

BOARD STAFF INTERROGATORY #7

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

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.

RESPONSE

The risk management process for 2014 is similar to the existing risk program in use, but will emphasize the identification and association of these risks to functional areas' activities in support of each business goal. The OPA has created a modular plan that will align risk assessment with the OPA's budget by goal, and will be carried out as part of the budgeting process to identify risks related to specific projects within each goal of the plan.

The process of reviewing risks at the functional area or program level will highlight risks to executing our programs (many of which are directly related to Ministerial directives). The overall enterprise risk management (“ERM”) program is in line with most ERM programs (i.e., risk identification, risk rating for prioritization, implementation of mitigation plans, continuous monitoring). The goal of the program to be implemented in 2014 is to further provide objective support to reallocate resources, if opportunities are presented (i.e., from lower risk projects to higher risk projects) which is an integral part of OPA's business planning practice. In other words, the changes will allow for re-deployment based on new direction in a controlled fashion.

BOARD STAFF INTERROGATORY #8

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

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?

RESPONSE

The planned internal audits for 2014 are focused on areas identified in the response to Board Staff Interrogatory 5 at Exhibit I, Tab 1, Schedule 1.05.

Namely, the audit program includes evaluation of:

- specific program spend;
- compliance and controls audits; and
- internal process reviews.

Additionally, there is the follow-up audit to assess progress on the remediation of prior audit recommendations.

BOMA INTERROGATORY #48

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

Reference: Legal and Consulting Fees. The OPA has substantial annual legal fees of between \$4 million and \$5 million per year.

48)How many in-house lawyers does OPA have that perform legal work on a day to day basis; what is the total cost of the in-house legal group in 2012 through 2014 (actuals budget, both loaded and unloaded); what is the average cost per hour to OPA of OPA's outside legal services, for 2014, 2013, 2012, and 2011?

RESPONSE

BOMA has clarified that the reference is Exhibit D-2-1, Page 4, Table 4.

The OPA uses a broad range of legal resources as appropriate to the matter at issue. These resources are used to provide overflow capacity and specific expertise, and they have varying rates depending on this expertise and the seniority of the legal counsel involved. The OPA does not track or collate data in a manner that would allow it to calculate an average cost per hour for third party legal resources. However, the amounts paid by the OPA for external legal resources are consistent with standard industry rates and are typically between the ranges of \$400 to \$800 for partners, \$200 to \$400 for associates, and \$50 to \$250 for students and other services. As an alternative, the OPA has provided the total dollars spent on external legal from 2012-2014.

The OPA has provided for 10 in-house legal counsel in its 2014 budget.

Please see the table below for in-house and external legal costs:

	2012 Budget	2012 Actuals	2013 Budget	2013 Actuals	2014 Budget
Corporate Counsel Group compensation & benefits (Including VP, LARA & support staff)	2,215	1,805	2,139	2,047	1,961
External legal costs	4,513	4,205	3,719	5,163	4,732

BOMA INTERROGATORY #49

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

Reference: Legal and Consulting Fees. The OPA has substantial annual legal fees of between \$4 million and \$5 million per year.

49) What steps has OPA taken to lower these costs?

RESPONSE

One of the goals of the corporate counsel group is to increase the legal expertise in certain areas within the OPA, in order for more high value legal work to be done internally. Legal staff are being included on as many new projects and programs as possible so that knowledge and capability is developed internally. The goal is to decrease the volume of ongoing work on projects and programs that is performed by third party higher cost resources. Internal legal staff involvement early in a project can also often defer when third party legal services involvement commences. In addition, over the past two years, the corporate counsel group has assumed responsibility for a substantial volume of legal work on contract management matters that was previously performed by higher cost third party legal resources.

In order to lower costs related to third party legal resources, the OPA is implementing a number of measures. The OPA has retained third party legal resources from a virtual law firm to provide overflow capacity for work on routine legal matters not requiring specialized expertise. The fees for a virtual law firm are substantially less than for a traditional law firm. The OPA also ensures the appropriate level of experience (and thereby cost) is deployed by third party legal services providers. For example, a small claims court litigation matter will be primarily staffed by articling students whereas more complex litigation will be staffed by a senior associate or partner. The OPA will also be exploring implementing value based billing options as part of future procurements of third party legal resources, where the legal services being retained make that a viable option. As well, the OPA is developing a policy regarding when work should be referred to third party legal resources versus internal legal resources to ensure a consistent and documented approach to when external legal resources are retained.

