

BOMA INTERROGATORY #53

Issue 6.1 Is the proposed usage fee reasonable?

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 2, Page 1 of 5: "This reduction has been achieved through a combination of administrative and process efficiencies, carried out while the OPA's mandate has expanded and it addresses a growing volume and complexity of work."

53) Please provide a description of the administrative and process efficiencies? Were additional efficiencies considered? If so, why weren't they implemented? If not, why not?

RESPONSE

Please refer to the response to Board Staff Interrogatory 1, at Exhibit I, Tab 1, Schedule 1.01.

BOMA INTERROGATORY #54

Issue 6.1 Is the proposed usage fee reasonable?

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 2, Page 1 of 5: "As well, pursuant to the April 23, 2010 directive, new grants under the Conservation Fund are being recovered through the OPA's program spending rather than through fees."

54) Please indicate the amount allocated to the Conservation Fund in each of the years before and after the directive was provided.

RESPONSE

The actual amount spent in relation to the Conservation Fund in each of the years before and after the directive is as follows:

	Conservation Division								
	(\$'000)								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget
Conservation Funds-Fees	1,981	2,187	2,743	3,868	3,590	1,914	728	405	311
Conservation Funds-Program Spending					415	1,200	1,648	3,259	10,910
Total Conservation Funds	1,981	2,187	2,743	3,868	4,005	3,114	2,376	3,665	11,221

Pursuant to the April 23, 2010 directive, new grants under the Conservation Fund are being recovered through the OPA's program spending. All milestone payments related to grants awarded prior to April 23, 2010 will continue to be funded through operating fees. All milestone payments related to grants awarded after the April 23, 2010 directive are funded through program spending.

The key spending planned in the 2014 budget included 3 pilot social benchmarking programs, LDC stream innovation programs, and milestone payments related to active programs awarded prior to 2014.

1 **BOMA INTERROGATORY #55**

2 **Issue 6.1** Is the proposed usage fee reasonable?

3 **INTERROGATORY**

4 Reference: Exhibit A, Tab 2, Schedule 1, Page 3 of 40: "fulfilling the government's
5 Long-Term Energy Plan"

6 55) Given that the original mandate of the OPA was to develop the Integrated Power
7 System Plan, how has the OPA's work load been impacted by no longer having that
8 responsibility?

9 **RESPONSE**

10 The OPA has, since its inception, developed and maintained updated power system
11 plans that are used to provide advice to government and to inform procurements,
12 programs, and infrastructure development. The absence of a formal regulatory review
13 of the integrated power system plan has not changed the work load of developing,
14 maintaining, and implementing updated plans, rather it has removed the periodic
15 requirement for the extra resources, both consulting and personnel, that would be
16 required to conduct a full regulatory process.

BOMA INTERROGATORY #56

Issue 6.1 Is the proposed usage fee reasonable?

INTERROGATORY

Reference: Exhibit A, Tab 2, Schedule 1, Page 3 of 40: “ensuring that we incorporate the principles of sustainability into the work that we do, through the development of a framework that strengthens our commitment to sustainability and includes approaches for enhanced integration and reporting”

56) What are the principles of sustainability used by the OPA? Please describe the framework. How has the framework strengthened your commitment to sustainability?

RESPONSE

The principles of sustainability used by the OPA include the consideration of economic, environmental and social factors. In developing power system plans, specific considerations include cost, environmental performance, reliability, feasibility, flexibility and societal acceptance. The OPA has also implemented several internal measures to enhance the environmental performance of its business operations, through an ongoing staff Environment Committee.

Consideration of sustainability has been a driver of OPA's broad and inclusive stakeholder engagement on various plans, procurements and conservation programs. To further enhance how sustainability is considered in carrying out its legislative mandate, the OPA participates in the sole North American electricity industry sustainability integration initiative, the Energy Sustainability Interest Group coordinated through the Electric Power Research Institute.

Sustainability was also a driver of the recommendations for Regional Energy Planning involving the siting of electricity infrastructure in Ontario. These recommendations included strong community engagement and local involvement in infrastructure siting decisions.

BOMA INTERROGATORY #57

Issue 6.1 Is the proposed usage fee reasonable?

INTERROGATORY

Reference: Exhibit D, Tab 2, Schedule 1, Page 1: "The OPA's operating budget is developed taking into consideration, continued progress of 2013 activities with a prioritized list of new initiatives planned for 2014".

