

UNDERTAKING NO. JX1.6

REFERENCE

Hearing Day May 9, 2011 Tr. p. 159

UNDERTAKING NO. JX1.6: TO PROVIDE IN CONFIDENCE THE COST OF USING DELOITTE & TOUCHE AND THE COMMUNITY POWER FUND TO ADMINISTER THE COMMUNITY ENERGY PROGRAM AND THE ABORIGINAL RENEWABLE ENERGY FUND.

RESPONSE

For clarification, due to the nature of directives from the Ontario Minister of Energy, the funds (CEPP and AREF), including all program manager fees, are funded through the global adjustment mechanism and do not form part of the OPA's revenue requirement and resulting approved fees.

On September 24, 2009, the Ontario Minister of Energy and Infrastructure directed the Ontario Power Authority to establish, through a third party, a Community Energy Partnerships Program (CEPP) to facilitate the participation of communities in the development of renewable energy generation facilities. In particular, the CEPP assists communities in paying for some of the soft costs associated with the development of renewable energy projects. The OPA funding cap for the program is \$10 million, which was made public by the Ontario Minister of Energy in a directive to the OPA in November 2010. As per the directive, this funding cap amount includes the program manager fees for the fund.

The OPA competitively procured the third party program manager yielding a market-based outcome. The OPA benchmarked the results from the procurement and determined that the percentage of the costs associated with administering these funds is competitive and consistent with other Canadian funding organizations. David Sharpe's "A portrait of Canada's Charities: the size, scope and financing of registered charities" (Toronto: Canadian Centre for Philanthropy, 1994), indicated that the average cost of administration is reported at 15.5% of total expenditures. The Canadian Health Services Research Foundation's "Administrative Costs of Research-Related Non-Profit Organizations", noted that organizations with a budget less than \$20 million spend an average of 21% of the total budget on administrative costs.

The percentage of annual budgeted administration costs for the successful proponent of the procurement, Deloitte & Touche LLP (who sub-contracted Community Power Fund), is approximately [REDACTED] based on the \$10 million annual cap.

The September 24, 2009 directive to the OPA from the Ontario Minister of Energy and Infrastructure also included instructions to the OPA to establish the Aboriginal Energy

- 1 Partnerships Program (AEPP). One of the three components of the AEPP is the Aboriginal
- 2 Renewable Energy Fund (AREF). This program, and subsequently the fund, is
- 3 administered by the OPA, and not through a third party as this was not part of the directive.