 reasonable and appropriate?

Interrogatory # 1

Ref: Exhibit A, Tab 2, Schedule 1

On page 11 of the 2010-2012 Business Plan, the following statement appears:

“To maintain a provincial perspective, the Power Authority will seek to establish closer relationships with the LDCs to share information needed for electricity planning and to support them as necessary in their new and expanded roles.”

- a) Please explain in more detail what this work with the LDCs consists of.
- b) What actions or programs does the OPA propose to take to establish closer relationships with LDCs?
- c) What portion of the \$6.391 allocated to Strategic Objective #1 will be devoted to this LDC initiative?

RESPONSE

- a) The OPA is engaged with local distribution companies (“LDCs”) in various forums. As stated in the OPA’s 2010-2012 Business Plan, these relationships are essential to enable the sharing of information support in activities related to electricity system planning.

This work with LDCs consists of, but is not limited to, the following:

- coordinating the Distribution Availability Test for determining system capacity under the Feed-in Tariff (“FIT”) program; informing transmission and distribution expansion plans stemming from FIT project applications;

- 1 • information sharing on load forecasts for various regions and LDC service territories
2 across the province;
- 3 • understanding conservation potential for various regions and end-use sectors;
- 4 • working with LDCs on province-wide and local program design to aid in meeting
5 LDC targets; and
- 6 • sharing best practices for conservation program evaluation, measurement and
7 verification.

8 b) The OPA has established Regional Planning Forums with LDCs across the province to
9 coordinate the Distribution Availability Tests for FIT applications and for aligning
10 transmission system expansion plans with distribution system expansion plans created
11 by LDCs for their respective service territories. In accordance with the Board's Draft
12 Distribution Filing Requirements for Distribution System Plans, the OPA will be
13 responsible for reviewing LDCs' Detailed GEA Plans and may be required to provide a
14 letter of support. To facilitate these processes, the OPA has developed a
15 comprehensive FIT website and FIT application database (FIT Application Management
16 Environment) and has initiated LDC staff training in the use of the database.

17 The OPA's Conservation division provides further support to LDCs as described in the
18 response to Energy Probe Interrogatory 6, at Exhibit I-3-6.

19 c) The portion of the Strategic Objective 1 2010 budget devoted to these activities cannot
20 be explicitly broken down. Working with LDCs is an ongoing job responsibility of Power
21 System Planning staff and management and involves primarily staff time. These
22 personnel also work on other files simultaneously.

ENERGY PROBE INTERROGATORY 2

QUESTION

Issue # 1.0 Strategic Objective # 1 – POWER SYSTEM PLANNING – Plan for and facilitate the development of a cost effective, reliable and sustainable electricity system.

1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective # 1 reasonable and appropriate?

Interrogatory # 2

Ref: Exhibit A, Tab 2, Schedule 1

On page 12 of the Business Plan, the actions proposed to achieve Strategic Objective #1 are enumerated. The first one is “developing provincial and community integrated plans and electricity service options for remote communities.”

- a) Does this entire statement relate only to remote communities? I.e. are the provincial and community integrated plans in support of electricity service to remote communities only or do they relate to all communities in the province?
- b) If they relate to all communities, please explain what a “community integrated plan” will consist of, why it is needed and how it will be prepared?
- c) How much of the budget for Strategic Objective #1 will be devoted to the preparation of community integrated plans?
- d) Does the OPA intend that this activity to develop community integrated plans will extend its mandate to include distribution system planning? If so, on what authority does it rely to so extend its mandate?

RESPONSE

- a) No, the statement does not relate only to remote communities. It relates to all communities in Ontario to the extent that local planning processes should consider electricity infrastructure, conservation opportunities and land use in an integrated fashion and in a manner that is aligned with provincial electricity plans and policies.
- b) A community integrated plan describes a plan by a specific community that integrates local electricity needs (including conservation, generation and transmission), as developed by the OPA, into existing planning frameworks and related documents such as Official Plans, zoning by-laws and/or local ordinances. This represents an evolution of community planning in Ontario that supports greater alignment between community land use and infrastructure plans and provincial electricity system plans and policies.

- 1 c) The portion of the Strategic Objective 1 budget devoted to these activities cannot be
2 explicitly broken down. Working at the community level to facilitate more integrated
3 approaches to planning is an ongoing job responsibility of OPA staff and management
4 in the Power System Planning and the Conservation divisions and involves primarily
5 staff time. These personnel also work on other files simultaneously.
- 6 d) The OPA has a role to play in the distribution system planning process, as described in
7 the response to Energy Probe Interrogatory 1, at Exhibit I-3-1. LDCs, however, are
8 responsible for distribution system planning, and these plans should inform community
9 planning processes and be informed by provincial plans and policies.

ENERGY PROBE INTERROGATORY 3

QUESTION

Issue # 1.0 Strategic Objective # 1 – POWER SYSTEM PLANNING – Plan for and facilitate the development of a cost effective, reliable and sustainable electricity system.

1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective # 1 reasonable and appropriate?

Interrogatory # 3

Ref: Exhibit A, Tab 2, Schedule 1

On pages 12 and 13 a number of milestones are proposed for 2010. One of these is:

1.2 The Power Authority is supporting the implementation of the integrated plan by working with project proponents in regulatory proceedings.

- a) Is the “integrated plan” referred to here the Integrated Power System Plan previously submitted to the OEB? If not, please explain what the integrated plan is?
- b) Who are the “project proponents” referred to in this statement and what are the “projects” they are proposing?
- c) What “regulatory proceedings” does the OPA expect will be conducted in 2010 that will support the implementation of the integrated plan?
- d) How much of the budget for Strategic Objective #1 will be devoted to the activities associated with achieving this milestone?

RESPONSE

- a) The IPSP as filed with the OEB is a core component of the OPA’s planning work. The OPA continues to conduct integrated power system planning activities, coordinating information from distributors, transmitters, generators and communities to provide efficient planning solutions.
- b) The primary proponents referred to in the statements would be transmitters proposing new network lines or enabler lines to the Ontario Energy Board.
- c) At this time, the OPA is not certain as to what specific regulatory proceedings will come in front of the OEB in 2010. The OPA anticipates that the regulatory proceedings that

1 will support the implementation of the integrated plan will primarily be Section 92 "Leave
2 to Construct" applications.

- 3 d) The budget has been prepared based on overall divisional workload, rather than on a
4 project-by-project basis. This work is expected to be addressed on an as needed basis
5 and in the case that OPA support is requested or required. Power System Planning
6 staff time would be devoted accordingly. These personnel work on other files
7 simultaneously, therefore the portion of the Strategic Objective 1 budget devoted to
8 these activities cannot be explicitly broken down.

ENERGY PROBE INTERROGATORY 4

QUESTION

Issue # 1.0 Strategic Objective # 1 – POWER SYSTEM PLANNING – Plan for and facilitate the development of a cost effective, reliable and sustainable electricity system.

1.1 Is the Operating Budget of \$6.391 million allocated to Strategic Objective # 1 reasonable and appropriate?

Interrogatory # 4

Ref: Exhibit A, Tab 2, Schedule 1

On page 13 of the Business Plan, another milestone for 2010 is stated as follows:

The OPA is supporting the implementation of local area plans.

- a) Are the “local area plans” referred to here the same as the “community integrated plans” referred to on page 12 of the application?
- b) Are local distribution companies obliged to prepare these plans?
- c) If so, please provide the authority that requires them to do so?
- d) Does the OPA have review authority over the plans? If so, please explain the basis of that authority?
- e) How much of the budget for Strategic Objective #1 will be devoted to the activities associated with achieving this milestone?