BOMA INTERROGATORY #50

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

Reference: Legal and Consulting Fees. The OPA has substantial annual legal fees of between \$4 million and \$5 million per year.

50) Are all third party legal fees captured in the legal, aboriginal and regulation budget or are some included in the professional and consulting fees for each of Tables 1, 2 and 3? (See Exhibit D1, Tab 2, Schedule 1, Page 4, Table 4). Please identify the amounts in each.

RESPONSE

As shown below, Table 4 indicates that the OPA's third party legal fees are \$4,732 thousand in the 2014 budget.

Table 4					
Professional and Consulting Expenses					
2014 vs. 2011 and 2014 vs. 2013					
(\$'000)					
	2011 Budget Board-approved	2014 Budget	2011 - 2014 Variance	2013 Actual	2013 - 2014 Variance
Audit	405	567	162	398	169
Legal	4,451	4,732	281	5,163	(431)
Stakeholder	2,612	607	(2,005)	131	366
Other	8,901	11,053	2,152	6,761	4,402
Total	16,369	16,959	590	12,453	4,506

These third party legal fees are split between the LARA budget, and the ER budget as follows:

1. Legal, Aboriginal & Regulatory Affairs: \$1,455 thousand, and
2. Electricity Resouces: \$3,277 thousand.

SEC INTERROGATORY #5

Issue 4.1 Is the Operating Budget for \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

4.1-SEC-5

[B1-4-1/p.2, 10, 25] Please complete the following table for each of the i) CEO's Office, ii) Business Strategies and Solutions, and iii) Legal, Aboriginal and Regulatory Affairs groups.

Major Cost Category	2011 Board Approved	2011 Actual	2012 Actual	2013 Actual	2014 Budget
Compensation & Benefits					
Professional & Consulting Fees					
Conservation/Technology Funds					
Operation and Administration Expenses					
Total Operation Costs Before Allocation					
Shared Services Allocation Expenses					
Total Operating Costs After Allocation					

RESPONSE

The table, as requested for the CEO's Office, is as follows:

CEO Office					
2011 Board-approved Budget, 2011 Actual, 2012 Actual, 2013 Actual and 2014 Budget					
(\$'000)					
Major Cost Category	2011 Budget Board-approved	2011 Actual	2012 Actual	2013 Actual	2014 Budget
Compensation & Benefits	778	974	869	835	826
Professional & Consulting Fees		4	78		
Operating & Administration Expenses	33	24	32	37	26
Total Operating Costs	811	1,002	979	872	852

1 The table, as requested for Business Strategies and Solutions, is as follows:

Business Strategies and Solutions 2011 Board-approved Budget, 2011 Actual, 2012 Actual, 2013 Actual and 2014 Budget (\$'000)					
Major Cost Category	2011 Budget Board-approved	2011 Actual	2012 Actual	2013 Actual	2014 Budget
Compensation & Benefits	4,843	5,039	5,551	5,391	4,549
Professional & Consulting Fees	755	3,253	1,999	2,761	3,504
Operating & Administration Expenses	8,071	9,892	12,700	10,282	8,754
Total Operating Costs	13,669	18,184	20,250	18,434	16,807

4 The table, as requested for Legal, Aboriginal and Regulatory Affairs, is as follows:

Legal, Aboriginal and Regulatory Affairs 2011 Board-approved Budget, 2011 Actual, 2012 Actual, 2013 Actual and 2014 Budget (\$'000)					
Major Cost Category	2011 Budget Board-approved	2011 Actual	2012 Actual	2013 Actual	2014 Budget
Compensation & Benefits	3,566	3,519	3,387	3,547	3,354
Professional & Consulting Fees	4,014	1,576	1,503	2,416	1,983
Operating & Administration Expenses	2,593	1,418	1,160	1,260	1,581
Total Operating Costs	10,173	6,513	6,050	7,223	6,918

SEC INTERROGATORY #6

Issue 4.1 Is the Operating Budget for \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

4.1-SEC-6

Does the 'Professional & Consulting Fees' line item for all budgets excluding the Legal, Aboriginal and Regulatory Affairs groups, include external legal counsel related to initiatives contained with that goal?

