Board Staff Interrogatory #256

Interrogatory

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

Preamble:

The 2019 Study provides a breakdown based on process costs and technology costs. OPG is substantially higher in terms of process costs than the peer group and substantially lower in relation to technology costs as reflected in the table below.

($M)	Process Cost	Technology Cost	Total
OPG	$238.1	$34.5	$272.6
Peer Group	$216.7	$79.5	$296.2
Difference	**$21.4**	**($45.0)**	**($23.6)**

Question(s):

a) Does OPG agree that the higher technology costs and lower process costs among the peer group may indicate that the peer group has shifted more than OPG to automation? If not, what does OPG attribute the substantial difference and inverse relationship related to the process and technology costs to?

b) Given the process costs would be ongoing from year to year, did Hackett undertake any analysis to differentiate between ongoing and one-time technology costs to ensure only ongoing technology costs were included?

Response

a) OPG agrees that this may be one possible explanation, but neither OPG nor Hackett have conducted an analysis to confirm such a hypothesis. As discussed at Ex. D3-1-1, Section 2.1, OPG continues to make investments in digital solutions and infrastructure to improve operational processes and enable productivity and performance improvement across the organization, which will facilitate the achievement of business plan targets.

b) The Hackett Group prepared the following response:

Yes, by virtue of Hackett's methodology including annual depreciation on capital investments in technology, rather than the full amount of such expenditures in the year incurred, in addition to the ongoing annual expenses. This avoids undue impact of any large one-time technology expenditures on benchmarking.