RESPONSE

- a) Local area plans are plans that are being completed by the OPA's Power System Planning division to address existing or pending local transmission system reliability issues. Community integrated plans are described in the response to Energy Probe Interrogatory 2, at Exhibit I-3-2.
- b) The OPA is preparing these plans. A local area plan may cover an area that involves the service territories of multiple LDCs. The plans consider conservation, generation and transmission options to address transmission system reliability issues. In these cases, coordinated planning is required among distributors, transmitters and the OPA to develop the optimum solution. Examples include local area plans for Kitchener-Waterloo-Cambridge-Guelph and the Windsor area.
- c) N/A

- 1 d) Implementation of solutions may require OEB or government approval, through
- 2 regulatory processes such as a Leave to Construct application or ministerial directives.
- 3 e) The portion of the Strategic Objective 1 budget devoted to these activities cannot be
- 4 explicitly broken down. Supporting the implementation of local area plans is an ongoing
- 5 job responsibility of Power System Planning staff and management and involves
- 6 primarily staff time. These personnel also work on other files simultaneously.

ENERGY PROBE INTERROGATORY 5

QUESTION

Issue # 2.0 Strategic Objective # 2 – CONSERVATION – Plan, procure and support the development of verified conservation/energy-efficiency resources as identified in the integrated plan and its subsequent iterations. Build capability and enable partners to achieve targets and contribute to a culture of conservation in Ontario.

2.1 Is the Operating Budget of \$16.484 million allocated to Strategic Objective #2 reasonable and appropriate?

Interrogatory # 5

Ref: Exhibit A, Tab 2, Schedule 1

On page 14 of the Business Plan, the OPA sets out its initiatives in support of Strategic Objective #2 and the following statement is made:

Power Authority initiatives during the planning period will include collaborating with LDCs to address local reliability requirements through integrated solutions as well as developing a plan to roll out small renewable energy projects under the microFIT Program (for projects 10 kilowatts or less in capacity).

- a) How does “collaborating with LDCs to address local reliability requirements” relate to Strategic Objective #2 that is concerned with conservation and energy efficiency projects?
- b) Why do LDCs need OPA assistance to address local reliability requirements?
- c) Are microFIT energy projects covered under the conservation objective? If not, how do they relate to Strategic Objective #2?

RESPONSE

- a) The OPA is collaborating with LDCs to address local reliability requirements through integrated solutions. These integrated solutions include conservation and demand management.
- b) Local system reliability issues often involve multiple LDC service territories (e.g., Kitchener-Waterloo-Cambridge-Guelph) and the OPA is able to facilitate a coordinated planning process involving collaboration amongst the LDCs and transmitters. These local issues are supply constraint issues that can have transmission, generation, conservation or a combination of these solutions, or that may involve system assets not exclusively owned by the area LDC(s).

- 1 c) At the time of writing the 2010 Revenue Requirement Submission, there was some
- 2 ambiguity as to whether microFIT energy projects would be considered as conservation
- 3 resources or generation resources. It has now been clarified that customer based
- 4 generation will only be considered to be conservation, and therefore relate to Strategic
- 5 Objective 2, if it is less than or equal to 10 MW and is for the purpose of on-site load
- 6 displacement. Therefore, microFIT projects are not covered under this Strategic
- 7 Objective.

ENERGY PROBE INTERROGATORY 6

QUESTION

Issue # 2.0 Strategic Objective # 2 – CONSERVATION – Plan, procure and support the development of verified conservation/energy-efficiency resources as identified in the integrated plan and its subsequent iterations. Build capability and enable partners to achieve targets and contribute to a culture of conservation in Ontario.

2.1 Is the Operating Budget of \$16.484 million allocated to Strategic Objective #2 reasonable and appropriate?

Interrogatory # 6

Ref: Exhibit A, Tab 2, Schedule 1

On page 17 of the Business Plan, milestones for 2010 to measure achievement in meeting Strategic Objective #2 are set out. One of these is:

An LDC support and development plan is established, and its implementation is underway.

Please explain what this LDC support and development plan will include.

RESPONSE

The LDC support & development plan will include the following to assist LDCs in delivering conservation programs:

- Identification of the content and method for communicating program activities and developments to LDCs. This includes what type of information is important and necessary (e.g. program changes, program performance, EM&V results) and the ways to effectively communicate (e.g. using OPA's CDM information management system portal ("iCon"), webinars, workshops). It will also outline the process for fielding LDC questions and program related issues;
- Tools necessary to support program design and delivery by LDCs, such as: iCon website, program manuals, marketing materials, E-Source and other research services, resource planning tool;
- Training opportunities for LDCs such as technology symposiums and workshops; and
- A calendar of when these different activities will be taking place.

The plan will be developed in partnership with LDCs through the EDA's CDM Caucus and will be available to LDCs in Q1 2010.

ENERGY PROBE INTERROGATORY 7

QUESTION

Issue # 2.0 Strategic Objective # 2 – CONSERVATION – Plan, procure and support the development of verified conservation/energy-efficiency resources as identified in the integrated plan and its subsequent iterations. Build capability and enable partners to achieve targets and contribute to a culture of conservation in Ontario.

2.1 Is the Operating Budget of \$16.484 million allocated to Strategic Objective #2 reasonable and appropriate?

Interrogatory # 7

Ref: Exhibit D, Tab 2, Schedule 1

On page 4 lines 9-11, it is noted that the Conservation Bureau has been moved to the Ministry and Conservation Bureau costs are no longer part of the OPA budget.

- a) Will the Ministry be recovering its costs of running the Conservation Bureau from the OPA?
- b) If yes, how much does the OPA expect the costs to amount to in 2010 and where is this cost budgeted?

RESPONSE

- a) The conservation reporting function has moved to the Environmental Commissioner's Office. As well, some responsibility for promoting conservation is now included in the objectives for the Ministry of Energy and Infrastructure. These entities' costs will not be recovered from the OPA.
- b) Please see the response to a), above.

ENERGY PROBE INTERROGATORY 8

QUESTION

Issue # 3.0 Strategic Objective # 3 – SUPPLY PROCUREMENT AND CONTRACT MANAGEMENT – plan and design standardized tariff-based, competitive and bilateral procurement processes and enter into procurement contracts for generation resources. These procurement and contracts will meet the requirements identified in the integrated plan, ministerial directives and legislation, and incorporate world-class contracting and settlement practices that support investment in electricity.

3.1 Is the Operating Budget of \$7.836 million allocated to Strategic Objecting #3 reasonable and appropriate?

Interrogatory # 8

Ref: Exhibit A, Tab 2, Schedule 1

Pages 18-21 of the Business Plan include numerous references to the activity of power procurement contracts.

- a) What are the activities involved in managing a procurement contract up to the point the generation is in service?
- b) What are the activities involved in managing a procurement contract after the generation is in service?
- c) Can any of the activities involved in managing a procurement contract after the generation is in service be assigned to the IESO?
- d) Is there any prospect that the OPA in the future will not be required for either initiating or managing power procurement contracts? If yes, please provide the OPA's best estimate of when the agency will no longer be needed for this activity.

RESPONSE

- a) Activities involved in managing a procurement contract up to the point the generation is in service are as follows:
 - Manage contract progress, including: regular dialogue with contract counterparties; site visits; review quarterly reports submitted by contract counterparties; ensure contract milestones are met; generate the OPA's own comprehensive quarterly reports which consist of all of the OPA contracts; update project webpages on the OPA website; provide status information to the IESO and Ministry of Energy and Infrastructure;

- 1 • Manage regular contract administration activities, including: contract assignment;
2 change of control; force majeure events; facility amendment; completion and
3 performance security; insurance certificates;
- 4 • Manage special administration activities, as needed, including: collection of
5 liquidated damages; event of default; early termination of contract; and
- 6 • Ensure all of the documentation needed for commercial operation are in place,
7 including: metering plan; capacity test report; OEB license; IESO registration
8 documents, etc.