RESPONSE

The Professional & Consulting Fees' line item for Electricity Resources includes external legal counsel related to initiatives contained within its strategic goal. All other legal costs are contained within the Legal, Aboriginal and Regulatory Affairs groups.

1 **VECC INTERROGATORY #17**

2 **Issue 4.1** Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

3 **INTERROGATORY**

4 4.1-VECC-17

5 Reference: B/T4/S1/pg.10

6 a) Please explain the increase in Business Strategies and Solutions costs as between
7 2011 Board approved and 2014 forecast.

8 **RESPONSE**

9 Please refer to Exhibit D-2-2, Pages 5 and 6 for the analysis of the increase in Business
10 Strategies and Solutions costs as between 2011 Board approved and the 2014 budget.

VECC INTERROGATORY #18

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

4.1-VECC-18

Reference: B/T4/S1 pg. 2-10 and pg. 17-24

a) Please provide the 2014 forecast budget for each of the strategic initiatives.

RESPONSE

a) The OPA has given careful consideration to the Board's decision on July 8, 2011 in EB-2010-0279 which expected the OPA to assess the actual costs of individual initiatives. The OPA believes that budgeting by business goal and functional area (director), as articulated below, is a reasonable and cost/resource-efficient proxy.

The OPA develops its budget in support of its business plan goals. Each goal is led by one of the OPA's divisions, with shared support across the divisions.

At the next level of detail below business plan goals, the OPA budgets by functional area (by director). Functional area budgets are then consolidated into divisional budgets, in support of each business plan goal. The functional areas approximately align with the OPA's initiatives, however in some cases, initiatives may span more than one functional area.

Please find below the 2014 budget for each of the functional areas within the Business Strategies and Solutions division.

2014 Budget by Functional Areas Business Strategies & Solutions	
Division	2014 Budget
Finance & Procurement	2,277
Information Technology	6,484
Planning & Reporting/Office and Facility Services	6,180
Human Resources	1,866
Total Operating Costs	16,807

VECC INTERROGATORY #19

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

4.1-VECC-19

Reference: A-4-1 Updated

- a) Please provide the total compensation costs of the Business Strategies and Solutions division for executive positions (i.e. those directors reporting to and including the VP Business) and as shown in Exhibit A-4-1 Updated.
- b) Please provide the number of FTEs reporting to each of the 8 Directors under the VP position.

RESPONSE

- a) Please note that the OPA defines executive positions as the CEO and Vice Presidents.

The total compensation costs of the Business Strategies and Solutions division for directors and the VP BS&S is \$1,094 thousand.

- b) The OPA clarifies that there are two VPs and 5 directors that contribute to Goal 4. Please see below the number of FTEs in each functional area under the VP positions in Business Strategies and Solutions and Legal, Regulatory & Aboriginal Affairs divisions.

Divisions	2014 Budget FTEs
Business Strategies & Solutions	39
VP Office	2
Finance & Procurement	8
Human Resources	5
Information Technology	15
Financial Planning & Analysis and Office & Facilities	8
Legal, Aboriginal and Regulatory Affairs	21
VP Office	3
Corporate Counsel	11
Regulatory Affairs	4
First Nations & Metis Relations	3

- 1 Please note that Directors have been included in the totals provided above, except in
- 2 the case of Regulatory Affairs and the First Nations & Metis Relations groups where
- 3 there is no director level position (the Manager reports directly to the VP). As well, VP
- 4 offices have been provided for completeness.

VECC INTERROGATORY #20

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

4.1-VECC-20

Reference: B/T4/S1/pg.1-2 & C/T2/S1/pg.5 & D/T2/S2/pg.4

- a) The evidence explains that the CEO's office has increased its regular position by 1 since 2011 Board approved. At B/T4/S1/pg. 1 its shows a decrease of \$20,000 in this offices budget since 2011. Please explain how the Office's budget has decreased despite the hiring of one new position.

RESPONSE

The decrease of \$20 thousand referred to in the question relates to the 2014 budget vs. 2013 actuals and not the 2011 budget. This decrease is primarily due to changes in compensation related to the Senior Advisor role.

