SEC Interrogatory #113

Interrogatory

Reference: D3-1-2, p.6

With respect to the OPG Telephone Upgrade Project:

a. Please explain how removing fixed telephone lines at 700 University and replacing them with Skype costs $6.5M.
b. Please explain why is OPG physically removing the telephone lines.
c. Please provide the estimated annual savings of removing a fixed telephone service.
d. [D3-1-2] Please provide a revised versions of Tables 2a, 2b, and 4 that show the amounts allocated to nuclear.

Response

a) The OPG Telephone Upgrade is a company-wide project that addressed a number of issues related to OPG's corporate phone and voicemail systems across multiple OPG offices, including a number of offices that retain physical phones. Thus, the project was not limited to "removing fixed phone lines" at 700 University Ave. It delivered a number of components including:

- Migrated two OPG phone systems, one at 700 University Ave. and one at Darlington, to a single centralized phone infrastructure, which improves IT operational efficiencies in the company (discussed below).
- Upgraded obsolete telephone hardware systems at the Engineering Services & Support Building, Darlington Learning Centre, the Northwest Control Centre ("NWCC") and certain rooms at 800 Kipling Ave. to the same centralized phone system referenced above.
- Made available the Skype Conferencing System to all employees with computer access.
- Rolled out Skype phone numbers to employees located at 700 University Ave. and 1910 Clements Road to replace desktop phones.
- Enabled audio/video hardware conferencing abilities in certain meeting and board rooms, with a view to modernize technology and enhance employee collaboration and productivity.
- Centralized the call reporting software from three systems to one. This software monitors and analyzes usage of OPG's phone system, including recording call details (origin, destination, duration, etc.) in a directory for purposes of call trending and traffic studies. This consolidation was done at Pickering, Darlington, 800 Kipling Ave., 700 University Ave. and the NWCC.

The project was a component of OPG's Digital Strategy and was placed in-service in 2019 with a total cost of $6.5M, broken down as follows:

- Core phone system upgrade (infrastructure upgrade, including physical phones): $3.5M
- Skype phone and conferencing build and deployment (software licenses and implementation): $2.9M
- Phone call reporting system consolidation (monitoring and reporting): $0.1M

b) The scope of the OPG Telephone Upgrade Project did not include the physical removal of fixed phone lines. The physical removal of fixed phone lines was performed during the overall demolition work at 700 University Ave. as part of the 700 University Workplace Transformation project. As the need for fixed phone lines was removed through the OPG Telephone Upgrade Project, there was no need to reinstall phone lines in most instances.

c) Annual savings from the removal of desk phones at 700 University Ave. was approximately $38K. There was also a one-time cost avoidance of $63K related to installation and hardware of desk phones not replaced.

Additionally, and consistent with the objectives of OPG's Digital Strategy, the OPG Telephone Upgrade Project supported productivity improvements. This capability was a key enabler of meeting the unexpected work from home requirements as a result of COVID-19. OPG also benefited from operational efficiencies such as the need to monitor and support fewer phone systems after centralization.

d) As explained at Ex. F3-2-1, section 2.0, OPG does not allocate common assets, such as shared assets identifed at Ex. D3-1-2, Tables 2a, 2b, and 4 under IT – Asset Service Fee categories to the regulated business but rather charges a cost-based asset service fee to their use. As such, the requested tables provided in Attachment 1 comprise assets forecasted to be added under the Nuclear Rate Base categories.[1]

A part of the asset service fee calculation involves an apportionment of depreciation expense and associated return on capital for the assets, as discussed at Ex. F3-2-1, page 5. For the 2022-2026 period, the forecasted percentage portion for the nuclear facilities can be found at Ex. L-F3-02 Staff-267, Attachment 1 and applies to the common IT assets forecasted to be added over the period as shown under the Asset Service Fee categories at Ex. D3-1-2, Tables 2a, 2b and 4.

[1] There are no assets entering the nuclear rate base shown in Ex. D3-1-2, Table 2b.