9 b) Activities involved in managing a procurement contract after the generation is in service
10 are as follows:

- 11 • Financial settlement;
- 12 • Manage regular contract administration activities including: contract assignment;
13 change of control; force majeure events; facility amendment; completion and
14 performance security; insurance certificates;
- 15 • Manage special administration activities, as needed, including: collection of
16 liquidated damages; event of default; early termination of contract;
- 17 • Regular site inspection to ensure no unauthorized amendment to the facility was
18 done; request for and administer capacity check test to confirm contract capacity;
19 ensure metering plans are up-to-date; and
- 20 • For CHP contracts, manage restatement, if needed, and annual off-take of steam
21 host.

22 c) The OPA is mandated under *the Electricity Act, 1998* to enter into contracts for
23 electricity supply. The OPA is legally able to contract with the IESO, for the IESO to
24 perform all or some of the contract management activities that the OPA undertakes. It
25 is unclear to the OPA as to why this arrangement would be more efficient for Ontario
26 ratepayers. This arrangement could raise a potential conflict, in that the IESO would
27 then be required to act as both the contract manager and an independent market
28 administrator.

29 d) The OPA is mandated to ensure a reliable and sustainable electricity system and has
30 executed contracts with terms ranging from 5 to 50 years with contract counterparties.
31 The OPA does not anticipate that Ontario's electricity market will evolve sufficiently to
32 support private investment without OPA-type contracts in the near future.

ENERGY PROBE INTERROGATORY 9

QUESTION

Issue # 3.0 Strategic Objective # 3 – SUPPLY PROCUREMENT AND CONTRACT MANAGEMENT – plan and design standardized tariff-based, competitive and bilateral procurement processes and enter into procurement contracts for generation resources. These procurement and contracts will meet the requirements identified in the integrated plan, ministerial directives and legislation, and incorporate world-class contracting and settlement practices that support investment in electricity.

3.1 Is the Operating Budget of \$7.836 million allocated to Strategic Objecting #3 reasonable and appropriate?

Interrogatory # 9

Ref: Exhibit A, Tab 2, Schedule 1

The following statement appears on page 18 of the Business Plan:

Many other elements in Ontario's electricity sector also continue to evolve. These include carbon mitigation strategies, electricity demand levels and environmental expectations. The challenge for the Power Authority will be to create, adapt, negotiate and integrate these elements into new and existing procurement contracts as required.

- a) Please describe the role OPA sees itself taking in "carbon mitigation strategies"?
- b) The second sentence wording suggests that the OPA will "create" and "adapt" the previously cited "elements". Those elements are the "carbon mitigation strategies", "electricity demand levels" and "environmental expectations". Negotiating and integrating these elements into contracts makes sense as part of OPA's mandate but what role does the OPA have in creating and adapting them?

RESPONSE

- a) The OPA's proposed role in this regard is described in more detail at Exhibit A-2-1, page 24.

Considering the multitude of proposed initiatives and policies with respect to carbon mitigation, the OPA is taking a flexible approach and examining options and strategies for addressing climate change policies and understanding their impacts on the OPA and its contracted resources. As the policies related to carbon mitigation evolve and crystallize, the OPA will determine its specific role with respect to the OPA's operations, initiatives, programs and contracted resources.

1 b) As mentioned in the Business Plan, the OPA is monitoring the policy development
2 regarding carbon mitigation and is assessing the impact on the OPA. The OPA is also
3 working with stakeholders and the government to better understand the impact of
4 proposed policies and initiatives on the sector and on the OPA and its contracted
5 resources. Through this dialogue and knowledge sharing, the OPA will continue to
6 support the government in its policy development and, at the same time, will continue to
7 develop options and strategies for integrating them into its procurement contracts.

8 With respect to environmental expectations, the OPA has the ability to respond to those
9 expectations and set or create specific levels of environmental performance through its
10 procurements and associated contracts.

11 Electricity demand is determined by a multitude of external factors (economic
12 conditions, weather etc.) and the OPA's role is to monitor, assess and reflect any
13 changes in its planning and operations. Furthermore, the OPA is also executing various
14 conservation initiatives, which also impact and influence Ontario's electricity demand.

ENERGY PROBE INTERROGATORY 10

QUESTION

Issue # 3.0 Strategic Objective # 3 – SUPPLY PROCUREMENT AND CONTRACT MANAGEMENT – plan and design standardized tariff-based, competitive and bilateral procurement processes and enter into procurement contracts for generation resources. These procurement and contracts will meet the requirements identified in the integrated plan, ministerial directives and legislation, and incorporate world-class contracting and settlement practices that support investment in electricity.

3.1 Is the Operating Budget of \$7.836 million allocated to Strategic Objecting #3 reasonable and appropriate?

Interrogatory # 10

Ref: Exhibit A, Tab 2, Schedule 1

The following statement appears on page 19:

The OPA expects to engage in procurements for renewable-fuelled and gas-fired cogeneration projects, both large and small; district energy facilities; and initiatives that generate energy from waste. Activities that support the possible conversion of coal facilities to cleaner fuel technologies will also be undertaken, and additional contracts are expected to be executed for hydroelectric facilities.

a) In the OPA's opinion, is OEB approval required for procurement of any of the projects that would be covered by the excerpted statement above?

b) If yes, what process does the OPA intend to follow to achieve that approval?

RESPONSE

a) As described in Exhibit B-3-1, in the absence of an approved IPSP and approved procurement process, the OPA may only implement procurement activities in response to directives from the Minister of Energy and Infrastructure. These directives are not subject to OEB approval.

b) Please see the response to a), above.

ENERGY PROBE INTERROGATORY 11

QUESTION

Issue # 3.0 Strategic Objective # 3 – SUPPLY PROCUREMENT AND CONTRACT MANAGEMENT – plan and design standardized tariff-based, competitive and bilateral procurement processes and enter into procurement contracts for generation resources. These procurement and contracts will meet the requirements identified in the integrated plan, ministerial directives and legislation, and incorporate world-class contracting and settlement practices that support investment in electricity.

3.1 Is the Operating Budget of \$7.836 million allocated to Strategic Objecting #3 reasonable and appropriate?

Ref: Exhibit A, Tab 2, Schedule 1

On page 20 of the Business Plan, reference is made to the OPA's involvement in "Cross-border imports and exports"

Please explain the respective roles of the OPA and the IESO in these imports and exports of power.

RESPONSE

The OPA is responsible for gathering information on the economics of multi-year purchases from other jurisdictions, in order to assess options for addressing Ontario's future electricity needs. The OPA would, if so authorized, also be responsible to negotiate any agreement for the purchase of power from another jurisdiction. The OPA works with IESO to ensure that there is no duplication of effort.

ENERGY PROBE INTERROGATORY 12

QUESTION

Issue # 4.0 Strategic Objective # 4 – BARRIERS TO THE DEVELOPMENT OF EFFICIENT AND ENVIRONMENTAL SUSTAINABLE GENERATION DEVELOPMENT – Identify barriers and limitations; develop and/or define methods and solutions to deliver enhanced generation developments, through innovation, analysis, assessment and benchmarking with a view to efficiency and environmental sustainability.

4.1 Is the Operating Budget of \$833,000 allocated to Strategic Objective #4 reasonable and appropriate?

Interrogatory # 12

Ref: Exhibit A, Tab 2, Schedule 1

On page 23 of the Business Plan, reference is made to the Community Energy Partnership Program and the intention of OPA to deliver this program with contracted resources.

- a) Does OPA have a funding limit for the program? If so please provide details. If not, how will OPA control the cost of the program?
- b) The Minister's directive in exhibit A-5-2 is not specific about program design. Given the very relaxed eligibility criteria for applicants (egg. One or more Ontario residents), the ambiguity of the costs to be covered (egg. Project planning and feasibility costs) there would seem to be a good opportunity for misuse of funding. What design features of program will prevent applicants with no real intention of developing a renewable energy project from receiving funding?
- c) If the program will be contracted, how will OPA assure itself that grants made are prudent and for legitimate activities?

