

1 **CME INTERROGATORY 1**

2 **QUESTION**

3 **Reference: 2011-2013 Business Plan (the “Business Plan”), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
7 **Ontario Energy Board (“OEB”) Issues Decision, January 11, 2011**

8 **Issue Nos.: 1.1, 2.1, 3.1, 4.1 and 5.1**

9
10 1. In its January 11, 2011 Issues Decision, the Board stated:

11 “... the Board is of the view that the allocation of the OPA’s budget among its objectives
12 and initiatives is germane to this proceeding and that this issue should remain on the
13 issues list. The Board is of the view that an organization with the OPA’s sophistication
14 and responsibilities should be able to provide information as to how its budget is
15 allocated among initiatives, for the purpose of assessing whether the proposed fees are
16 reasonable and appropriate.”

17 In order to better understand how the OPA identifies its resources requirements and
18 deploys those resources to achieve its strategic objectives, please provide a table for each
19 of the historic years 2009 and 2010 and for the budget year 2011 that will show the
20 following information:

21 (a) In column 1, to be entitled “Functions and Initiatives”, a list of each of the functions and
22 initiatives OPA performed in each of the historic years and plans to perform in the
23 budget year under headings for each of its strategic objectives pertaining to:

24 (i) Power System Planning,

25 (ii) Conservation,

26 (iii) Supply, Procurement and Contract Management,

27 (iv) Organizational Capacity, and

28 (v) Communications

29 Please list the functions and initiatives so that they include each of the initiatives
30 pertaining to each strategic objective described in the Business Plan Exhibit A-2-1 and
31 in Exhibit B, Tabs 1 to 5 inclusive, as well as any other initiatives that may not be
32 described therein.

- 1 (b) In column 2, to be entitled "Internal Resources", show FTEs and costs that have been
2 allocated to each of the functions and initiatives listed in column 1 for internal resources
3 used in the historic years and planned to be used in the budget year, so that the total for
4 FTEs in each year and the costs thereof reconcile with the information provided in the
5 2011 to 2013 Business Plan at page 48, as well as in the OPA's 2009 Annual Report at
6 Exhibit A-3-1, at pages 29 and 45, and the Operating Costs and FTE information for
7 internal resources shown in Exhibit D, Tab 2, Schedule 1 at pages 7 to 12 inclusive.
- 8 (c) In column 3, to be entitled "External Resources", show, for each function and initiative
9 described in column 1 where external resources were utilized, the nature of the external
10 resource used and the costs thereof; so that the amounts reconcile with the costs for
11 external resources such as professional and consulting costs shown in the references
12 cited in the previous paragraph.
- 13 (d) In a fourth column, to be entitled "Program Spending", list each of the programs and the
14 related charge-funded activities for each of the strategic objectives pertaining to Power
15 System Planning, Conservation, Supply Procurement and Contract Management,
16 Organizational Capacity, and Communications so that the total amounts for each
17 program under each strategic objective reconcile with total program spending in 2009,
18 2010 and 2011 shown in the 2011 to 2013 Business Plan at page 48.

19 RESPONSE

20 The OPA develops its initiatives each year to reflect changes in the electricity sector,
21 changes in related regulations and latest directives or directions from the Minister of Energy
22 or OEB.

23 Therefore, the initiatives laid out in this application are different from those in the 2010 and
24 2009 revenue requirement submissions.

25 The following focuses on the details of OPA's planned spending in 2011. Spending on 2011
26 external resources has been provided by initiative where available.

27 (i) PSP

28 The main objective of the PSP division is to facilitate the development of a cost effective,
29 reliable and sustainable electricity system. The total operating expenses of this department
30 are provided in the table below.

31 Compensation and benefits include costs for regular, temporary and student staff.
32 Operating and administration expenses include indirect expenses such as travel and
33 professional development. Professional consulting expenses consist of external consulting
34 costs related to research and planning studies, enhancement of the load forecasting
35 system and evaluation of system supply options and requirements.

	Internal Resources			External Resources			Program spending		
	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)
Division FTE	35.4	43	42						
Division Compensation & Benefits	\$4,242	\$4,891	\$4,876						
Division Operating & Administration	\$204	\$309	\$320						
Developing the second integrated Power System Plan						\$323			
Developing load forecast scenarios						\$145			
Support for development & implementation of integrated regional and local area plans						\$317			
Resource integration and other studies						\$89			
Total	\$4,446	\$5,200	\$5,196	\$823	\$1,085	\$874			

(ii) Conservation

The main objective of the Conservation division is to plan, procure and support the development of verified conservation/energy efficiency resources as identified in the IPSP and its subsequent iterations with the OPA's partners. The total operating expenses of this department are provided in the table below.

Compensation and benefits include costs for regular, temporary and student staff. Operating and administration expenses include indirect expenses such as travel and professional development. Professional consulting expenses consist of external consulting costs related to design, promote and support conservation programs.

	Internal Resources			External Resources			Program spending		
	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)
Division FTE	61	73	69						
Division Compensation & Benefits	\$7,351	\$8,140	\$8,182						
Division Operating & Administration	\$530	\$843	\$711						
Implement CDM programs with LDCs						\$160			
Industrial and demand response programs						\$337			
Marketing support to conservation programs						\$2,200			
CDM engineering support and supports for emerging technologies						\$905			
Total	\$7,881	\$8,983	\$8,893	\$5,949	\$4,072	\$3,602			
Residential program									\$118,334
Commercial & Institutional program									\$131,973
Industrial program									\$36,749
Low Income program									\$15,804
Other (conservation fund and others)									\$54,052
Subtotal: program spending							\$226,787	\$361,136	\$356,912

(iii) ER

The main objective of the ER division is to design standardized tariff-based, competitive and bilateral procurement processes and enter into procurement contracts for critical system reliability resources.