57) Please provide the prioritized list of new initiatives.

RESPONSE

During the budget preparation process, the OPA prioritizes initiatives and directives to the extent possible, based on the outcome of budget discussion meetings held between the Financial Planning & Analysis team and Senior Management. Decisions to reduce budget amounts or eliminate initiatives are made after discussing the project/initiative in the context of the OPA's strategic goals and current or expected directives from the Ministry of Energy.

Directives, however, may have overlapping timing of deliverables and span across divisions, and because of the OPA's legal requirement to fulfill them, the OPA may not have the flexibility to prioritize them. The OPA is flexible in deploying its resources to ensure compliance and delivery of all directive requirements though.

Please see below for a list of incremental 2014 budgeted projects by Goal. It should be noted that because most of these new initiatives are directed, they have not been prioritized.

- Goal 1 – Conservation – Next Generation of Conservation Programs
- Goal 2 – Power System Planning – Integrated regional resource planning, the planning/siting continuum to enhance community and public engagement and increased electricity awareness and reporting on LTEP progress and transmission planning
- Goal 3 – Electricity Resources – increased contract negotiations, Large Renewable Procurement and the Hydroelectric Standard Offer program
- Goal 4 – BS&S/CEO/LARA – increased legal support and reclassification of budgeted spending amounts on employee engagement and professional development
- Goal 5 – increased consulting support for the Stakeholder advisory committee and regional planning initiatives

BOMA INTERROGATORY #58

Issue 6.1 Is the proposed usage fee reasonable?

INTERROGATORY

Reference: Exhibit D, Tab 2, Schedule 1, Page 1: "The OPA's operating budget is developed taking into consideration, continued progress of 2013 activities with a prioritized list of new initiatives planned for 2014".

58) For each new initiative, indicate the total FTE's and other personnel operating costs, projected for 2014, 2015, and 2016.

RESPONSE

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 see table below for total FTEs and operating costs for the 2014 budget by functional area (director) – these consolidate into totals for each goal. The 2014 amounts shown below represent the approved budget amounts for the OPA.

Projections for 2015 and 2016 do not include functional area-level detail. The OPA's key initiatives typically span across functional areas and rely on reallocation of staff as required to meet initiative milestones. Due to uncertainty of timing and impacts of a potential merger with the IESO, detailed plans for 2015 are currently under development, for completion in latter 2014.

Goals 1 - 5	Goal 1 - Conservation					Goal 2 - Power System Planning					Goal 3 - Electricity Resources					Goal 4 - Business Strategies and Solutions & LARA										Goal 5 - Communications			
Department	VP Office	Performance	Business Development	Market Transformation	Operations	VP Office	Transmission & Integration 1	Transmission & Integration 2	Resource & Integration 1	Resource & Integration 2	Conservation & Integration	VP Office	Clean Energy	Renewable	Contract Management	Policy & Analysis	CEO	LARA - VP Office	Corporate Counsel	Regulatory Affairs	First Nations	Finance & Procurement	Human Resources	Information Technology	IT&A and O&S	VP Office	Corporate Marketing	Corporate Communications	
2014 Total FTEs	4	14	16	11	14	2	9	8	5	6	6	6	2	5	26	41	7	3	3	11	4	3	10	5	15	8	2	7	12
2014 Personnel Operating Costs (Compensation & Benefits 400%)	666	1,469	1,805	1,275	1,484	563	1,150	1,023	783	682	771	509	562	2,088	3,908	844	826	594	1,304	542	339	1,495	724	1,425	905	333	842	1,489	

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SEC INTERROGATORY #10

Issue 6.1 Is the proposed usage fee reasonable?

INTERROGATORY

6.1-SEC-10

[A-2-2-/p.11] Please provide a copy of the Minister's Letter dated October 22, 2013.

RESPONSE

Please see the Minister's Letter filed as Attachment 1 to this exhibit.

Ministry of Energy

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MC-2013-2727

October 22, 2013

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Andersen:

Re: 2014-2016 OPA Business Plan

Thank you for submitting the Ontario Power Authority's (OPA) proposed 2014-2016 Business Plan for my approval, on October 1, 2013. I regret that, in accordance with my authority under section 25.22(2) of the *Electricity Act, 1998*, I am not in the position to approve the current version of the Business Plan, as proposed, and must refer it back to you for your further consideration.