The 2014 budget for the CEO office is \$41 thousand higher than the 2011 budget primarily due to the addition of the Senior Advisor role to provide ongoing administrative and analytical support to the CEO.

Please refer to Exhibit D-2-2, Page 2 for further information.

VECC INTERROGATORY #21

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

4.1-VECC-21

Reference: C/T1/S1/pg.7/Table 1 & C-1-4 Summary of Research on Efficiency Metrics

a) Please provide a mapping as between the metrics reported at Table 1 and the Recommended list of metrics as shown at page 18 of the Concentric Report.

RESPONSE

The table below provides the mapping of Concentric's recommended metrics for energy efficiency and conservation to those that were included in the OPA's list of proposed metrics in Table 1 at Exhibit C-1-1. Table 1 of Exhibit C-1-1 refers to the OPA proposed efficiency metrics for the Conservation division. It contains 26 metrics which measure the Conservation division's efficiencies and effectiveness in contract management, energy savings and its efforts to increase awareness in conservation activities across the province.

ENERGY EFFICIENCY AND CONSERVATION METRICS	
<ul style="list-style-type: none">• Energy, capacity, peak demand savings per budget dollar and FTE (MWh, MW)xvi• Average cost of savings per kWh• Actual administrative cost vs. budgeted program and OPA cost (\$)• Participants, enrollments, approved applications, completed jobs, projects, appliances rebated, and appliances recycled per year• Administrative cost per kWh saved	Section 2
<ul style="list-style-type: none">• LDC partner relationship satisfaction (measured by survey)	Section 3.6

The above table illustrates that not all of the Concentric proposed metrics directly correspond to the OPA's proposed metrics. In reviewing the Concentric proposed metrics in the context of available results for the 2011 to 2013 period, the OPA found that a number of the metrics had limitations and did not provide an informative assessment of organizational efficiency. In some cases, a component of the metric was not meaningful, or was influenced by timing or other external factors in a manner that obscured any consistent and material trend, or made interpretation of the metric challenging. The OPA therefore proposed additional metrics that more directly reflected relevant trends in the OPA's operations, milestones achieved, and scope of work relative to resource utilization.

VECC INTERROGATORY #22

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

4.1-VECC-22

Reference: D/T1/S2/pg.2, Table 1

- a) Please explain why the VP Offices (for Legal, Aboriginal and Regulatory Affairs and Communications) , the Corporate Governance/Secretary, Corporate Communications and CEO office are allocated 1/3 of their respective costs. Please explain how the effort is tracked in these areas and why they are different than the allocations by Corporate Marketing, Stakeholder Relations, Corporate Law, IT, Human Resources, Procurement and Facilities.
- b) If specific tracking is not done for those units using the “1/3” allocation method then explains why a (weighted) average of other groups would not be a better allocator?

RESPONSE

- a) and b) As indicated in Exhibit D-1-2, Pages 1 and 2, the OPA's methodology to allocate its shared services expenses by initiative was based on analysis by the directors in the shared services divisions (Business Strategies and Solutions; Communications; and Legal, Aboriginal and Regulatory Affairs). For example, in some cases, allocations were based on the estimated time spent by divisional staff on projects in the three operating divisions, including Conservation. In other cases, the volume of transactions processed was tracked among the three operating divisions.

In the case of the Executive team (divisional VPs), their daily work involves collaboration at the organizational level on projects whose impact spans across divisions. For the Executive team, including the CEO and his staff (CEO Office), the Corporate Governance/Secretary, and Corporate Communications functions, organizational oversight, collaboration and risk management are key priorities resulting in equal division of time across divisions.

At the time of developing the shared services allocation methodology, various options including a weighted average method were considered. The same interview process and analysis was used to assess time usage in all applicable divisions and in some cases, the OPA determined that the “1/3 allocation method” is the most appropriate basis of estimate. This was the case with the Executive team because their key activities - organizational oversight, collaboration and risk management - result in equal division of time across divisions. In other words, the OPA determined that using a weighted average would be a proxy that was less accurate or less appropriate, and therefore wasn't used.

1 **VECC INTERROGATORY #23**

2 **Issue 4.1** Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

3 **INTERROGATORY**

4 4.1-VECC-23

5 Reference: D/T2/S1/pg. 2

6 a) Please explain the 38% increase in Board of Director Remuneration as between
7 2013 actual and 2014 forecast.