Compensation and benefits include costs for regular, temporary and student staff. Operating and administration expenses include indirect expenses such as travel and professional development. The professional and consulting expenses include legal,

- 1 technical and financial consulting costs for the Procurement, Contract Management and
- 2 Policy & Analysis initiatives.

	Internal Resources			External Resources			Program spending		
	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)
Division FTE	28.9	57	55						
Division Compensation & Benefits	\$3,588	\$5,574	\$5,937						
Division Operating & Administration	\$142	\$316	\$265						
Procurement Initiatives									
Continue to Focus on achieving FIT & microFIT Programs performance objectives						\$310			
Negotiate power purchase agreements with the Korean Consortium						\$475			
Non Utility Generation (NUG) Negotiations						\$285			
Clean Energy Standard Offer Program (CESOP) development directive						\$95			
Energy From Waste(EFW)-Pilot Demonstration						\$48			
Lennox negotiations						\$190			
Hydroelectric Contract Initiative (HCI)						\$95			
Coal Conversion						\$190			
Combine Heat and Power (CHP)						\$380			
Contract Management Initiatives									
Contract Management & financial settlement of existing electricity contracts						\$603			
Contract Management-FIT						\$583			
Bruce Power negotiations and audit						\$1,354			
Policy & Analysis Initiatives									
Administration, review & refinement of funding mechanism established by the Green Energy Act						\$243			
Monitor & assess sector, market & policy developments						\$24			
Investigate & analyze carbon mitigation & environmental attribute policies						\$95			
Total	\$3,730	\$5,890	\$6,202	\$6,471	\$5,741	\$4,970			
Conventional (include nuclear and clean energy)									\$1,305,753
Renewable									\$473,057
Funds									\$10,200
Subtotal: Program spending							\$1,402,200	\$1,552,798	\$1,789,010

- 3
- 4 (iv) BS&S

5 The Business Strategies and Solutions (“BS&S”) group provides decision support and acts
 6 as strategic partners with other business units within the organization. The group consists
 7 of four departments, namely Finance, Information Technology, Planning and
 8 Reporting/Office Facility Services and Human Resources. There are specific objectives
 9 and responsibilities for each department to support the OPA's mandates.

10 The total operating expenses for each department with their respective years can be found
 11 by adding the internal and external resources amounts in the table below. Compensation
 12 and benefits include salaries for regular staff, temporary staff and students as well as
 13 benefits that include pension and other benefit costs. Operating and administration
 14 expenses include indirect expenses such as rent, telecommunication costs and
 15 depreciation expenses. Professional consulting expenses include audit, legal,
 16 stakeholdering and other consulting costs. Other consulting costs are external costs that
 17 are sourced from vendors through a competitive bid process. The external services

- 1 associated with these costs cannot be self-provided by the OPA and it is more cost
- 2 effective to source them externally rather than develop and maintain skill internally.

	Internal Resources			External Resources			Program spending		
	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)
Finance									
Division FTE	9.3	13	14						
Division Compensation & Benefits	\$2,049	\$1,472	\$1,492						
Division Operating & Administration	\$854	\$224	\$228						
Professional Consulting				\$1,492	\$769	\$414			
Total Finance	\$2,903	\$1,696	\$1,720	\$1,492	\$769	\$414			
Information Technology									
Division FTE	9.4	14	13						
Division Compensation & Benefits	\$1,096	\$1,444	\$1,419						
Division Operating & Administration	\$1,438	\$2,373	\$1,670						
Professional Consulting				\$871	\$860	\$180			
Total Information Technology	\$2,534	\$3,817	\$3,089	\$871	\$860	\$180			
Planning and Reporting/Office and Facility Services									
Division FTE	15.9	9	9						
Division Compensation & Benefits	\$1,134	\$1,220	\$1,148						
Division Operating & Administration	\$4,057	\$5,008	\$5,126						
Professional Consulting				\$78	-\$7	\$0			
Total Planning and Reporting/Office and Facility Services	\$5,191	\$6,228	\$6,274	\$78	-\$7	\$0			
Human Resources									
Division FTE	5.1	7	6						
Division Compensation & Benefits	\$660	\$747	\$785						
Division Operating & Administration	\$798	\$908	\$1,047						
Professional Consulting				\$175	\$312	\$160			
Total Human Resources	\$1,458	\$1,655	\$1,832	\$175	\$312	\$160			
Total BS&S	\$12,086	\$13,396	\$12,915	\$2,616	\$1,934	\$754			
Conservation EM&V Costs	\$314			\$85			\$674		

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- 4 (iv) LARA

5 The main objective of the LARA division is to provide legal, regulatory support and carry out
6 First Nations engagement to support all the OPA's initiatives. The total operating expenses
7 of this department are provided in the table below.

8 Compensation and benefits include costs for regular, temporary and student staff.
9 Operating and administration expenses include indirect expenses such as travel and
10 professional development. Professional consulting expenses consist of external consulting
11 costs related to corporate legal support, regulatory related legal support, and First Nations
12 related consulting.

	Internal Resources			External Resources			Program spending		
	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)
Division FTE	14	20	21						
Division Compensation & Benefits	\$3,016	\$3,232	\$3,566						
Division Operating & Administration	\$1,860	\$1,720	\$2,593						
Corporate legal support						\$350			
First nations engagement for IPSP, GEA and others						\$1,600			
Regulatory related legal support and spending						\$2,064			
Total	\$4,876	\$4,952	\$6,159	\$3,934	\$3,393	\$4,014			
First Nations Capacity Building							\$997		

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2 (v) Communications

2

3 The main objective of the Communications division is to increase awareness of the benefits
 4 conservation and of a cleaner, reliable, cost effective electricity supply. The total operating
 5 expenses of this department are provided in the table below.

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5

6 Compensation and benefits include costs for regular, temporary and student staff.
 7 Operating and administration expenses include indirect expenses such as travel and
 8 professional development. Professional consulting expenses consist of external consulting
 9 costs related to corporate branding, corporate website and stakeholder engagement.