RESPONSE

- a) The OPA has worked together with the Ministry of Energy and Infrastructure to set funding limits for the Community Energy Partnerships Program. The per project funding limit is \$200,000 and the overall annual program target, which will be based on demand, is \$5 to \$10 million.
- b) The OPA is currently developing program rules and guidelines, which will outline the specific studies and activities that qualify and what the expected costs for each are. In addition, these rules will incorporate prerequisite requirements that measure the feasibility of their overall project.

- 1 c) Please see the response to b), above. The OPA expects that the rules and guidelines
- 2 developed for the program will ensure that grants are prudent and for legitimate
- 3 activities.

ENERGY PROBE INTERROGATORY 13

QUESTION

Issue # 4.0 Strategic Objective # 4 – BARRIERS TO THE DEVELOPMENT OF EFFICIENT AND ENVIRONMENTAL SUSTAINABLE GENERATION DEVELOPMENT – Identify barriers and limitations; develop and/or define methods and solutions to deliver enhanced generation developments, through innovation, analysis, assessment and benchmarking with a view to efficiency and environmental sustainability.

4.1 Is the Operating Budget of \$833,000 allocated to Strategic Objective #4 reasonable and appropriate?

Interrogatory # 13

Ref: Exhibit A, Tab 2, Schedule 1

On page 23 of the Business Plan, reference is made to the Municipal Renewable Energy Partnership Program which will defray municipal expenses for such things as roads, sewers, drainage etc. resulting from renewable energy projects.

- a) The categories of eligible expenses under the program seem very broad. If OPA has more detailed guidelines on how the program will be applied, please provide them.
- b) Does the OPA have a dollar limit on the total amount of funding to be provided under this program? If yes, please provide details. If no, how will OPA control the cost of the program?

RESPONSE

- a) The OPA has engaged a technical advisor to work with the OPA in identifying specific costs that a municipality could incur in the facilitation of a renewable energy project, focusing on those that a developer would not normally cover. The Directive outlines that municipalities are responsible for working with a developer to continue to cover direct costs and that a municipality may only be reimbursed for costs that are not reasonably covered by a developer. The program guidelines, once finalized, will outline what the specific costs are.
- b) More specific funding limits will be identified once the OPA has finalized its work on developing the program, and has identified the activities and expected costs that will be covered by the program.

ENERGY PROBE INTERROGATORY 14

QUESTION

Issue # 5.0 Strategic Objective # 5 – ORGANIZATIONAL CAPACITY – Develop and maintain organizational capacity to achieve the strategic objectives and be recognized as a strategic partner.

5.1 Is the Operating Budget of \$24.474 million allocated to Strategic Objective #5 reasonable and appropriate?

Interrogatory # 14

Ref: Exhibit A, Tab 2, Schedule 1

On page 25 of the Business Plan the following statement appears:

Over the next three years, the Power Authority will continue to develop and recruit people to have the skills required to meet the changing needs of the evolving electricity sector, implement processes that will enable the organization to grow as needed and develop better tools as part of those processes.

This statement suggests that the OPA is a growing organization intent on adapting itself to “the changing needs of the evolving electricity sector”. However, when the OPA was created in 2004, there was an expectation that it would be a temporary agency. The following excerpt from a presentation made by the then CEO of the OPA to the New England – Canada Business Council on November 3, 2006 supports this view:

“As competitive market forces improve to the point where they can support investment in infrastructure and stable pricing for consumers, our interventions will be reduced and eventually eliminated. In essence, the OPA is an agency designed to manage the process of transition from centralized monopoly to competitive market in Ontario’s electricity sector.”

- a) Does OPA still consider itself to be a transitional agency as described in this excerpt?
- b) If yes, what actions is OPA taking to encourage the transition and ensure that the OPA does not become an entrenched bureaucracy?
- c) If no, please describe the role the OPA now sees for itself.

1 RESPONSE

2 a) Significant changes have occurred in the electricity industry since the creation of the
3 OPA in 2004, and indeed, since 2006. More recent, and relevant developments in the
4 industry have resulted in increased responsibilities for the OPA.

5 As described in the OPA's Business Plan, at Exhibit A-2-1, conservation savings are
6 expected to increase by 40 percent, and electricity generation contracts under OPA
7 management will double in megawatts, representing an addition \$30 billion, or tripling,
8 in investment in the sector. The passing of the Green Energy Act in 2009 has placed a
9 high priority on renewable energy and conservation initiatives, both activities that fall
10 within the OPA's legislated mandate. The OPA has been tasked with expanded
11 responsibilities with regard to the development and implementation of the FIT program
12 and increased levels of consultation with stakeholders, including LDCs, transmitters,
13 First Nations and Métis and other communities. These recent industry developments
14 indicate an ongoing role for the OPA for the foreseeable future.

15 b) Please see the response to a), above.

16 c) Please see the response to a), above.

ENERGY PROBE INTERROGATORY 15

QUESTION

Issue # 5.0 Strategic Objective # 5 – ORGANIZATIONAL CAPACITY – Develop and maintain organizational capacity to achieve the strategic objectives and be recognized as a strategic partner.

5.1 Is the Operating Budget of \$24.474 million allocated to Strategic Objective #5 reasonable and appropriate?

Interrogatory # 15

Ref: Exhibit A, Tab 2, Schedule 1

Please provide a table showing staff levels and FTEs by department at the OPA for each of the years 2005 – 2010.

RESPONSE

As described in the OPA's response to Energy Probe Interrogatory 7 (EB-2008-0312), the OPA began to consistently collect and report on the requested employee data in 2008 and is therefore unable to provide the requested employee data for prior years. The tables below provide the actual employee data at December 31 for 2008 and 2009, and the planned employee data for 2010 (please note that in April, 2009, the OPA implemented a realignment of its organizational structure to meet its new accountabilities under the Green Energy Act; as a result, the Divisional and departmental structure changed in mid-2009).

1 **2008 - ACTUALS**

		December 31	
Division / Department	Division / Department	Headcount	FTE's
CEO's Office		3	3
Conservation Bureau		5	5
Legal and External Affairs	Corporate Counsel	4	4
	Corporate Secretary	1	1
	Regulatory Affairs	2	2
	Corporate Communications	14	11.7
	Vice-President's Office	3	3
Conservation and Sector Development	Market Structure	2	2
	Portfolio Development &	14	13.6
	Mass Markets &	20	18.6
	Commercial Institutional	10	10
	DR & Industrial Programs	7	7
	Channel Development	1	1
	Vice-President's Office	2	2
Electricity Resources	Procurement	13	12.4
	Contract Management	9	9
	Vice-President's Office	2	2
Power System Planning	Transmission Integration	13	12
	Resource Integration	9	9
	Conservation Integration	8	8
	Vice-President's Office	3	3
Finance and Administration	Evaluation, Measurement &	7	7
	Business Services	20	18.6
	Human Resources	6	5
	Finance	9	9
	Vice-President's Office	2	2

1 **2009 - ACTUALS**

		December 31	
Division / Department	Department	Headcount	FTE's
CEO's Office		2	2
Legal, Aboriginal & Regulatory Affairs	Corporate Counsel	4	4
	Corporate Secretary	1	1
	Regulatory Affairs	3	3
	First Nations & Métis Relations	5	4.6
	Vice-President's Office	3	3
Communications	Community & Stakeholder Relations	5	5
	Corporate Communications	12	11.2
	Vice-President's Office	2	2
Conservation	LDC Conservation	25	25
	Marketing & Conservation Awareness	10	9.9
	DR & Industrial Programs	8	8
	Innovation & Evaluation	15	15
	Vice-President's Office	2	2
Electricity Resources	Procurement	15	14.8
	Contract Management	13	13
	Policy & Analysis	7	7
	Vice-President's Office	2	2
Power System Planning	Transmission Integration	21	20
	Resource Integration	10	10
	Conservation Integration	6	6
	Vice-President's Office	2	2
Finance and Administration	Business Services	21	20.8
	Human Resources	7	6
	Finance	12	11.6
	Vice-President's Office	2	2

