

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.