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7

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	Internal Resources			External Resources			Program spending		
	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)	2009 (Actual)	2010 (Forecast)	2011 (Budget)
Division FTE	15.4	20	23						
Division Compensation & Benefits	\$1,546	\$2,528	\$2,781						
Division Operating & Administration	\$1,343	\$1,187	\$855						
Corporate communication					\$516	\$200			
Corporate branding and conservation campaign					\$1,950	\$1,555			
Stakeholder engagement					\$425	\$400			
Total	\$2,889	\$3,715	\$3,636	\$3,212	\$2,661	\$2,155			

10

1 **CME INTERROGATORY 2**

2 **QUESTION**

3 **Reference: 2011-2013 Business Plan (the “Business Plan”), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
7 **Ontario Energy Board (“OEB”) Issues Decision, January 11, 2011**

8 **Issue Nos.: 1.1, 2.1, 3.1, 4.1 and 5.1**

9 2. In order to assist in what the Board described in its Issues Decision as “the examination
10 and evaluation of the management, implementation, and performance of the OPA’s
11 charge-funded activities”, we request further information pertaining to the meaning to be
12 ascribed to certain words and phrases the OPA uses in describing its Strategic
13 Objective #1 pertaining to Power System Planning. Please provide the following
14 additional information:

15 (a) Please list and describe the conditions that the OPA says should exist for an
16 electricity system to be “cost effective” in accordance with Strategic Objective #1. In
17 particular, describe the features of an electricity system that the OPA regards as
18 “cost effective” and compare them to the features of an electricity system that is not
19 “cost effective”.

20 (b) Are the estimated overall electricity prices and total bills Ontario consumers will likely
21 pay, over the duration of the planning horizon, taken into account in the OPA’s
22 evaluation of the “cost effectiveness” of its initiatives? If so, then please describe the
23 internal and/or external resources the OPA uses and the methods those resources
24 apply to develop the year-over-year estimates of these electricity prices and total
25 bills and the manner in which that information is used by the OPA in evaluating “cost
26 effectiveness”.

27 (c) Please list and describe the conditions that the OPA says should exist for an
28 electricity system to be “sustainable” in accordance with Strategic Objective #1. In
29 particular, describe the features of an electricity system that the OPA regards as
30 “sustainable” and compare them to the features of an electricity system that is not
31 “sustainable”.

1 RESPONSE

- 2 a) Consideration of cost-effectiveness requires integrated analysis of costs in evaluating
3 plan options. Cost-effective planning considers the lowest cost option first (while
4 complying with Government requirements and meeting system reliability needs),
5 followed by additional resources until the needs are met. This process is facilitated by
6 the calculation of the Levelized Unit Energy Cost ("LUEC") for feasible options, as
7 described in part b).
- 8 b) As described in part a), consideration of cost-effectiveness is facilitated by the
9 calculation and comparison of the LUEC for feasible options. Selection of options
10 based on the LUEC metric allows deployment of the least-cost options first, which tends
11 to result in the lowest long-term total bills to Ontario consumers.
- 12 c. Sustainability requires simultaneous consideration of economic, social and
13 environmental factors. The OPA's approach to considering sustainability moves from
14 these broad factors to a set of planning considerations that are specific to the Ontario
15 context for long-term integrated electricity system planning. In the 2007 IPSP, the
16 planning criteria were defined as: feasibility, reliability, flexibility, cost, environmental
17 performance and societal acceptance. A full description of each of the criteria is
18 provided in EB-2007-0707, Exhibit B-3-1. It may be found through this link:
19 (http://www.powerauthority.on.ca/sites/default/files/page/4397_B-3-1.pdf). These
20 criteria were applied using judgment in an iterative process to reflect a comprehensive
21 view of sustainability.

22 In preparation for the 2011 IPSP, the OPA is continuing to refine the way it considers
23 sustainability in plan development. Preparation of the second IPSP will be an initiative
24 undertaken by numerous OPA staff across all divisions throughout 2011. Please see
25 the response to Board Staff Interrogatory 1, at Exhibit I-1-1. External consulting costs
26 by initiative are provided in the response to CCC Interrogatory 13, at Exhibit 1-3-13.

1 **CME INTERROGATORY 3**

2 **QUESTION**

3 **Reference: 2011-2013 Business Plan (the "Business Plan"), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
7 **Ontario Energy Board ("OEB") Issues Decision, January 11, 2011**

8 **Issue Nos.: 1.1, 2.1, 3.1, 4.1 and 5.1**

9 3. Does the OPA conduct any longer term cost benefit analysis of the likely outcomes of its
10 power system planning? If so, then please describe the internal and external resources
11 that are deployed to do this work, and provide a copy of the results of the most recent
12 cost benefit analysis.

13 **RESPONSE**

14 As described in the response to CME Interrogatory 2, at Exhibit I-11-2 part a) and b), the
15 OPA considers cost-effectiveness through calculation and comparison of the "LUEC" for
16 feasible options (while complying with Government requirements and meeting system
17 reliability needs). The "LUEC" is a system planning tool that considers the costs and
18 benefits associated with an option over its life. The "LUEC" estimates the lifecycle costs of
19 an option on a per unit of energy basis, which permits direct long-term economic
20 comparison of options despite potentially different life spans and operating characteristics.

21 Previous work on the LUEC can be found in the 2007 IPSP, Exhibits D-3-1 Attachment 1
22 and E-2-2 Attachment 1 found through these links:

23 (http://powerauthority.on.ca/sites/default/files/page/4866_D-3-1_Att_1_corrected_071019.pdf)

24 (http://www.powerauthority.on.ca/sites/default/files/page/4442_E-2-2_Att_1.pdf)

25
26 LUEC calculations are performed on an on-going basis by the Power System Planning
27 division to reflect updated planning data and information. Work in this regard will continue
28 in 2011 and will contribute to the development of the IPSP. Please see the response to
29 Board Staff Interrogatory 1, at Exhibit I-1-1.

