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BY EMAIL

June 17, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Ontario Power Authority
2014 Revenue Requirement Application
EB-2013-0326**

Please see attached Board staff's interrogatories for the above proceeding.

Yours truly,

Original signed by

Michael Bell
Project Advisor, Applications

**Board Staff Interrogatories
Ontario Power Authority ("OPA")
2014 Revenue Requirement Application
EB-2013-0326**

Issues 1-5/Board staff/1

Reference: Pre-Filed Evidence of OPA, Exhibit A, Tab 1, Schedule 2, page 1.

Preamble: OPA states:
"In 2014, the OPA has a planned operating budget of \$60.3 million. This is a reduction of nearly 6% compared to the OPA's Board-approved 2011 operating budget. This reduction has been achieved through a combination of administrative and process efficiencies..."

Question:

Provide a description and itemized cost breakdown of the OPA's administrative and process efficiencies.

Issues 1-5/Board staff/2

Reference: Pre-Filed Evidence of OPA, Exhibit A, Tab 2, Schedule 1, page 4.

Preamble: OPA states:

"...the 2014 operating plan incorporates learnings from the 2012 merger process with the Independent Electricity System Operator, for example, reorganization of the marketing function; coordination of activities with our sister agency will continue during the planning period."

Question:

Provide a description and associated documentation of learnings from the 2012 merger process with the Independent Electricity System Operator that informed the 2014 operating plan.

Issues 1-5/Board Staff/3**References:**

1. Pre-Filed Evidence of OPA, Exhibit A, Tab 2, Schedule 1, page 7.
2. Pre-Filed Evidence of OPA, Exhibit C, Tab 2, Schedule 1, page 2.

Preamble: OPA states:

1. "In spite of the expected increases in the volume and complexity of our workload in all areas of our mandate, we are maintaining staff levels in 2014 consistent with those of 2011 and 2012. We expect to make reductions to staff levels in 2015 and 2016."
2. "In 2014 OPA headcount will be reduced from 2013 levels, declining from a total of 267 to 260 Full Time Equivalents ("FTEs"). This reduction will be achieved through a combination of headcount decreases, and administrative and process efficiencies, including effective management of vacancies and redeployment of existing staff. Nevertheless, reducing headcount while implementing program priorities and an expanding mandate and volume and complexity of work is challenging, and may result in impacts to the OPA's service and delivery levels."

Questions:

- a) For each Goal and Strategic Initiative, provide a description and risk assessment on how the OPA plans to meet increases in the volume and complexity of its workload in all areas of its mandate while reducing staff levels in 2015 and 2016.
- b) For each Goal and Strategic Initiative, provide a description, risk assessment, and itemized list of the potential impacts to the OPA's service and delivery levels caused by reducing headcount while implementing program priorities and an expanding mandate and volume and complexity of work.

Issues 1/Board Staff/4

Reference: Pre-Filed Evidence of OPA, Exhibit B, Tab 1, Schedule 1, page 22.

Preamble: OPA states:

"In 2013, independent quality control and quality assurance assessments of LDCs were undertaken. More than 30 LDCs were assessed for compliance in their delivery of programs, and 21 LDCs were also assessed to ensure proper program administrative spending as outlined in the Master Agreement."

Questions:

- a) What were the general findings of the compliance audits? Were any issues raised?

- b) What were the general findings of the assessments of the 21 LDCs on proper program administrative spending as outlined in the Master Agreement? Were any issues raised?
- c) How has the OPA responded or intend to respond to the results of the audits and assessments?

Issue 1-5/Board Staff/5

Reference: Pre-Filed Evidence of OPA, Exhibit B, Tab 4, Schedule 1, page 12.

Preamble: OPA states:

“Internal Audit Program

“During this period, the OPA managed and coordinated 35 internal audit projects to confirm the effectiveness and efficiency of its business processes and systems. The status of actions taken to implement ongoing improvements in operations provided in the audit recommendations confirmed that the OPA has addressed all outstanding recommendations. In addition, the OPA achieved further assurance through internal audits conducted at the program counter-party level (i.e. at the LDC level). These related to the review of the legitimacy and accuracy of amounts paid or received pertaining to OPA funded conservation and FIT programs.”

Question:

Please describe the recommendations and what actions the OPA has taken to address the recommendations arising from the internal audits.

Issue 3/Board Staff/6

Reference:

1. Pre-Filed Evidence of OPA, Exhibit B, Tab 3, Schedule 1, page 9.
2. Pre-Filed Evidence of OPA, Exhibit B, Tab 3, Schedule 1, page 20.

Preamble: OPA states:

1. “As part of the management of the FIT program, the OPA will initiate and conclude audits on a random selection of approximately 70 FIT contracts during 2014. These audits will be to assess compliance with key contract parameters.”
2. “As of Q4 2013, the OPA had approximately 22,500 MW of electricity supply capacity under contract. This includes over 10,500 MW of

renewable energy, over 8,800 MW of clean energy and 3,000 MW of nuclear energy. Of the overall total, over 15,900 MW is in commercial operation. The remaining capacity is either under development or construction. This represents over 21,000 contracts, including over 18,000 microFIT contracts, over 2,600 FIT contracts...”