1 **2010 – PLANNED**

Division / Department	Division / Department	Headcount	FTE's
CEO's Office		2	2
Legal, Aboriginal & Regulatory Affairs	Corporate Counsel	5	5
	Corporate Secretary	1	1
	Regulatory Affairs	5	4.6
	First Nations & Métis Relations	5	4.8
	Vice-President's Office	3	3
Communications	Community & Stakeholder	9	8.8
	Corporate Communications	12	10.8
	Vice-President's Office	2	2
Conservation	LDC Conservation	22	22
	Marketing & Conservation Awareness	9	8.8
	DR & Industrial Programs	12	10.8
	Innovation & Evaluation	19	18.3
	Vice-President's Office	6	6
Electricity Resources	Procurement	13	12.8
	Contract Management	22	20.5
	Policy & Analysis	6	6
	Vice-President's Office	2	2
Power System Planning	Transmission Integration	23	21.3
	Resource Integration	10	10
	Conservation Integration	8	8
	Vice-President's Office	2	2
Finance and Administration	Business Services	23	22.2
	Human Resources	6	5
	Finance	12	11.6
	Vice-President's Office	2	2

ENERGY PROBE INTERROGATORY 16

Issue # 5.0 Strategic Objective # 5 – ORGANIZATIONAL CAPACITY – Develop and maintain organizational capacity to achieve the strategic objectives and be recognized as a strategic partner.

5.1 Is the Operating Budget of \$24.474 million allocated to Strategic Objective #5 reasonable and appropriate?

QUESTION

Ref: Exhibit A, Tab 2, Schedule 1

On page 27 of the Business Plan, the following statement appears:

An increase in professional and consulting expenses is anticipated over the planning period to support the expected filing of a second Integrated Power System Plan (IPSP) in 2011.

a) How much is anticipated for professional and consulting fees related to the 2011 IPSP filing?

b) What does the OPA see are the merits of filing a second IPSP when the first one has not been approved by the Board and the hearing to consider it has been suspended?

RESPONSE

a) The OPA has budgeted \$750,000 in legal consulting fees in 2010 to support the preparation of the next IPSP filing. A further \$900,000 has been budgeted for 2010 to provide consulting support for planning studies consistent with the development of evidence as described above. These studies relate to renewable integration, resource planning, interconnection intelligence, transmission planning and remote communities planning.

b) A second IPSP is required to ensure that the province has an integrated plan in place to ensure that its electricity needs are met over the next 20 year period.

ENERGY PROBE INTERROGATORY 17

QUESTION

Issue # 5.0 Strategic Objective # 5 – ORGANIZATIONAL CAPACITY – Develop and maintain organizational capacity to achieve the strategic objectives and be recognized as a strategic partner.

5.1 Is the Operating Budget of \$24.474 million allocated to Strategic Objective #5 reasonable and appropriate?

Interrogatory # 17

Ref: Exhibit A, Tab 2, Schedule 1

On page 27 of the Business Plan, the following statement appears:

An increasing number of requests are being directed to the OPA to undertake analysis and provide support in regulatory proceedings involving LDCs, transmitters and other stakeholders.

- a) Other than Hydro One and the IESO, what other LDCs, transmitters and stakeholders have asked the OPA to undertake analysis and provide support in regulatory proceedings?
- b) Does the OPA recover its costs of providing analysis and support from the agency requesting the analysis or support? If not, why not?

RESPONSE

a) In addition to Hydro One, the OPA has also in the past received requests from OPG to provide support regarding the need for particular generation assets. The Business Plan reference shown above refers in particular to OPA support that will be required over the next three years to support Green Energy Act-related applications for system expansions. While many of these can be expected from Hydro One, there are other parties in the province who may be in a position to make applications for such expansions. It is expected that OPA will be required to demonstrate the need for proposed infrastructure development in any parties' regulatory approval proceedings. These activities have been described at Exhibit B-5-1, page 15.

Further support to other parties will be provided through OPA review of LDCs' Distribution System Plans, which will be submitted for OEB approval. The current Draft Filing Requirements, dated December 18, 2009, contemplate that LDCs' Detailed

- 1 System Plans will require a letter of support from the OPA to ensure that they are
2 consistent with planned generation and regional infrastructure.
- 3 b) The OPA does not recover the cost of providing its support from the applicants. The
4 OPA has a direct interest in the outcome of these proceedings, as they relate to
5 components of the OPA's integrated plans, or expansions required to ensure the
6 successful implementation of the Green Energy Act, particularly with reference to the
7 OPA's FIT program, .

ENERGY PROBE INTERROGATORY 18

QUESTION

Issue # 5.0 Strategic Objective # 5 – ORGANIZATIONAL CAPACITY – Develop and maintain organizational capacity to achieve the strategic objectives and be recognized as a strategic partner.

5.1 Is the Operating Budget of \$24.474 million allocated to Strategic Objective #5 reasonable and appropriate?

Ref: Exhibit D, Tab 2, Schedule 1

Exhibit D-2-1 describes the variances from 2009 budget that combine to produce the 2010 budget.

- a) Has the OPA budgeted any amount for IPSP activities in 2010? If yes, how much has been budgeted and for what activities?
- b) Lines 2-4 on page 4 state that the OPA is working on its response to the Minister's directive of September 17, 2008. Does the OPA have a target date when work on this response will be complete?
- c) How many staff are devoted to working on this response?

RESPONSE

- a) Please see the response to Energy Probe Interrogatory 16, at Exhibit I-3-16.
- b) The OPA does not have a target date at this time. Please see the response to VECC Interrogatory 10, at Exhibit I-5-10.
- c) Developing a response to the Minister's Directive has been a shared responsibility across the Power System Planning division and, as such, all planning staff have contributed. This has been considered part of the ongoing function of long-term planning for Ontario's electricity system. Further contributions have been made by staff in other divisions within the organization.

ENERGY PROBE INTERROGATORY 19

QUESTION

Issue # 6.0 Strategic Objective #6 – COMMUNICATIONS – Be a trusted and respected source of information in the electricity sector.

6.1 Is the Operating Budget of \$9.108 million allocated to Strategic Objective #6 reasonable and appropriate?

Interrogatory # 19

Ref: Exhibit D, Tab 2, Schedule 1

On page 8 of the Exhibit, Table 4 shows an increase in Total OPA FTEs of 37.5 from Budget 2009 to Budget 2010, or a one year increase of 19.36%. In fact, Table 4 shows a Budget 2009 to Budget 2010 increase in FTEs for every Strategic Objective.

- a) What skill sets have been recruited in the FTE increase of 9.7 in Strategic Objective # 6?
- b) In Table 7 on page 10 of this Exhibit, Professional and Consulting Costs are listed as \$5.6 million for the 2010 Budget. What is the amount of this Budget for advertising and marketing support?
- c) In the OPA's 2010-2012 Business Plan, Strategic Objective # 6 is described as a new strategic objective. Why have the Temporary FTEs disappeared as total FTEs increased by 181%?

RESPONSE

- a) A wide range of skill sets have been recruited in the FTE increase of 9.7 to meet the objectives set out in the Ontario Power Authority Business Plan. These skill sets include specialization in several disciplines as listed below.

- Web design and maintenance
- Communications
- Media Relations
- Editorial Services

Web design and maintenance and editorial services represent skill sets that are new to the OPA. Communications and media relations additions are required to support increased activity and to build capability to meet the OPA's objectives.