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1 **CME INTERROGATORY 4**

2 **QUESTION**

3 **Reference: 2011-2013 Business Plan (the “Business Plan”), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
7 **Ontario Energy Board (“OEB”) Issues Decision, January 11, 2011**

8 **Issue Nos.: 1.1, 2.1, 3.1, 4.1 and 5.1**

9 4. The Business Plan at Exhibit A-2-1 at page 12 states “The OPA will evaluate the
10 impacts of the changes in the electricity system on the cost of electricity to Ontario
11 consumers and will provide analysis of and insights into these costs.”. Having regard to
12 this statement, are the estimated overall electricity prices and total bills consumers will
13 likely pay, over the duration of the planning period and in the end-state contemplated by
14 the transformation of Ontario’s electricity system, taken into account in the OPA’s
15 evaluation of the “sustainability” of its initiatives? If so, then please describe the internal
16 and external resources the OPA uses and the methods those resources apply to
17 evaluate the long-term sustainability of the initiatives being undertaken and their likely
18 end-state.

19 **RESPONSE**

20 Many of the OPA's initiatives relate to developing the Integrated Power System Plan. In
21 developing the 2007 IPSP, the OPA considered sustainability through the use of context-
22 specific planning criteria, one of which was cost. The cost criterion encompasses the cost
23 of options over the planning horizon, the benefit of conservation and the impact on
24 customers' bills. The cost and other planning criteria were applied using judgment in an
25 iterative process to reflect a comprehensive view of sustainability.

26 In preparation for the 2011 IPSP, the OPA is continuing to refine the way it considers
27 sustainability in plan development. Cost will remain an important factor in this approach.
28 Preparation of the second IPSP will be an initiative undertaken by numerous OPA staff
29 across all divisions throughout 2011. Please see the response to Board Staff
30 Interrogatory 1, at Exhibit I-1-1. External consulting costs by initiative are provided in the
31 response to CCC Interrogatory 13, at Exhibit 1-3-13.

32 Cost is also an important consideration in the evaluation of other OPA initiatives. For
33 example, cost is one of the key factors used to evaluate options for integrated regional and
34 local area plans and remote communities. In addition, the OPA considers a cost metric
35 (\$/kW) in evaluating the feasibility of identified transmission expansions required to support
36 the development of projects under the Feed-In-Tariff Program.

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CME INTERROGATORY 5

2 QUESTION

3 **Reference: 2011-2013 Business Plan (the “Business Plan”), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
7 **Ontario Energy Board (“OEB”) Issues Decision, January 11, 2011**

8 **Issue Nos.: 1.1, 2.1, 3.1, 4.1 and 5.1**

9 5. What studies, if any, have been commissioned or conducted by the internal and/or
10 external resources deployed by the OPA to estimate the ability of the various sectors in
11 Ontario’s economy to withstand the electricity price increases that are likely to ensue?

12 RESPONSE

13 Cost is an important element considered by the OPA when evaluating the sustainability of
14 options. Please see the response to CME Interrogatory 6, at Exhibit I-11-6.

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1 **CME INTERROGATORY 6**

2 **QUESTION**

3 **Reference: 2011-2013 Business Plan (the “Business Plan”), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
7 **Ontario Energy Board (“OEB”) Issues Decision, January 11, 2011**

8 **Issue Nos.: 1.1, 2.1, 3.1, 4.1 and 5.1**

9 6. Are the electricity prices paid by manufacturers that compete with Ontario
10 manufacturers and are located in neighbouring jurisdictions or in other areas of North
11 America or elsewhere in the world taken into account in the OPA’s evaluation of the
12 “sustainability” of its initiatives? If so, then please describe the internal and external
13 resources the OPA uses and the methods those resources apply to determine the
14 competitive effect on Ontario’s manufacturers, compared to manufacturers located
15 elsewhere, of the likely end-state electricity price and total bill outcomes of the initiatives
16 being undertaken by the OPA.

17 **RESPONSE**

18 The OPA monitors Ontario's electricity prices relative to those in neighboring jurisdictions,
19 other areas within North America and elsewhere in the world as illustrated in a presentation
20 posted on the OPA's website at:
21 [http://www.powerauthority.on.ca/sites/default/files/page/7555_Delivered_Electricity_Price](http://www.powerauthority.on.ca/sites/default/files/page/7555_Delivered_Electricity_Price_Comparison3.pdf)
22 [Comparison3.pdf](http://www.powerauthority.on.ca/sites/default/files/page/7555_Delivered_Electricity_Price_Comparison3.pdf)

23 As described in the response to CME Interrogatory 2, at Exhibit I-11-2 part c), the OPA
24 considers cost in evaluating sustainability of options. In the 2007 IPSP, the electricity
25 prices in neighbouring jurisdictions and those in other areas of North American were not
26 factored into the consideration of sustainability. In preparation for the 2011 IPSP, the OPA
27 is continuing to refine the way it considers sustainability in plan development. Preparation
28 of the second IPSP will be an initiative undertaken by numerous OPA staff across all
29 divisions throughout 2011. Please see the response to Board Staff Interrogatory 1, at
30 Exhibit I-1-1. External consulting costs by initiative are provided in the response to CCC
31 Interrogatory 13, at Exhibit 1-3-13.