The 2012-13 Public Accounts of Ontario, audited by the Auditor General of Ontario, outline that for the first year in more than a decade, the government's total spending fell from the previous year. These savings have not been easy to achieve, however, Ontario remains committed to controlling the growth in spending while protecting key public services. We expect our agencies to make the same effort.

As you are aware, the government has made commitments to ensure that there are expenditure and staffing restraints across the Ontario Public Service as well as at the various agencies across the Province. The proposed OPA Business Plan is not in keeping with these commitments. I am particularly concerned and disappointed about the proposed increase in OPA staffing levels.

I am requesting that the OPA find further efficiencies and savings in its proposed Business Plan. You should also identify an appropriate benchmark against which to measure and achieve improved productivity, efficiencies and savings.

...cont'd

- 2 -

In addition, the OPA should provide a staffing plan that demonstrates prudence and a commitment to comply with the government's goal to restrain staffing levels. You should ensure:

- No further hiring and the cessation of the conversion of temporary to permanent FTEs;
- The redeployment of existing FTEs to meet the OPA's key business priorities; and,
- A reduction of the total number of FTEs. I would like to remind you that the government has taken strict measures to reduce the size of the OPS – the 2009 Ontario Budget committed to a five per cent reduction in size over three years. We are leading by example and I expect the OPA to do the same.

I look forward to your response, in the form of a revised and resubmitted Business Plan, as soon as possible.

I also understand that the OPA has been operating since 2011 under an interim fee which has been approved by the Ontario Energy Board (OEB) and that this fee is recognized by the OPA as being higher than needed to recover its current operating expenditures, for the past few years. If the OPA needs to file for an interim 2014 rate, I encourage you to submit to the OEB rates that are reflective of the OPA's current surplus.

Sincerely,



Bob Chiarelli
Minister of Energy

c: James D. Hinds, Chair, Ontario Power Authority
Andrew Teliszewsky, Chief of Staff, Ministry of Energy
Serge Imbrogno, Deputy Minister, Ministry of Energy

1 **SEC INTERROGATORY #12**

2 **Issue 6.1** Is the proposed usage fee reasonable?

3 **INTERROGATORY**

4 6.1-SEC-12

5 [A-2-3/p1] Please provide details of the \$2.5M reduction in the operation budget
6 referenced in the Minister's Letter dated January 29, 2014.

7 **RESPONSE**

8 Please see the response to CME Interrogatory 3, at Exhibit I, Tab 1, Schedule 3.03.

1 **SEC INTERROGATORY #13**

2 **Issue 6.1** Is the proposed usage fee reasonable?

3 **INTERROGATORY**

4 6.1-SEC-13

5 [A-4-1/p.2-8] For each Director level position at the OPA, please provide how many
6 employees work in that business unit.

7
8 **RESPONSE**

9 Please see the table below for the number of FTEs in each business unit, grouped by
10 functional area/director. Please note that Directors have been included in the totals
11 provided, except in the case of Regulatory Affairs where there is no Director level position
12 (the Manager reports directly to the VP). VP office FTEs, which typically include the VP
13 position and administrative support, have been included to allow a full view of staffing,
14 totaling OPA's budget of 260 for 2014.

OPA FTE Analysis	2014 Budget
OPA	260
CEO	3
ER	81
VP Office	2
Clean Energy Procurement	5
Renewables Procurement	26
Contract Management	41
Policy & Analysis	7
PSP	36
VP Office	2
Transmission Integration	9
Transmission Integration	8
Resource Integration	5
Resource Integration	6
Conservation Integration	6
CONS	59
VP Office	4
Conservation Performance	14
Business Development	16
Market Transformation	11
Operations	14
LARA	21
VP Office	3
Corporate Counsel	11
Regulatory Affairs	4
First Nations & Metis Relations	3
BS&S	39
VP Office	2
Finance & Procurement	8
Human Resources	5
Information Technology	15
FP&A and OFS	8
COMM	21
VP Office	2
Marketing	7
Corporate Comms and Stakeholder Relations	12

SEC INTERROGATORY #14

Issue 6.1 Is the proposed usage fee reasonable?