- 1 b) The advertising and marketing support budget for 2010 is \$3.2 million and is allocated
2 as follows:
- 3 • Participation in conferences, public fora, summits, large scale consumer exhibitions
4 such as the Green Energy Show, and spectator sports events: \$1.1 million;
 - 5 • A province-wide, high-profile energy conservation awareness campaign that
6 engages the public, businesses and youth to take simple conservation actions that
7 will have lasting financial rewards and help fight climate change: \$1.9 million;
 - 8 • FIT and microFIT advertising: \$100,000; and
 - 9 • Ad agency ongoing professional and consulting fees, brand development, and First
10 Nations and Métis marketing collateral: \$100,000.
- 11 c) The Ontario Power Authority is building internal capabilities to minimize its reliance on
12 external consultants while meeting the demands of the new programs such as FIT,
13 microFIT, activities to support a culture of conservation, and for issues management of
14 new generation projects which engage the public and industry. It is anticipated that
15 these are ongoing activities, which requires them to be filled by permanent employees.
16 As described in the response to Board Staff Interrogatory 4, at Exhibit I-1-4, as
17 additional experience and information with regard to ongoing work requirements for
18 GEA and other initiatives are acquired, the OPA will continue to reassess its resource
19 requirements through its regular business planning process, as it has in past years.

ENERGY PROBE INTERROGATORY 20

QUESTION

Issue # 8.0 Deferral and Variance Accounts

8.2 Are the proposed Deferral and Variance Accounts appropriate?

Interrogatory # 20

Ref: Exhibit D, Tab 3, Schedule 2

Pages 1 and 2 of the exhibit contain an invoice from the Ministry of Finance for "court costs awarded". Page 2 of the exhibit lists the costs as the "Nishnawbe Aski Development Fund". Exhibit D-3-1 page 2 shows this cost under the heading of "Government Procurement Cost Deferral Accounts".

- a) What was the court case related to?
- b) How was this related to the Nishnawbe Aski Development Fund?
- c) How was this related to Government Procurement expenses?

RESPONSE

- a) The Ministry of Finance was changing its accounting system at the time the invoice was prepared and an incorrect account and account description were inadvertently used.

The invoice was confirmed through discussions with the Ministry, and was actually related to the Manitoba Intertie negotiation and the cost incurred with the negotiation with the Nishnawbe Aski Development Fund to facilitate a potential interprovincial intertie.

- b) Please see response to a), above.
- c) Please see response to a), above.

ENERGY PROBE INTERROGATORY 21

QUESTION

Issue # 8.0 Deferral and Variance Accounts

8.2 Are the proposed Deferral and Variance Accounts appropriate?

Interrogatory # 21

Ref: Exhibit D, Tab 3, Schedule 2

Page 3 of the exhibit is an invoice for \$45,747.96. The description on the invoice does not identify the reason for the cost but suggests it is part of an ongoing cost recovery by the Province from the OPA. Exhibit D-3-1 page 2 shows this cost under the heading of "Government Procurement Cost Deferral Accounts".

- a) Please explain what the cost is related to including why it is an OPA obligation.
- b) If this invoice is for only part of an ongoing obligation, what is the entire amount of the obligation?

RESPONSE

- a) The invoice is related to Ministry negotiations with neighboring jurisdictions regarding electricity interties. The Government is authorized to bill the OPA for these activities under section 25.18 of *the Electricity Act, 1998*.
- b) The entire amount is undetermined as the negotiations are ongoing with neighborhood jurisdictions.

ENERGY PROBE INTERROGATORY 22

QUESTION

Issue # 9.0 Previous Settlement Agreements and Decisions

9.1 Has the OPA responded appropriately to previous Settlement Agreements and Decisions?

Interrogatory # 22

Ref: EB-2008-0312, Decision and Order, April 7, 2009

On page 4 of the Decision and Order, under the Board's Findings, Operating Budget Levels, the Board Panel stated:

Energy Probe observed that the OPA "keeps adjusting" the areas of responsibility associated with its various cost centres from year to year, and this makes examination of spending trends for its operating divisions difficult. The Board does not discount these difficulties. However, the Board considered that the OPA is a relatively new organization and, also, its activities are largely driven by ministerial directives and changing government energy policy that can lead to significant adjustments to its scope and effort of its various objectives from time to time. The Board further notes that the OPA has attempted to be helpful by recasting the data to enable comparisons from year to year and to explain the differences that arose from reallocations. However, as this information was adduced mainly in responses to interrogatories, the Board encourages the OPA in future to recast the data in its pre-filed evidence rather than waiting for interrogatories, and to do so by considering this year's interrogatories in that regard.

Please describe how the OPA has responded to the expectation of the Board Panel in respect of recasting the data in its pre-filed evidence to enable comparisons from year to year and to explain differences that arise from reallocations, as stated on page 4 of the Decision and Order in the EB-2008 -0312 proceeding?

RESPONSE

The OPA is cognizant of the fact that reorganizations result in difficulties in comparing costs on a year-over-year basis. As the Board noted in its Decision in the OPA's 2009 Revenue Requirement Submission (EB-2009-0312), the OPA's activities are largely driven by ministerial directives and changing government priorities, and such reorganizations are required to effectively refocus the OPA's resources to achieve these goals.

1 In order to respond to the Board's concerns regarding the presentation of data expressed in
2 that Decision, the OPA presented the data in its 2010 filing in two different ways:

- 3 • In 2009, the OPA added Strategic Objective 6, reflecting the importance of
4 Communications in all areas in fulfilling its mandate. The result of this addition is the
5 separation of the Communications division from its previous location as a support
6 function within Strategic Objective 5, as illustrated in Exhibit D-2-2, page 1. The
7 narrative and accompanying table showed the effect of this reorganization, and the
8 evidence presented for each of the Strategic Objectives in Exhibits B-1 to B-6 was
9 restated accordingly, allowing for year-to-year comparisons by Strategic Objective.
- 10 • In an effort to show the impact of the Green Energy Act and other industry conditions on
11 the OPA's operations, an analysis of variances by project was included in Exhibit D-2-1,
12 page 2. Many of these initiatives involved the use of resources across functions, and
13 this analysis illustrates their impact on the organization as a whole and the resultant
14 year-to-year change in resource allocation.

POLLUTION PROBE INTERROGATORY 1

QUESTION

Issue 2.1, Reference: Exhibit A, Tab 2, Schedule 1, page 8

Please provide your most recent best information (e.g. actuals or best estimates/forecasts) regarding your net cumulative conservation savings (in MW) as of December 31, 2009. Please break-out this amount according to at least the following categories:

- a) peaksaver;
- b) DR1;
- c) DR2;
- d) DR3;
- e) Northern York Region DR;
- f) energy efficiency; and
- g) other.

RESPONSE

The Evaluation, Measurement and Verification ("EM&V") process on 2009 Conservation Programs is currently underway. Final Conservation Results for 2009 programs are scheduled to be available in the third quarter of 2010. The OPA does not release interim or preliminary conservation program results.

The incremental and cumulative net conservation resources obtained from 2006, 2007 and 2008 OPA-funded conservation programs are summarized in the table below. These savings are incremental to the 1,350 MW achieved by the end of 2007, as announced in the 2008 CECO Report, as filed in EB-2008-0312, Exhibit A-3-1. Please note the following:

- All savings are at the end-user and therefore do not include avoided transmission or distribution losses.
- Savings are for OPA-funded programs only; savings from other programs (e.g. provincial, LDC-funded) or policies (e.g. codes and standards) which contribute to the Ontario's conservation goals are not shown here.
- Demand Response savings represent the total contracted resources available within each DR program. They do not represent actual curtailments.
- Northern York Region DR includes the Rodan contract only. This does not represent the total conservation results from OPA-funded programs in Northern York Region as

some of the savings shown in the other province-wide categories may have occurred in Northern York Region.

- “Other” includes savings from: Loblaw DR contract, customer based generation contracts, and the Hydro One Double Return initiative.