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1 **CME INTERROGATORY 7**

2 **QUESTION**

3 **Reference: 2011-2013 Business Plan (the “Business Plan”), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
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9 7. The OEB has emphasized and the OPA recognizes throughout its Business Plan,
10 Exhibit A-2-1, that it must work together with others engaged in the transformation of
11 Ontario’s electricity system to a greener, cleaner and smarter system. In this context,
12 please describe the internal and external resources the OPA allocates and the methods
13 those resources apply to integrate the OPA’s Power System Planning with the planning
14 activities being conducted by the Ministry of Energy (“MOE”), the Independent Electricity
15 System Operators (“IESO”), Hydro One Networks Inc. (“Hydro One”), other major Local
16 Distribution Companies (“LDCs”), and/or Ontario Power Generation Inc. (“OPG”). In
17 particular, please explain how OPA resources and the resources of others are deployed
18 to conduct the integrated planning process in a way that assures cost-effective
19 coordination and either eliminates or minimizes the duplication of effort.

20 **RESPONSE**

21 Working and coordinating with other agencies in the electricity sector is an integral part of
22 the OPA's ongoing planning activities. The OPA engages in regular dialogue with other
23 agencies at all levels and actively participates in industry initiatives and working groups.
24 Duplication of efforts is minimized by the fact that each of these organizations brings its
25 own perspective to these activities. The OPA's role as provincial system planner is unique
26 among these organizations.

27 For example, in the development and implementation of local area plans, the OPA
28 continues to work with LDCs, First Nations groups, transmitters and the IESO to identify
29 supply constraints and to collect planning data and inputs. In 2010, the OPA worked with
30 Peel Region, the Ontario Ministry of Transportation and Hydro One to explore opportunities
31 for joint use transportation and electricity corridors, providing an opportunity for planning
32 efficiencies.

33 The OPA also works with LDCs by reviewing and providing comments and input with
34 regard to their Green Energy Plans, as required by the Board's Filing Requirements for
35 Distribution System Plans. The OPA continues to work closely with OPG, Bruce Power
36 and the Ministry of Energy to ensure that a coordinated nuclear refurbishment schedule is
37 devised. In addition, the OPA is currently engaged with the IESO and OPG to determine

1 opportunities for advancing the closure of additional coal units prior to the end of 2014.
2 Coordinated scheduling is essential to maintain system reliability and prevent duplication of
3 efforts.

4 The OPA is also a member of the Ontario Smart Grid Forum, along with the IESO, OEB,
5 Hydro One, Ministry of Energy and LDCs (including Hydro Ottawa Limited and Niagara-on-
6 the-Lake Hydro). The purpose of this forum is to monitor developments occurring in other
7 jurisdictions and identify potential linkages.

8 Integrated planning activities are undertaken by numerous OPA staff across all divisions.
9 Please see the response to Board Staff Interrogatory 1, at Exhibit I-1-1. External consulting
10 costs by initiative are provided in the response to CCC Interrogatory 13, at Exhibit I-3-13.
11 The OPA does not have information on other organizations' deployment of resources.

1 **CME INTERROGATORY 8**

2 **QUESTION**

3 **Reference: 2011-2013 Business Plan (the “Business Plan”), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
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8 **Issue Nos.: 1.1, 2.1, 3.1, 4.1 and 5.1**

9 8. Is Ontario’s recently announced Long-Term Energy Plan (“LTEP”) the result of an
10 integrated and cooperative planning process in which the OPA engaged? If so, then
11 please describe the OPA resources and the resources of other entities that engaged in
12 the planning exercise that lead to the report and advise of the duration over which the
13 OPA and others worked together to produce the report.

14 **RESPONSE**

15 The Long-Term Energy Plan (“LTEP”) was produced and issued by the Ministry of Energy.
16 The Ministry led the development of the LTEP and the OPA contributed confidential advice
17 to the Ministry during this process. OPA advice is the result of its on-going integrated
18 power system planning activities. The OPA understands that the Ministry also received
19 input from the public, industry stakeholders, other electricity sector agencies and First
20 Nation and Métis leaders and groups in the development of the Ministry’s plan.

21 OPA staff from the Power System Planning division were involved with this initiative, in
22 addition to their other responsibilities. This work was undertaken throughout 2010. The
23 OPA has no information regarding the resources of other entities involved in this process.

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CME INTERROGATORY 9

2 QUESTION

3 **Reference: 2011-2013 Business Plan (the “Business Plan”), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
7 **Ontario Energy Board (“OEB”) Issues Decision, January 11, 2011**

8 **Issue Nos.: 1.1, 2.1, 3.1, 4.1 and 5.1**

9 9. What internal and external resources of the OPA were utilized in developing the
10 electricity price and total bill estimates included in the section of the recently announced
11 LTEP report entitled “Prices”?

12 RESPONSE

13 Please see the response to CME Interrogatory 8, at Exhibit I-11-8.

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CME INTERROGATORY 10

2 QUESTION

3 **Reference: 2011-2013 Business Plan (the “Business Plan”), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
7 **Ontario Energy Board (“OEB”) Issues Decision, January 11, 2011**

8 **Issue Nos.: 1.1, 2.1, 3.1, 4.1 and 5.1**

9 10. How frequently does the OPA expect the electricity price increase estimates in the
10 report to be revised and communicated to the public and will these pricing studies be a
11 collaborative effort involving the OPA, the IESO, the MOE, and others.

12 RESPONSE

13 The question of the frequency of price estimate revisions and any potential associated
14 studies is best posed to the Ministry of Energy.

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CME INTERROGATORY 11

2 QUESTION

3 **Reference: 2011-2013 Business Plan (the “Business Plan”), Exhibit A-2-1**
4 **OPA 2009 Annual Report, Exhibit A-3-1**
5 **Exhibit B, Tabs 1, 2, 3, 4 and 5**
6 **Exhibit D, Tab 2, Schedule 1, pages 7 to 12**
7 **Ontario Energy Board (“OEB”) Issues Decision, January 11, 2011**

8 **Issue Nos.: 1.1, 2.1, 3.1, 4.1 and 5.1**

9 11. As part of its “Open for Business” initiative, the MOE recently made a commitment to
10 provide CME with annual updates of five (5) year, year over year, forward looking
11 forecasts of the electricity price increases that Ontario manufacturers would likely be
12 facing. Has the MOE made the OPA aware of this commitment? If so, then will the
13 OPA be participating with the MOE and what resources will the OPA be allocating to
14 collaborate with the Ministry to provide the agreed upon periodic updates to CME?

