

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.