	2006		2007		2008	
	Incremental savings (MW)	Cumulative savings (MW)	Incremental savings (MW)	Cumulative savings (MW)	Incremental savings (MW)	Cumulative savings (MW)
Peaksaver	0	0	13.3	13.3	34.1	47.4
DR1	266	266	51.4	317.4	122.2	439.6
DR2	0	0	0	0	0	0
DR3	0	0	0	0	85	85
Northern York Region DR	3	3	13.4	16.4	2.8	19.2
Energy Efficiency	16.2	16.2	207.3	223.5	55.6	178.6
Other	10	10	1.95	11.95	61.1	73
Total	295.2	295.2	287.4	582.6	360.8	942.8

POLLUTION PROBE INTERROGATORY 2

QUESTION

Issue 2.1, Reference: Exhibit A, Tab 2, Schedule 1, page 8

Please provide your best estimate of the total cost of obtaining the stated net cumulative conservation savings as of December 31, 2009.

RESPONSE

The OPA's operating costs are developed based on the OPA's divisional requirements. All departments within the Conservation division, as well as several departments within other divisions, provide support to more than one conservation program, thereby prohibiting the allocation of operating costs to individual conservation programs. Those costs which are directly related to the procurement of conservation resources through conservation programs are captured in the OPA's charges, which are not part of the OPA's Revenue Requirement Submission.

POLLUTION PROBE INTERROGATORY 3

QUESTION

Issue 2.1, Reference: Exhibit A, Tab 2, Schedule 1, page 8

Please provide a break-out of your incremental net cumulative conservation savings (in MW) for 2010 according to at least the following categories:

- a) peaksaver;
- b) DR1;
- c) DR2;
- d) DR3;
- e) Northern York Region DR;
- f) energy efficiency; and
- g) other.

RESPONSE

As shown in its 2010-2012 Business Plan (Exhibit A-2-1, p. 8), the OPA is projecting a net cumulative conservation savings, from OPA funded programs starting in 2006, of 2,172 MW by the end of 2010. The OPA manages its conservation programs on a portfolio basis and therefore does not publish initiative-level forecasts.

POLLUTION PROBE INTERROGATORY 4

QUESTION

Issue 2.1, Reference: Exhibit A, Tab 2, Schedule 1, page 8; and Ex.B, Tab 2, Schedule 1, page 14

Please provide a break-out of your 2010 conservation budget (i.e. \$16,484,000) according to at least the following categories:

- a) peaksaver;
- b) DR1;
- c) DR2;
- d) DR3;
- e) Northern York Region DR;
- f) energy efficiency; and
- g) other.

RESPONSE

The OPA's operating costs are developed based on the OPA's organizational structure. All departments within the Conservation division, as well as several departments within other divisions, provide support to more than one conservation program, thereby prohibiting the allocation of operating costs to individual conservation programs. Those costs which are directly related to the procurement of conservation resources through conservation programs are captured in the OPA's charges, which are not part of the OPA's Revenue Requirement Submission.

POLLUTION PROBE INTERROGATORY 5

QUESTION

Issue 3.1, Reference: Exhibit B, Tab 3, Schedule 1, page 5

Please state the amount of the \$7,836,000 generation procurement budget that is allocated to the procurement of new combined heat and power ("CHP") resources. Please further break-out the new CHP procurement budget according to at least the following categories:

- a) bi-lateral negotiations with large industrial consumers (e.g. St. Marys Paper, AbitibiBowater);
- b) small clean energy standard offer program; and
- c) other.

For the purposes of this interrogatory, please note that new CHP does not include re-negotiated NUG contracts.

RESPONSE

Out of the \$7,836,000 generation procurement budget, \$320,000 has been allocated for all CHP procurements. Further break-out to the categories stated above has not been conducted. The OPA will be examining specific system needs, locational constraints and capacity remaining after the FIT launch period. These factors will affect the timing and specific procurement mechanism for launching one or more CHP procurements as mentioned above in 2010.

POLLUTION PROBE INTERROGATORY 6

QUESTION

Issue 3.1, Reference: Ex. B, Tab 3, Schedule 1, page 5

Please state the amount (in MW) of new CHP capacity that the OPA expects to contract for in 2010. Please break-out this forecast according to at least the following categories:

- a) bi-lateral negotiations with large industrial consumers (e.g., St Marys Paper, AbitibiBowater);
- b) small clean energy standard offer program; and
- c) other.

For the purposes of this interrogatory, please note that new CHP does not include re-negotiated NUG contracts.

RESPONSE

In the event that a new CHP procurement is launched in 2010, the amount of contracted MW will likely align with the total amount of outstanding capacity to be procured under the 2005 Combined Heat and Power Directive. Approximately 500 MW remains to be contracted under this Directive. Additional capacity could also be procured through the Clean Energy Standard Offer Program ("CESOP").

The OPA is still examining the specific system needs and locational constraints (after assessing the FIT launch period); these factors affect the timing and specific procurement mechanism for launching one or more CHP procurements mentioned above in 2010.

Based on preliminary information, the amount of capacity that could potentially be contracted is as follows (broken down according to requested categories):

- a) Capacity related to bi-lateral negotiations with large industrial consumers (St. Mary's, Abitibi Bowater) is approximately 70 MW;
- b) Capacity related to smaller clean projects that could be procured through a clean energy standard offer program is approximately 150 MW based on information collected from parties that have expressed interest to the OPA;
- c) All other CHP projects total approximately 1,000 MW, based on information collected from parties that have expressed interest to the OPA.

VECC INTERROGATORY 1

QUESTION

Issue 2.1

References: Ex. A/T2/S1, p. 6 and p. 8

Ex. B/T2/S1, pp 3-4

Please provide the targeted incremental net conservation savings in respect of the Low-Income Consumer Program in 2009.

RESPONSE

In 2009, there was not a stand alone province-wide program geared specifically to low-income single family households, however all low-income consumers across Ontario were eligible to participate in all OPA Consumer Program initiatives. The OPA also provided incentives for the retrofit of affordable and social housing ("ASH") as part of its Multi-Family Energy Efficiency Rebate ("MEER"). It is anticipated that ASH projects will account for approximately 40% of total MEER savings achieved over the multi-year life of this initiative.

Additionally, Toronto Hydro, as part of its portfolio of initiatives funded through the OPA, delivered an initiative which provided free compact fluorescent light bulbs to low-income customers in Toronto.

The Evaluation, Measurement and Verification ("EM&V") process on 2009 Conservation Programs is currently underway. Final Conservation Results for 2009 programs are scheduled to be available in the third quarter of 2010. The OPA does not release interim or preliminary conservation program results.

VECC INTERROGATORY 2

QUESTION

Issue 2.1

References: Ex. A/T2/S1, p. 6 and p. 8

Ex. B/T2/S1, pp 3-4

Please provide the estimated incremental net conservation savings in respect of the Low-Income Consumer Program in 2009.

RESPONSE

The Evaluation, Measurement and Verification ("EM&V") process on 2009 Conservation Programs is currently underway. Final Conservation Results for 2009 programs are scheduled to be available in the third quarter of 2010. The OPA does not release interim or preliminary conservation program results.

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VECC INTERROGATORY 3

QUESTION

Issue 2.1

References: Ex. A/T2/S1, p. 6 and p. 8
Ex. B/T2/S1, pp 3-4

Please describe the portfolio management activities undertaken by the OPA in 2009 with respect to “driving results through activities to increase program participation and monitoring and evaluating program and portfolio performance” for the Low-Income Consumer Program.

RESPONSE

Exhibit B-2-1, page 4, indicates that “the focus in 2009 has *begun* to shift from program design and planning towards portfolio management, now that the majority of the portfolio is in market” (emphasis added).

One aspect of the portfolio which was not in market in 2009 and which is still in the planning and program design phase is a province-wide low income consumer program for single family homes. The OPA is currently involved in a working group with the Ministry of Energy and Infrastructure and the OEB that is developing a policy framework for a provincial low-income program with the intention of launching in 2011.