15 RESPONSE

16 The OPA is not aware of the Ministry of Energy's commitments to the CME, however the
17 OPA expects to continue to collaborate on an ongoing basis with the Ministry to provide it
18 with advice on a range of integrated planning issues. Please the response to Board Staff
19 Interrogatory 2, at Exhibit I-1-2.

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1 **CME INTERROGATORY 12**

2 **QUESTION**

3 **Reference: Exhibit A-2-1, pages 15 to 24**
4 **Exhibit B, Tab 2, pages 1 to 20**

5 **Issue Nos.: 2.0, 2.1 and 2.5**

6 12. What resources does the OPA deploy and what methods do those resources apply to
7 distinguish between declines in electricity demand attributable to economic conditions
8 and the declines in demand due to conservation initiatives?

9
10 **RESPONSE**

11 The OPA has evaluation protocols in place for conservation and demand response
12 programs, and a dedicated internal evaluation team. Current Evaluation Measurement and
13 Verification ("EM&V") protocols are available on the OPA website at:
14 <http://www.powerauthority.on.ca/benefits/evaluation-measurement-and-verification>

15 The new EM&V Protocols and Requirements document that will apply to the evaluation of
16 2011-2014 ratepayer-funded programs is scheduled to be finalized by March 31, 2011.

17 As part of its EM&V process, the OPA publishes results of its conservation initiatives on an
18 annual basis. These annual savings estimates represent net results at the customer and
19 facility-level, based on various verification methodologies. The EM&V results are published
20 on the OPA Website. Where electricity demand reductions not associated with OPA-
21 measured results are observed, the reductions are inferred to stem from other effects,
22 including economic conditions.

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1 **CME INTERROGATORY 13**

2 **QUESTION**

3 **Reference: Exhibit A-2-1, pages 15 to 24**
4 **Exhibit B, Tab 2, pages 1 to 20**

5 **Issue Nos.: 2.0, 2.1 and 2.5**

6 13. What resources does the OPA deploy and what methods do those resources apply to
7 assure that the CDM programs provided by the OPA and those provided by LDCs are
8 not duplicative?

9 **RESPONSE**

10 Page 8 of the OEB CDM Code for Electricity Distributors states that

11 "Distributors shall not apply for Board approval of CDM Programs that duplicate existing
12 OPA-Contracted Province-Wide CDM Programs."

13 The CDM Code provides a non-exhaustive list of types of CDM Programs that will be
14 considered duplicative of OPA-Contracted Province-Wide CDM Programs.

15 The OPA worked closely with the EDA and LDCs throughout 2010 in the development of
16 the OPA-Contracted Province-Wide CDM Programs and has undertaken a broad
17 communications effort to ensure that all LDCs in the province are aware of the elements of
18 the OPA-Contracted Province Wide Programs.

19 It is the OEB's responsibility to assess whether LDCs' proposed Board-Approved CDM
20 programs are duplicative of OPA-Contracted Province-Wide CDM Programs.

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1 **CME INTERROGATORY 14**

2 **QUESTION**

3 **Reference: Exhibit A-2-1, pages 15 to 24**
4 **Exhibit B, Tab 2, pages 1 to 20**

5 **Issue Nos.: 2.0, 2.1 and 2.5**

6 14. What resources does the OPA deploy and what methods do those resources apply in
7 the design, administration, monitoring, measurement and reporting of CDM results to
8 assure that money is not being wasted through the combined provision of CDM
9 programs by the OPA and LDCs?

10 **RESPONSE**

11 A number of processes and requirements have been established to help provide assurance
12 that ratepayer money is being spent cost effectively on CDM Programs.

13 First, the OPA's CDM Cost Effectiveness Guide describes standard industry metrics used
14 to assess the cost effectiveness of CDM Programs in Ontario. The Guide indicates that,
15 with few exceptions, CDM Programs must pass both the Total Resource Cost Test and the
16 Program Administrator Cost Test to be considered cost effective. Passing both tests is
17 required for CDM Program approval. Cost effectiveness requirements are further
18 described in the OPA's CDM Cost Effectiveness Guide, which is available at the following
19 link on the OPA's website:

20 [http://www.powerauthority.on.ca/sites/default/files/page/OPA%20CDM%20Cost%20Effectiv
21 eness%20Test%20Guide%20-%202010-10-15%20Final.pdf](http://www.powerauthority.on.ca/sites/default/files/page/OPA%20CDM%20Cost%20Effectiveness%20Test%20Guide%20-%202010-10-15%20Final.pdf)

22 Second, the Minister's April 23, 2010 Directive to the OPA required the OPA to

23 "seek to maximize administrative and delivery efficiencies by utilizing appropriate program
24 delivery models...including, but not limited to, the marketing, procurement and delivery of
25 CDM measures and/or services offered through OPA-Contracted CDM Programs where
26 these will afford significant administrative cost and/or delivery efficiencies (for example, call
27 centre, rebate fulfillment, appliance de-commissioning, procurement of devices and mass
28 media advertising)."

29 The portfolio of OPA-Contracted CDM Programs has been designed collaboratively by the
30 OPA and LDCs in accordance with such requirements. For example, the OPA will centrally
31 manage the operation of a call centre to assist with program inquiries, mailing out
32 Conservation Instant Coupon Booklets and pick-up and decommissioning of eligible
33 appliances for retirement, all of which will afford significant administrative cost and/or
34 delivery efficiencies.

1 Third, the Program Schedules to the Master CDM Program Agreement between the OPA
2 and LDCs will delineate roles and responsibilities that will support the implementation of
3 OPA-Contracted Province-Wide CDM Programs and mitigate potential duplication of
4 activities. The Master CDM Program Agreement also contains provisions to incent cost
5 efficiency and to promote good governance processes including audit rights and quality
6 assurance inspections to confirm that LDCs perform their obligations in accordance with
7 the Master CDM Program Agreement.