8 **RESPONSE**

9 The 2014 budget plans for a full complement of Board members while the 2013 actuals are
10 reflective of vacancies on the Board. The average number of Board members for 2013 was
11 7.5 (excluding CEO) while the full complement consists of 10 Board members plus the
12 CEO.

VECC INTERROGATORY #24

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

4.1-VECC-24

Reference: D/T2/S1/pg. 6

- a) For each of the years 2012, 2013 and 2014 please provide corporate wide the following:
- a. Travel Expenses (all divisions and corporate)
 - b. Training Expenses (same as a.)
 - c. Conference Expenses (same as a.)

RESPONSE

- a) Please find below travel expenses for the divisions and corporate. Corporate includes the CEO office, BS&S and LARA.

Travel Costs by Division (\$'000)			
Major Cost Category	2012 Actuals	2013 Actuals	2014 Budget
Conservation	105	91	158
Power Systems Planning	31	77	104
Electricity Resources	19	40	91
Corporate	120	150	287
Communications	5	17	22
Total	281	376	662

- b) Please find below training expenses for the divisions and corporate. Please note that Corporate includes the CEO office, BS&S and LARA, and that the corporate cost centre contains expenses for all organization-wide training programs.

Training Costs by Division (\$'000)			
Major Cost Category	2012 Actuals	2013 Actuals	2014 Budget
Conservation	59	43	120
Power Systems Planning	59	54	85
Electricity Resources	97	122	112
Corporate	1,039	1,217	840
Communications	29	15	56
Total	1,283	1,450	1,212

- c) Conference expenses are not tracked separately and are usually part of training and development costs.

VECC INTERROGATORY #25

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

4.1-VECC-25

Reference: D/T2/S1/pg. 6

a) In the variance analysis the change in professional & consulting expenses is described as being "*as a result of a reclassification of budgeted spending amounts on employee engagement and professional development from the Operating & Administration to the Professional & Consulting expense category which more accurately reflects the nature of these costs*". Please explain this statement and in particular, why professional development was previously accounted for under Consulting expenses.

RESPONSE

The reclassification captures costs related to the design, development, and/or delivery of programs related to organizational and employee development, as well as corporate training programs, and aligns these costs under the category of Professional & Consulting which better reflects the nature of the expenses. These costs had been previously classified under Operating & Administration.

ENERGY PROBE INTERROGATORY #12

Issue 4.1 Is the Operating Budget of \$24,577 thousand allocated to Goal 4 reasonable?

INTERROGATORY

4.1-Energy Probe-12

Ref: Exhibit B, Tab 4, Schedule 1, Page 2

- (a) Please provide the Specific outcomes for 2014 for the office of the CEO.
- (b) Please provide the 2014 specific outcomes related to the 4 strategic initiatives of the BSS Group.
- (c) Please provide 2011-2014 headcounts for the group.
- (d) Please provide the percentage of the total operating budgets associated with BSS 2011-2014.

RESPONSE

- a) The office of the CEO provides leadership and guidance to the organization in formulating and accomplishing its goals. The CEO is also responsible for representing the OPA's position to the Ministry of Energy, industry participants and other stakeholders through speaking engagements and active participation in meetings and public forums.
- b) The 2014 milestones for the BS&S group are provided in the evidence at Exhiit B-4-1, Page 10.
- c) The 2011-2014 headcounts for the BS&S group are as follows:

Business Strategies & Solutions				
	2011 Actual	2012 Actual	2013 Actual	2014 Budget
Total FTE	46	42	43	39

- c) The percentage of the total operating budgets associated with BS&S 2011-2014 are as follows:

	Business Strategies & Solutions			
	2011	2012	2013	2014
OPA operating budget	64.1	60.8	61.1	60.3
BS&S Operating budget	13.7	15.1	16.5	16.8
BS&S% Operating budget	21%	25%	27%	28%

- 1
- 2 The BS&S operating budget includes depreciation and leasehold expenses for the OPA.
- 3 Please refer to Exhibit D-2-2, Pages 5 and 6 for an analysis of the variances between
- 4 the 2011 and 2014 budgets.