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By electronic filing

November 9, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

**Ontario Power Generation ("OPG")
Consultation on Next Prescribed Payment Amounts Application
Board File No.: EB-2009-0331
Our File: 339583-000055**

This letter contains the reply comments of Canadian Manufacturers & Exporters ("CME") to certain portions of the comments made by Ontario Power Generation Inc. ("OPG") and the Power Workers' Union ("PWU") with respect to Board Staff's Scoping Paper and Proposed Filing Guidelines.

We have reviewed the reply comments made on behalf of the School Energy Coalition ("SEC") in the November 8, 2009 letter from its counsel to the Board. We support SEC's position on each of the points it raises.

A. Staff Scoping Paper

1. Return on Equity ("ROE")

Both OPG and PWU question the issue proposed in the "Capital Structure and Cost of Capital" section of the Scoping Paper pertaining to whether OPG will over-earn in 2010.

For the reasons we outline in our October 22, 2009 memorandum to Stakeholders, this question is one that is relevant to the "Deferral and Variance Account" section of the Scoping Paper. In our October 22, 2009 memorandum, we pointed to the portion of the Board's August 18, 2009 letter expressly authorizing an examination of OPG's 2010 results. In that letter, the Board stated as follows:

"CME may wish to raise the next payments proceeding the issue of OPG's 2010 results and whether those results should be considered in the disposition of the deferral and variance accounts."

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In these circumstances, the question Board Staff has raised is a matter to be considered and determined in this proceeding.

2. Capital Projects

(a) Hydro-Electric

OPG appears to be suggesting that matters pertaining to the prudence of planned 2010 and 2011 capital expenditures with respect to the multi-year Niagara Tunnel Project cannot be explored until the proposed in-service date for the project falls within the test period of the application currently before the Board. We disagree.

The Board should consider questions pertaining to the imprudence and/or unreasonableness of massive costs overruns associated with a multi-year capital project as soon as facts raising such questions occur. The Board should not turn a blind eye to such matters to a later test period as OPG suggests.

(b) Nuclear

OPG apparently wishes to refrain from producing the 536 pages of business case summaries associated with nuclear capital projects having a value of less than \$10M.

While we agree these 536 pages of material need not form part of the evidence initially filed to support the application, these business cases should be subject to scrutiny by anyone who seeks the information in the interrogatory process. It should not be assumed that OPG has a valid business case for each of the 536 projects that have a value of less than \$10M.

3. Benchmarking Studies

We assume that the comments OPG makes with respect to the benchmarking information it plans to file are not made for the purpose of refraining from producing all of the benchmarking information it has in its possession.

4. Other Revenues

We support SEC's reply comments with respect to Congestion Management Settlement Credits ("CMSC").

5. Nuclear Waste Management and Decommissioning Nuclear Liabilities

While we are comfortable with the revised issue OPG proposes, we reiterate our request that OPG file evidence that shows how nuclear liabilities would be collected in accordance with the "transparent cost of service" approach adopted by the National Energy Board ("NEB") compared to the approach the Board adopted in its EB-2007-0905 Decision. We also reiterate our request that OPG's pre-filed evidence include an update



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on the position the Federal Energy Regulatory Commission ("FERC") currently takes with respect to nuclear liabilities.

B. Proposed Filing Guidelines

1. Proposed Exhibits

We question OPG's proposal to eliminate the "Nuclear Waste Management and Decommissioning" section of the Filing Guidelines, at this time. As already noted, we suggest that a more transparent cost of service approach to collecting costs associated with Nuclear Waste Management and Decommissioning should be considered as an alternative to the Cost of Capital and Capital Structure approach the Board adopted in OPG's last case. This important topic should continue to be addressed in a separate section of the Application.

2. Key Planning Parameters

The 2010 results are a matter of relevance for the reasons already outlined. As the 2010 year progresses, estimated actuals should be provided on a quarterly basis in order to enable parties to ascertain whether OPG is likely to over-earn in 2010, and if so, then the extent of such over-earnings.

Please contact me if there are any questions about the reply comments contained herein.

Yours very truly,

Peter C.P. Thompson, Q.C.

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c. Stakeholder Participants EB-2009-0331
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