8 The Master CDM Program Agreement is filed as Attachment 1 to GEC Interrogatory 2, at
9 Exhibit I-2-4.

10 Work on establishing the processes and requirements described above has been
11 undertaken primarily by the Conservation division with significant support from the Legal
12 and IT departments. Support has also been provided by the Power System Planning
13 division. Please see response to Board Staff Interrogatory 1, at Exhibit I-1-1. External
14 consulting costs by initiative are provided in the response to CCC Interrogatory 13, at
15 Exhibit I-3-13.

1 **CME INTERROGATORY 15**

2 **QUESTION**

3 **Reference: Exhibit A-2-1, page 9**
4 **Exhibit B, Tab 3, pages 1 to 18**

5 **Issue Nos.: 3.0, 3.1 and 3.5**

6 15. The Business Plan Exhibit A-2-1 at page 9 emphasizes “Flexibility” and at page 12,
7 states that Ontario will keep options open in order “to make major strategic choices to
8 remain competitive in its electricity services”. Having regard to this statement, please
9 provide the following additional information:

10 (a) Please describe how the OPA plans to deploy resources and the methods those
11 resources will apply in the event conditions of cost ineffectiveness or unsustainability
12 materialize.

13 (b) In the short-term, what ability does the OPA have to divert resources away from
14 supply procurement activities when a situation of excess supply is creating large
15 Surplus Base-Load Generation (“SBG”) conditions and the spilling of significant
16 amounts of water, as well as a significant burden on Ontario consumers to support
17 export sales?

18 (c) What actions is the OPA planning in 2011 in order to reduce the incidence of cost
19 ineffectiveness arising from material SBG and large export sales subsidies
20 associated with the excess supply of renewable generation?

21 (d) What flexibility has the OPA retained to transition its long-term fixed price contracts
22 for renewable generation to a competitive pricing regime upon the termination date
23 of the long-term fixed price contracts, in the event that such action is necessary to
24 enable Ontario to “remain competitive in its electricity services”?

25 **RESPONSE**

26 a) The OPA has a history of organizing in the face of new opportunities, challenging
27 mandates and changing circumstances. When presented with new assignments, the
28 OPA selects and assigns the best qualified staff (for the particular assignment) from
29 across the organization, bringing together a cross-functional team to research options,
30 recommend strategies and initiatives, determine and obtain appropriate resourcing, and
31 carry out the work. Due to the highly experienced and multi-skilled nature of the OPA’s
32 workforce, OPA has a breadth and depth of staff resources to draw upon.

33 b) The Ministry of Energy establishes a supply-mix for the province and issues directives
34 to the OPA to procure the resources required to achieve that mix. Due to the long lead-

1 time associated with procuring and developing these resources, the activities performed
2 by the OPA are long term in nature. SBG conditions are transitory events that reflect
3 day-to-day operation of the electricity market, and do not directly impact the
4 procurement efforts of the OPA. If the OPA was directed to modify its procurement
5 efforts, then, as was stated in response to part a), above, the OPA has the ability to
6 assign employees to new challenges that may arise given the highly experienced and
7 multi-skilled nature of its workforce.

8 c) The OPA will continue to examine options to minimize the occurrence of SBG events.
9 The OPA is taking part in the IESO's SE-91 initiative that aims to more efficiently
10 integrate renewable generation into the Ontario grid. Further, the OPA will continue to
11 examine and refine contracting practices to obtain maximum value for the ratepayer in
12 light of evolving market rules, available technologies, and supply/ demand conditions.

13 d) The OPA has no obligation to renew existing contracts with any of its renewable
14 generation contract counterparties upon the end of the contract term. As OPA contracts
15 for renewable generation are all at least 15 years away from reaching the end of their
16 term, decisions relating to the possibility of re-contracting for the generation from these
17 facilities will be deferred until a more appropriate time.

1 **CME INTERROGATORY 16**

2 **QUESTION**

3 Reference: Exhibit D, Tab 2, Schedule 1, pages 2 to 13

4 Issue Nos.: 1.2, 2.2, 3.2 and 4.2

5 16. Please provide the following additional information pertaining to Tables 4 and 5 at
6 Exhibit D, Tab 2, Schedule 1, page 9:

7 (a) Please broaden Tables 4 and 5 to include 2009 Actual Information,

8 (b) Please provide a breakdown for the Actual "Consulting, Legal, Stakeholder and Other
9 Costs" for each of 2009, 2010 Forecast and 2011 Budget.

10 (c) Please explain why Forecast Legal Costs in 2010 of \$5.660M are almost double the
11 2010 Budget amount of \$2.354M.

12 (d) Please provide the average amount per hour paid for "Legal" in 2009 and 2010 Forecast
13 and the number of hours budgeted for 2011.

14 (e) Please explain why the amount for "Other" in the 2010 Forecast is \$5.989M below the
15 2010 Budget amount.

16 (f) Please provide the average amount per hour paid for "Other" in 2009 and 2010.

17 (g) Please provide a breakdown of the "Other" amount being budgeted for 2011 of
18 \$8.954M.

19 (h) Please explain why the "Average Salaries, Pensions and Benefits" amounts per FTE for
20 the 2010 Forecast of about \$114,320 (the amount of \$29.608M shown for Salaries,
21 Pensions and Benefits in Table 3 divided by the 259 FTEs shown in Table 4 =
22 \$114,320) is increasing by about 6% to \$120,730 in the 2011 Budget (the \$30,544 for
23 Salaries, Pensions and Benefits for 2011 in Table 3 divided by the 253 FTEs in Table 4
24 = \$30,544).

