

Kai Millyard Associates

72 Regal Road, Toronto, Ontario, M6H 2K1, 416-651-7141

Fax: 416-651-4659

kai@web.net

January 20, 2009

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
27th floor
2300 Yonge Street
Toronto, ON
M4P 1E4

RE: EB-2008-0409

GEC-Pembina-OSEA Interrogatory Replies
IPSP Cost Claim Phase IIA Motion to Vary

Dear Ms Walli,

I enclose two hard copies of Interrogatory replies of GEC and Pembina and OSEA. They have also been uploaded to the RESS site and distributed to all parties.

Sincerely,

(Mr.) Kai Millyard
Case Manager for the
Green Energy Coalition
Pembina Institute
Ontario Sustainable Energy Association

encls.

EC: Miriam Heinz, OPA
Intervenors

Green Energy Coalition - Pembina - OSEA Reply

To

Board Staff #1

Question:

Reference: Affidavit of Kai Millyard, Exhibit A

It appears that some foreign consultants utilized by GEC submitted invoices to GEC denominated in Canadian dollars while other consultants invoiced GEC in the consultants' local currency.

- Why were the contracts with Resource Insight Inc. (RII) and Vermont Energy Investment Inc. (VEII) not denominated in Canadian currency?
- Does GEC agree that if they were able to establish contracts in Canadian currency with the two organizations in question, that arrangement could have potentially mitigated the situation that GEC is stating is unfavourable to RII and VEII?

Reply:

As the services provided by VEIC and RII were expected to be significant, it was judged inappropriate to impose undue foreign exchange risk on these organizations. Had this been done, it is likely that the organizations would have required higher hourly rates to compensate for the exchange rate risk.

Contracting in Canadian dollars would not have mitigated the risk and would have increased it as it would have left the consultants bearing the full exchange risk both before and after the submission of the claim to the Board.

Green Energy Coalition - Pembina - OSEA Reply

To

Board Staff #2

Question:

Reference: Affidavit of Kai Millyard, Exhibit A
GEC Phase 2A Cost claim Submission dated September 15, 2008

Some foreign consultants utilized by GEC submitted their invoices in Canadian dollars while other foreign consultants submitted invoices to GEC in the consultant's local currency. GEC appears to have then taken the invoices from RII and VEII and converted them to Canadian dollars using the factors 0.9342 and 1.0698 respectively.

- Please explain why different exchange rate factors were used for RII and VEII.
- What was the exchange rate on the date that the cost claim was submitted?

Reply:

The forms were prepared by the consultants. The exchange rates are comparable but expressed in one case as \$US/Cdn and in the other as \$Cdn/US $1/0.9342 = 1.07$ which is very close to 1.0698. The forms were prepared several days in advance of the submission of the claim.

The Bank of Canada lists the exchange rate for September 15th when the claim was submitted as 1 Cdn. Dollar = 0.9366 US or 1.0677 US/Cdn.

Green Energy Coalition - Pembina - OSEA Reply

To

Board Staff #3

Question:

Reference: Affidavit of Kai Millyard, Exhibit A
GEC Phase 2A Cost claim Submission dated September 15, 2008

It appears that the work carried out by the various GEC consultants took place over a relatively long interval since invoices submitted by both RII and VEII for their Phase 2A Cost participation date back to January 31, 2008.

- Did GEC make any kind of progress or incremental payments to its consultants (other than for the Phase1 Cost Claims)?
- If GEC has made progress or incremental payments to its consultants (other than for the Phase 1 Cost Claims), how much was each individual payment, when were these payments made and what was the exchange rate at the time?

Reply:

No progress or incremental payments were made to consultants.

Green Energy Coalition - Pembina - OSEA Reply

To

Board Staff #4

Question:

Reference: Affidavit of Kai Millyard, Exhibit A
GEC Phase 2A Cost claim Submission dated September 15, 2008

A foreign currency hedging program operated by GEC or any of its consultants could potentially mitigate the effect of currency fluctuations.

- Did GEC or any of its consultants working on the IPSP proceeding have a foreign currency hedging program in place during 2008?
- If GEC or any of its consultants working on the IPSP proceeding did have a foreign currency hedging program in place during 2008 how did it perform and how much mitigation did it provide?
- Did the contracts for consulting services utilized by GEC in the IPSP proceeding contain any clauses related to currency fluctuations and if so please provide details of these clauses.

Reply:

Neither GEC nor its consultants operated a foreign exchange hedging program in 2008. GEC is a coalition of non-profit environmental organizations. These organizations do not have the expertise to engage in hedging, nor do they engage in international transactions at a level that would warrant retaining such services from others.

There was no explicit arrangement with respect to exchange rate risk for the two consulting groups in question. However, both of these organizations have worked for GEC on numerous occasions and the practice has been for the consultants to invoice in U.S. dollars and then convert the total to Canadian dollars at the time that Form 1 is completed (as required on the Board's form). The consultants have

then borne the risk from that date forward. However, the amounts and extent of exchange rate change have not been so significant in the past.

Green Energy Coalition - Pembina - OSEA Reply

To

Board Staff #5

Question:

Reference: Affidavit of Kai Millyard, Exhibit A

GEC states that its consultants can tolerate normal currency fluctuations that they have typically experienced, but they should be held harmless against very large unanticipated currency swings.

In a generic situation:

- Does GEC believe that ratepayers should provide the funding for mitigation of currency fluctuations and if so why does GEC consider this course of action to be reasonable?
- Does GEC believe that intervenors should return payments to the Board if these currency fluctuations were favourable to the intervenors?
- How much fluctuation in exchange rates (in % terms) does GEC recommend should be allowed before the Board allowed mitigation?
- What time period or what milestone dates does GEC recommend using to calculate the revenue difference? At what date should the exchange rate crystallize?

Reply:

GEC believes that the recent experience of volatile exchange rates will lead to ratepayers bearing the risk in any event. If no mechanism is put in place, consultants will raise their rates to cover the risk but this will likely be an asymmetrical adjustment, costing ratepayers in all cases. If a suitable, symmetrical mechanism is put in place to mitigate the risk for consultants, the costs of reducing the risk can be minimized.

GEC suggests that the Board set a threshold (such as a +/- 5% change between the Form 1 rate and the rate on the date of the cost order) and that any change, if greater than the threshold, be recognized and adjusted for in the order. Such a mechanism would only apply when the change is significant and could be applied symmetrically.

As suggested above, a 5% threshold would be a reasonable balance between administrative efficiency and fairness.

The mechanism should cover the period between the submission of the claim (using the rate noted on Form 1) and the date of the cost order. (In practice it would end a few days prior to the issuance of the cost order to allow Board staff to calculate the adjustment, if any, and include it in the order).