In 2009 the OPA undertook several activities to drive and encourage Affordable and Social Housing (“ASH”) participation in the Multi-family Energy Efficiency Rebate (“MEER”). The OPA encouraged direct channel communication between MEER Program Managers (City of Toronto and GreenSaver) and the ASH sector in order to bring the MEER initiative to the ASH sector. The OPA also supported and encouraged MEER Program Managers with their engagement of Social Housing Services Corporation (“SHSC”), which the OPA anticipates will result in increased participation by the ASH sector members in 2010.

VECC INTERROGATORY 4

QUESTION

Issue 2.1

References: Ex. A/T2/S1, p. 6 and p. 8
Ex. B/T2/S1, pp 3-4

Please provide the estimated OPA resources allocated to the Low-Income Consumer Program in 2009.

RESPONSE

The OPA's operating costs are developed based on the OPA's divisional requirements. All departments within the Conservation division, as well as several departments within other divisions, provide support to more than one conservation program, thereby prohibiting the allocation of operating costs to individual conservation programs. Those costs which are directly related to the procurement of conservation resources through conservation programs are captured in the OPA's charges, which are not part of the OPA's Revenue Requirement Submission.

VECC INTERROGATORY 5

QUESTION

Issue 2.1

References: Ex. A/T2/S1, p. 6 and p. 8
Ex. B/T2/S1, pp 3-4

Please provide the projected net cumulative conservation savings for the Low-Income Consumer Program at December 31, 2009.

RESPONSE

As described in the response to VECC Interrogatory 2, at Exhibit I-5-2, the final results for 2009 conservation programs are not currently available. The net cumulative savings from OPA-funded low-income conservation initiatives in 2006 through 2008 is 4.1 MW.

VECC INTERROGATORY 6

QUESTION

Issue 2.1

References: Ex. A/T2/S1, p. 6 and p. 8
Ex. B/T2/S1, pp 3-4

Please provide the targeted incremental net conservation savings in respect of the Low Income Consumer Program for 2010.

RESPONSE

The OPA is currently involved in a working group with the ministry and the OEB that is developing a policy framework for a provincial low-income program with the intention of launching in 2011.

In 2010, Toronto Hydro, as part of its portfolio of initiatives funded through the OPA, will continue to deliver a conservation initiative for low-income customers in Toronto. The 2010 initiative will include: draft proofing; installation of programmable thermostats; lighting retrofits; installation of lighting controls; window air conditioner retrofits; and education.

The OPA will also continue to provide incentives for the retrofit of affordable and social housing ("ASH") through the Multi-Family Energy Efficiency Rebate ("MEER") initiative.

As shown in its 2010-2012 Business Plan (Exhibit A-2-1, p. 8), the OPA is projecting a net cumulative conservation savings, from OPA funded programs starting in 2006, of 2,172 MW by the end of 2010. The OPA manages its conservation programs on a portfolio basis and therefore does not publish initiative-level forecasts.

VECC INTERROGATORY 7

QUESTION

Issue 2.1

References: Ex. A/T2/S1, p. 6 and p. 8
Ex. B/T2/S1, pp 3-4

Please describe the portfolio management activities undertaken by the OPA in 2010 with respect to “driving results through activities to increase program participation and monitoring and evaluating program and portfolio performance” for the Low-Income Consumer Program.

RESPONSE

In 2010, the OPA will continue to work with its external Program Managers (Green\$aver and The City of Toronto) to increase Affordable and Social Housing participation in the Multi-Family Energy Efficiency Rebate Initiative as described in the response to VECC Interrogatory 3 at Exhibit I-5-3. This will include procuring research to help inform a resident education strategy and facilitating cooperation between local distribution companies and Green\$aver with respect to the recruitment of participants.

Additionally, the OPA is funding several projects within the social housing sector in 2010 through its Conservation Fund:

1. Energy Savings Through Education and Training (Toronto Community Housing Corporation (“TCHC”)): This project will test the importance of tenant and staff education in achieving electricity conservation in social housing. Working with the Social Housing Services Corporation and housing providers in Ottawa and Windsor-Essex, TCHC’s module will measure the impact on electricity consumption that social marketing techniques and staff training can bring to a variety of building types and levels of tenant responsibility for utility bills.
2. The Now House Project, Windsor 5 (Now House Project Inc): This project retrofits five wartime homes in the Windsor Essex Community Housing Corporation’s social housing portfolio to near zero energy use. The first Now House, completed in September 2008, was retrofitted to achieve a near zero energy use, including a 60 percent reduction in electricity and a 5.4 tonne reduction in carbon dioxide emissions. This project will replicate those results in an affordable model that works with the community to minimize cost and maximize energy reduction. The model will then be promoted to other community housing corporations for use in their housing portfolio.

- 1 3. Electricity Sub-Metering Pilot for Multi-Family Residential Buildings (Toronto Community
2 Housing Corporation ("TCHC")): In collaboration with Social Housing Services
3 Corporation, TCHC will conduct a pilot study that will develop and test several potential
4 equitable cost-sharing models which would sustain the rationale for smart sub-metering
5 to be implemented in social housing in Ontario. Such a study will inform development of
6 policy for sustainable sector-wide electricity sub-metering in social housing, which will
7 then be tested in several buildings in TCHC's portfolio.

VECC INTERROGATORY 8

QUESTION

Issue 2.1

References: Ex. A/T2/S1, p. 6 and p. 8
Ex. B/T2/S1, pp 3-4

Please provide the estimated OPA resources allocated to the Low-Income Consumer Program in 2010.

RESPONSE

The OPA's operating costs are developed based on the OPA's divisional requirements. All departments within the Conservation division, as well as several departments within other divisions, provide support to more than one conservation program, thereby prohibiting the allocation of operating costs to individual conservation programs. Those costs which are directly related to the procurement of conservation resources through conservation programs are captured in the OPA's charges, which are not part of the OPA's Revenue Requirement Submission.

VECC INTERROGATORY 9

QUESTION

Issue 2.1

References: Ex. A/T2/S1, p. 6 and p. 8
Ex. B/T2/S1, pp 3-4

Please indicate whether the table on p. 6 entitled "OPA Efficiency Metrics" is exhaustive in terms of listing all OPA "hard targets" for 2010. If not, please provide any additional 2010 targets.

RESPONSE

These are the organization's primary operating objectives for the attainment of conservation savings and the addition of generation capacity to Ontario's electricity system. Primary financial targets for the organization are also outlined.

In addition to these targets are the "Milestones" provided within the evidence for each Strategic Directive. OPA progress in meeting these Milestones is reported annually in its Revenue Requirement Submissions.

Further internal measures and targets are used throughout the organization, and are in support of its primary objectives. These measures can range from monitoring employee turnover at an organizational level to establishing individual goals and targets within employee performance and development plans.

VECC INTERROGATORY 10

QUESTION

Please provide an update with respect to the OPA's response to the Minister's Directive of September 17, 2008, regarding timelines for consultations, etc.
Issue 2.1

RESPONSE

The OPA remains committed to its mandate for long term planning. Consultation with other government agencies, distributors, transmitters, consumers, First Nations and Métis and other stakeholders is an integral part of developing long-term plans.

In response to the Minister's September 17, 2008 Directive, the OPA has been preparing a scenario-based analysis of potential futures for Ontario's electricity sector. Further consideration has been given to the many changes that have taken place in the electricity sector over the past year, including a policy environment and economic circumstances that continue to evolve. Significant new information obtained from developments such as the Green Energy Act, Feed-in Tariff program, Ministerial letter to Hydro One regarding transmission system expansion, transmitter's expansion plans, local distribution company's expansion plans, and other changes in the industry are to be incorporated in the response.

Timelines for consultations are to be determined. The OPA anticipates providing a comprehensive response to the new Minister in the near future.