1 **RESPONSE**

2 a)

Table 4				
OPA Full Time Equivalent by Strategic Objective				
2011 Budget				
	Regular	Temporary	Student	Total FTE
Strategic Objective 1	39		3	42
Strategic Objective 2	68	1		69
Strategic Objective 3	47	5	3	55
Strategic Objective 4	61	4		65
- CEO Office	2			2
- Finance	13	1		14
- Information Technology	13			13
- Planning & Reporting/Office and Facility Services	7	2		9
- Human Resources	6			6
- Legal, Aboriginal and Regulatory Affairs	20	1		21
Strategic Objective 5	21	2		23
Total OPA FTE	235	12	6	253

2010 Forecast				
	Regular	Temporary	Student	Total FTE
Strategic Objective 1	38	1	4	43
Strategic Objective 2	69	2	2	73
Strategic Objective 3	47	1	9	57
Strategic Objective 4	62	4	0	66
- CEO Office	2			2
- Finance	12	1		13
- Information Technology	14		0	14
- Planning & Reporting/Office and Facility Services	8	1		9
- Human Resources	6	1		7
- Legal, Aboriginal and Regulatory Affairs	20			20
Strategic Objective 5	19	1	0	20
Total OPA FTE	235	8	16	259

2009 Actual				
	Regular	Temporary	Student	Total FTE
Strategic Objective 1	31	4		35
Strategic Objective 2	59	2		61
Strategic Objective 3	28	0		29
Strategic Objective 4	52	4		56
- CEO Office	3			3
- Finance	10	1		11
- Information Technology	10	1		11
- Planning & Reporting/Office and Facility Services	11	1		12
- Human Resources	5	0		5
- Legal, Aboriginal and Regulatory Affairs	13	1		14
Strategic Objective 5	15			15
Total OPA FTE	186	11		197

3

Table 5					
Professional and Consulting Costs					
2009 to 2011					
(\$'000)					
	2011 Budget	2010 Budget	Variance	2010 Forecast	2009 Actual
Audit	343	482	(139)	644	553
Legal	4,460	2,354	2,106	5,660	3,481
Stakeholder	2,612	2,995	(383)	1,479	831
Other	8,954	14,943	(5,989)	11,104	18,273
Total	16,369	20,774	(4,405)	18,887	23,137

b) The breakdown for the consulting "Audit, Legal, Stakeholder and Other Costs" for each of 2009 Actual, 2010 Forecast and 2011 Budget is as follows:

	2009 Actual	2010 Forecast	2011 Budget
Audit			
Strategic Objective 3	\$0	\$312	\$48
Strategic Objective 4	553	332	295
Total Audit	\$553	\$644	\$343
Legal			
Strategic Objective 3	\$2,814	\$3,360	\$2,808
Strategic Objective 4	657	2,300	1,652
Strategic Objective 5	9	0	0
Total Legal	\$3,481	\$5,660	\$4,460
Stakeholder			
Strategic Objective 4	\$706	\$1,197	\$2,362
Strategic Objective 5	125	282	250
Total Stakeholder	\$831	\$1,479	\$2,612
Other Costs			
Strategic Objective 1	\$823	\$1,085	\$874
Strategic Objective 2	5,980	4,072	3,602
Strategic Objective 3	3,657	2,070	2,114
Strategic Objective 4	4,734	1,497	460
Strategic Objective 5	3,078	2,380	1,905
Total Other Costs	\$18,273	\$11,104	\$8,954

c) The increase of Legal costs is primarily in support of the following:

- (i) Negotiations related to electricity generation;
- (ii) Contract management related to electricity generation;
- (iii) Establishment of the Community and Aboriginal funds;

- 1 (iv) FIT contract management and program modifications;
 2 (v) Conservation program development; and
 3 (vi) Intellectual property and IT projects.
- 4 d) The level of detail captured in the OPA financial system is not sufficient to provide
 5 actual historical information. These costs are recorded by total invoice amounts for
 6 suppliers and applied to specific projects. The legal budget is determined on the basis
 7 of an assessment of the projects to be undertaken in the forthcoming year, compared to
 8 actual overall costs for similar past projects.
- 9 e) The variance of \$5.989 million is a comparison between 2010 Budget and 2011 Budget
 10 and not the 2010 Forecast and 2010 Budget.
- 11 Other consulting expenses decreased by \$5.989 million year over year as the OPA
 12 continued to increase the operational efficiency and build in-house capability needed to
 13 implement the OPA's mandate.
- 14 f) The level of detail captured in the OPA financial system is not sufficient to provide
 15 actual historical information. These costs are recorded by total invoice amounts for
 16 suppliers and applied to specific projects.
- 17 g) The breakdown of the "Other" amount by Strategic Objectives budgeted for 2011 is as
 18 follows:

	2011 Budget
Strategic Objective 1	\$874
Strategic Objective 2	3,602
Strategic Objective 3	2,114
Strategic Objective 4	460
-Finance	\$120
-Information Technology	180
-Human Resources	160
Strategic Objective 5	1,905
Total Other costs	\$8,954

20 h)

	2011 Budget	2010 forecast	Delta
FTE	253	259	
Compensation & Benefits	30,544	29,608	
Average Salaries, Pensions and Benefits	121	114	5.6%

1 The 2010 forecast for FTEs captured regular roles within the organization that were
2 vacant for a period of time, but expected to be filled by year-end. The financial impact
3 of these vacancies is reflected in the 2010 forecast for compensation and benefits,
4 resulting in a lower average salary, pension and benefits expense.

5 For further detail on the OPA's staffing and compensation, please see the response to
6 VECC Interrogatory 2, at Exhibit I-9-2, which provides the following information for 2010
7 budget, 2010 unaudited actual and 2011 budget:

- 8 • Regular and Temporary FTEs by Strategic Objective;
- 9 • Compensation and Benefits by Strategic Objective; and
- 10 • Average Compensation and Benefits by Strategic Objective.

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