Board Staff Interrogatory #255

Interrogatory

Reference:
Exhibit F3 / Tab 1 / Schedule 1 / Attachment 2 / p. 10

Preamble:

Hackett noted that the technology costs are compared within the IT function.

Question(s):

a) Please confirm that in the 2016 Study, the technology costs were included in each of the functions (as opposed to only the IT function).

b) Please explain why in the 2019 Study, the technology costs are included only in the IT function.

c) Please advise whether including the technology costs in the various functions would impact the overall benchmarking results (i.e. % above or below the peer group). If so, please provide OPG's benchmarking results based on including the technology costs in the various functions.

Response

a) OPG confirms that certain minor technology costs for OPG's regulated assets (totaling approximately $1M) were included in the non-IT function costs in the original 2016 Study, consistent with how these costs are managed and reported internally. The majority of OPG's technology costs are held by OPG's IT department (i.e. Chief Information Office organization ("CIO")), including all major IT infrastructure, applications and services costs, irrespective of which support functional organization utilizes the technology. For example, SAP licencing costs are held by CIO, although the main functional groups using the SAP system are Finance and Human Resources. OPG does not track its technology costs on a functional basis.

b) In the course of collecting data for the 2019 Study (Ex. F3-1-1, Section 4.0), OPG and Hackett became aware that OPG's internal presentation of technology costs was not fully consistent with the presentation of the Peer Group data in the original 2016 Study. Specifically, the Peer Group data included the technology costs

supporting each particular function within that function's costs, while OPG's function data generally did not include technology costs (as discussed in part a).

In order to ensure an "apples-to-apples" comparison in the 2019 Study, Hackett excluded technology costs from each of the Peer Group's non-IT functions, and also excluded the minor OPG technology costs from each of OPG's non-IT functions. Accordingly, all technology costs were compared within the IT function only. Hackett advised that this is an appropriate benchmarking approach that it has utilized in other similar situations. As part of the restated 2016 Study, Hackett adjusted the presentation of technology costs consistent with the 2019 Study (Ex. F3-1-1, Attachment 2, p. 5).

c) Hackett has confirmed that there was no impact to the overall benchmarking results from the original 2016 Study on account of correcting the error noted in part b). When comparing OPG's overall in-scope costs to peers, Hackett removed the technology costs from each of the non-IT functions to avoid double-counting these costs with the IT function. This corrected for the above error, allowing for an "apples to apples" comparison of the overall costs.