Questions:

- a) Provide the methodology used to determine the sample size of 70 FIT contracts.
- b) Taking into account the total population of over 2,600 FIT contracts, how did the OPA determine that a sample of 70 contracts was of adequate and appropriate size to assess compliance?
- c) Identify the “key contract parameters” that will be assessed and why they were selected.

Issue 4/Board Staff/7

Reference: Pre-Filed Evidence of OPA, Exhibit B, Tab 4, Schedule 1, page 4.

Preamble: OPA states:

“Strategic Risk Management

“Risk management evolution will focus OPA staff on incorporating mitigation activities and addressing the top strategic risks when developing corporate and divisional business plans and actions. In 2014, the Finance group will implement a process that assesses risks as linked to specific OPA initiatives, leading to more efficient use of resources based on explicit risk and reward decisions at earlier stages of the planning cycle.”

Question

Provide a description of the risk management process the OPA will implement in 2014, and why the particular risk management process was selected.

Issue 4/Board Staff/8

Reference: Pre-Filed Evidence of OPA, Exhibit B, Tab 4, Schedule 1, page 4.

Preamble: OPA states:

“Internal Audit and Value for Money Audits

“Examination of internal processes and benchmarking best practices through value for money audits are planned to continue for the 2014 internal audit program. In 2014, the audit program will incorporate value-for-money audits to evaluate program performance within the business units.”

Question:

What will the OPA’s audit program be evaluating in 2014?

Issue 6.4/Board Staff/9

Reference: Pre-Filed Evidence of OPA, Exhibit C, Tab 1, Schedule 1, page 13, Table 3.

Question:

Table 3 provides Generation Procurement Cost Disclosure (\$/MW) as the 2009-2012 average, provide the cost disclosure on an annual basis for 2009-2012 and, if available, 2013.

Issues 6.4/Board Staff/10

Reference: Pre-Filed Evidence of OPA, Exhibit C, Tab 1, Schedule 1, page 6.

Preamble: OPA states:

“Electricity Resources – Procurement: Generation Procurement Cost Disclosure (refer to Electricity Resources metric 2.4). The costs associated with generation production from facilities settled by the OPA are the result of a number of factors beyond the control of the OPA, including electricity demand, and generator and transmission availability. Additionally, in some cases the OPA is directed to procure resources at a certain price. As a result, this metric does not provide an informative measure of the OPA’s efficiency in procuring electricity generation facilities.”

Questions:

- a) Does this metric provide transparency and permit an assessment of whether procurements achieve value-for-money for ratepayers? Please explain reasons.
- b) To what degree are the costs of other OPA procurements the result of a number of factors beyond the control of the OPA?

- c) To what degree are other OPA procurements the result of being directed to procure resources at a certain price, type and/or quantity?

Issues 6.4/Board Staff/11

Reference: Pre-Filed Evidence of OPA, Exhibit C, Tab 1, Schedule 1, page 4.

Preamble: OPA states:

“The divisional metrics show an overall favourable trend over the 2011-2013 period, with increased efficiencies in contract management and in the procurement of energy savings and generation. In the Conservation division, efficiencies in procurement and program administration are also clearly evident.”

Questions:

- a) Provide an explanation on how the divisional metric and trends over the 2011-2013 period assist the Board in determining that the OPA has, and will have, a reasonable level of resources to effectively and efficiently procure generation and conservation resources and manage contracts.
- b) Provide a description of the critical elements to effective generation and conservation resource procurement and contract management. Can these elements be measured?

Issues 6.4/Board Staff/12

Reference: Pre-Filed Evidence of OPA, Exhibit C, Tab 1, Schedule 1, page 18, Table 5.

Preamble: OPA states:

“The results of the stakeholder surveys from 2011 and 2012 show a decline in all three of the four key survey measures. In 2011, the OPA was not undertaking a large number of stakeholder engagements, with a total of 33 stakeholder sessions undertaken. This was improved in 2012 with 58 sessions undertaken, and into 2013 with 93 sessions undertaken.”

Questions:

- a) Please provide a description and interpretation on the causes behind the decline in stakeholder survey results (Communications metric 1) on favourability, transparency, and communications effectiveness.
- b) Please explain why the number of stakeholder sessions undertaken should be considered a measure of efficiency and effectiveness.
- c) Please explain why the number of stakeholder participants should be considered a measure of efficiency and effectiveness.

Issues 6.4/Board Staff/13**Questions:**

- a) Taking into consideration government direction, electricity demand, generator and transmission availability, general economic conditions, and other factors, to what degree is the OPA's performance beyond the control of the OPA?
- b) How do factors beyond the control of the OPA influence the OPA's ability to design meaningful performance metrics?