INTERROGATORY

6.1-SEC-14

[C-2-1] Please provide an employee compensation breakdown in the form of Appendix 2-K (*Filing Requirements For Electricity Distribution Rate Applications*, dated July 17 2013).

RESPONSE

The OPA does not typically track compensation using the same parameters as listed in Appendix 2-K (ie, management vs non-management). The scope of management vs non-management positions has not yet been determined in the collective bargaining process that the OPA is currently undergoing.

Please see the response to CME Interrogatory 1, at Exhibit I, Tab 3, Schedule 3.01 for a listing of FTEs and compensation and benefits by goal from 2009-2014.

1 **SEC INTERROGATORY #15**

2 **Issue 6.1** Is the proposed usage fee reasonable?

3 **INTERROGATORY**

4 6.1-SEC-15

5 [C-2-1] Please provide a status of negotiating the first collective agreement between the
6 OPA and Society of Energy Professionals. Please provide the increase in compensation in
7 2014 that the OPA is projecting based on the outcome of those negotiations for the
8 purposes of this application.

9 **RESPONSE**

10 OPA management met with the Society on May 23 to discuss the approach, timelines and
11 scheduling of bargaining for a first collective agreement. Both sides have exchanged
12 potential dates for bargaining and have set aside seven days over the course of the
13 summer. The first date scheduled for bargaining was June 25 and OPA management and
14 the Society met on this date.

15 The OPA has not budgeted a specific compensation increase in its 2014 budget; if
16 increases result from negotiations, they will be managed within the existing budget.

ENERGY PROBE INTERROGATORY #14

Issue 6.1 Is the proposed usage fee reasonable?

INTERROGATORY

6.1-Energy Probe-14

Ref: Exhibit D Tab1 schedule Table1

Preamble:

The 2014 OPA operations revenue requirement is \$60.3 million, the same as its 2014 operating expense budget. The 2014 revenue requirement is forecast to be \$19.5 million lower than the total 2011 revenue requirement of \$79.9 million. In 2014, the OPA proposes to not include the registration fees and other income in the usage fee calculation due to the uncertainty associated with registration income experienced in the past few years, as evidenced by the reimbursement of Feed-in Tariff ("FIT") registration fees in 2012 and 2013.

(a) Please indicate the FVDA and RCSDA amounts for 2012 and 2013.

(b) Please provide an estimate for 2014 based on the prior years and planned activity in 2014. Include the 2014 FVDA

RESPONSE

a) The FVDA and RCSDA amounts for 2012 and 2013 are as follows:

	OPA (\$'000)	
	2012	2013
RCSDA	\$0	\$0
FVDA	\$15,524	\$33,788

Please note that the 2013 amount is cumulative.

b) The OPA completed its amortization of the RCSDA during 2011 in accordance with the ruling in EB-2009-0347. As a result, the estimate for the 2014 RCSDA balance is nil.

In terms of the FVDA, the OPA's financial results are available at the end of March of each year for the preceding year. As such, the OPA is unable to estimate the variance between actual revenue and expenses for 2014.

ENERGY PROBE INTERROGATORY #15

Issue 6.1 Is the proposed usage fee reasonable?

INTERROGATORY

6.1-Energy Probe-15

Ref: Exhibit D, Tab 1, Schedule 2 –Shared Services, Table 1

(a) Please confirm that no time studies were performed.

(b) Please provide a copy of a typical shared service time/transactions allocation questionnaire. Was this approach applied to all support services areas? If so, please indicate why certain common functions were not allocated but assigned equally to the 3 operating divisions. (CEO, VP etc.)

(c) Please confirm no common operating (space) or capital costs (computers) were assigned to either operating or support groups.

RESPONSE

a) The OPA did not perform formal time studies as part of its resource allocation process. Instead, the OPA performed a one-time analysis of time usage based on staff interviews.

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. In other cases, the volume of transactions processed was tracked among the three operating divisions. The process involved interviews and analysis of time spent, however it did not involve submitting a "shared service time/transactions allocation questionnaire".

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 OPA determined that the "1/3 allocation method" appropriately reflected the resource allocation of certain functions to the 3 operating divisions.

- 1 c) Operating costs related to office space and IT support are not allocated to operating or
- 2 support groups but rather, are budgeted for within the Business Strategies and Solutions
- 3 division, which has primary accountability for both of these functions.