Energy Probe Interrogatory #55

Interrogatory

Reference:
Exhibit F3, Tab 1, Schedule 1, Hackett Group Benchmark

a) Please confirm that the review applies to both Hydro and Nuclear divisions.

b) Please provide a Table showing Restated 2016 and 2019 values for the following process taxonomies:
- Finance
- Human Resources
- Information Technology
- Executive and Corporate services.

c) Please provide the post-reorganization values for the same process taxonomies.

Response

a) Confirmed.

b) The Restated 2016 Study values, based on year 2014 costs, and 2019 Study values per Ex. F3-1-1, Attachment 2 are as follows:

Line No.	$M	Finance	ECS	Procurement	Real Estate	HR	IT	Total
1	OPG 2019	33.1	26.5	17.0	6.6	37.6	151.7	272.6
2	Restated OPG 2014	34.4	38.2	19.0	4.9	31.9	119.7	248.0
3	**Difference**	**(1.2)**	**(11.8)**	**(1.9)**	**1.8**	**5.7**	**32.0**	**24.6**

The increase in Real Estate costs of $1.8M primarily reflects the increased office moves due to the rationalization of OPG's leases and, particularly, at 700 University Ave. and facilities in Durham, including 230 Westney Road and 1908 Col Sam Drive.

The higher Human Resources costs in the 2019 Study reflect the centralization of certain recruitment, on-boarding, training and change management processes, elements of which previously were performed by line managers. Centralizing these functions within Human Resources removed administrative burden from line managers, allowed greater consistency in service delivery and enabled efficiencies

within these processes. For example, the centralized recruitment function developed standardized templates for job requisitions, automated aspects of the applicant review process and leveraged technology to develop tools like interview question banks for use across the enterprise.

The higher Information Technology ("IT") costs in the 2019 Study reflect a ramp-up in OPG's capital investment in digital solutions and infrastructure, the depreciation related to which is included in the Hackett taxonomy for IT costs.[1] As discussed in Ex. D3-1-1, Section 2.1, OPG's digital strategy has been focused on upgrading dated IT systems and infrastructure to new technology, improving operational processes, enabling productivity and performance improvement, and strengthening resilience against cyber threats.

c) Although OPG expects that the benchmarking results would improve as a result of the headcount reductions achieved through the organizational realignment, OPG is unable to provide the above values inclusive of these cost reductions in the time available. This would require the same level of analysis of OPG's post-realignment cost structure as was necessary to develop the 2019 benchmarked costs, in line with Hackett's taxonomy. OPG has reflected the costs savings associated with the organizational realignment in its proposed revenue requirements.

[1] The included depreciation represents the component of corresponding asset services fees charged to the nuclear facilities (Ex. F3-2-1).