

**Ontario Power Generation Inc.
Lennox Generating Station (“Lennox”)
Reliability Must-run Agreement (“2007-08 RMR Agreement”)
(EB-2007-0715)**

**Board Staff Interrogatories Addressed to Ontario Power Generation Inc.
(“OPG”)**

1. Re: Continued Operation of Lennox

This is the third consecutive one-year reliability must-run agreement between OPG and the Independent Electricity System Operator (“IESO”) for which OPG has sought Board approval.

- a. If the Board approves the 2007-08 RMR Agreement, does OPG expect to file with the IESO a Request to De-Register Lennox effective October 1, 2008?
- b. If not, why not?
- c. Does OPG have any reason to believe that, over the period from now to the end of 2010, revenues from the IESO-administered energy market would be sufficient to cover Lennox’s fixed operating costs?

2. Re: Schedule D, Table 1 of the 2007-08 RMR Agreement

Please complete the following table, providing information in relation to each of the cost categories set out in Table 1 of Schedule D of the 2007-08 RMR Agreement.

Cost Category (A)	RMR agreement Oct. 1/05 to Sept. 30/06		Difference between forecast and actual (Oct. 1/05 to Sept. 30/06)		RMR agreement Oct. 1/06 to Sept. 30/07		Difference between forecasts and actual for second RMR agreement	
	Forecasted amount per first RMR agreement (B)	Actual (C)	\$ (D)= (B)–(C)	% (E) = (D)/(B)	Forecasted amount per second RMR agreement (F)	Actual (G)	\$ (H)= (F)–(G)	% (I)= (H)/(F)
<i>Fixed costs</i>								
Fixed and Variable Fuel Costs								
OM&A Costs								
Labour								
Energy Markets (fuel purchasing / trading)								

Materials								
...								
MONTHLY PAYMENT								

3. Please complete the following table, providing information in relation to each of the cost categories set out in Table 1 of Schedule D of the 2007-08 RMR Agreement.

Cost category	RMR agreements – Forecasts per original applications			Differences between forecasts of second versus first RMR agreement		Differences between forecasts of 2007-08 versus second RMR agreement	
	First (Oct. 1/05 to Sept. 30/06)	Second (Oct. 1/06 to Sept. 30/07)	Third (Oct. 1/07 to Sept. 30/08)	\$	% change	\$	% change
	EB-2005-0490	EB-2006-0205	EB-2007-0715				
(A)	(B)	(C)	(D)	(E)=(C)-(B)	(F)=(E)/(B)	(G)=(D)-(C)	(H)=(G)/(C)
<i>Fixed Costs</i>							
Fixed and Variable Fuel Costs							
OM&A Costs							
Labour							
Energy Markets (fuel purchasing /trading)							
Materials							
Other							
'''							
<i>TOTAL ESTIMATED PAYMENT</i>							
MONTHLY PAYMENT							

4. Re: Schedule D, Table 1 of the 2007-08 RMR Agreement

In the 2007-08 RMR Agreement, Fixed and Variable Fuel Costs are estimated to be \$23,881,471. In contrast, the corresponding Fixed and Variable Fuel Costs for the second RMR agreement were forecasted at \$43,183,823. The change \$19,302,352, which is a decrease of

44.70% over last year's estimate. In section 5 of the Application, OPG states that actual net costs under the second RMR agreement for the period October 1, 2006 to June 30, 2007 were higher than estimated (\$93.49M versus \$75.24M) with the variance being accounted in large part due to increased fuel costs (\$47.16M versus \$32.39M for the period).

- a. Please provide an explanation for the estimated reduction in the forecasted Fixed and Variable Fuel Costs for the 2007-08 RMR Agreement, particularly in light of the fact that actual fuel costs for the period October 1, 2006 to June 30, 2007 exceeded the forecast amounts set out in the second RMR agreement.
- b. Please break down and provide explanations for the forecasted reduction in Fixed and Variable Fuel Costs for the 2007-08 RMR Agreement as between the following: i) increases in the prices of oil and natural gas; ii) changes in the expected quantity of fuel due to changed forecasts for operation of Lennox under must-run conditions; and iii) other.

5. Re: Schedule D, Table 1 of the 2007-08 RMR Agreement

- a. Please provide details of the estimated costs of \$16,641,000 described as "Projects".
- b. Footnote 7 to Schedule D states that one of the projects will be a "permanent unloading shed". Please explain why a permanent facility is required for a facility that OPG has, for the past few years, intended to de-register.

6. Re: Schedule D, Table 1 of the 2007-08 RMR Agreement

In the 2007-08 RMR Agreement, Project costs are estimated at \$16,641,000. The corresponding Project costs in the second RMR agreement in effect from October 1, 2006 to September 30, 2007 were \$9,026,000. The change in project costs is an increase of \$7,615,000 or 84.37%. Please explain the increase in Project costs.

7. Re: Application, Section 5, Performance under the 2006-07 Lennox RMR Contract

In section 5 of its Application, OPG indicates that, for the period October 1, 2006 to June 30, 2007, actual total costs under the second RMR agreement were \$93.49 M versus an estimate of \$75.24 M while actual total revenues were \$40.81 M versus an estimate of \$31.62 M. OPG identifies certain factors explaining some of the variance between actual results and estimates. However, it is not clear to what extent some of the variance is due to the operation of Lennox as a must-run facility more frequently than was forecasted.

- a. Please document OPG's operation of Lennox for the period October 1, 2006 to September 30, 2007, inclusive, in comparison to

the estimated operation reflected in the second RMR agreement. Please document the operation in terms of:

- i. Total hours of operation; and
 - ii. Number of times when OPG was requested by the IESO to run Lennox as a “must-run” facility.
- b. With respect to the performance and reward mechanism under the second RMR agreement, please provide the actual, if and to the extent available, or the estimated amount of any performance reward payable under the second RMR agreement for the entire term of that agreement, as the Application currently provides this information only for the shoulder period October 1, 2006 to November 30, 2006 and April 1, 2007 to May 31, 2007.

8. Re: Application, Section 5, Performance under the 2005-06 and 2006-07 Lennox RMR Agreements

Please provide energy production information for Lennox since September 30, 2005, organized as follows:

- a. Monthly production expressed in MWh and as a capacity factor;
- b. Peak hourly production each month; and
- c. The number of hours in each month when energy production exceeded each of the following: 500 MWh; 1,000 MWh; and 1,500 MWh.

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**Attachment A
To Board Staff Interrogatories**

**OPA Evidence on the Integrated Power System Plan filed August 2007
(EB-2007-0707)**

**Exhibit D, Tab 8, Schedule 1 ("Natural Gas Fired Resources")
Exhibit D, Tab 8, Schedule 1, Attachment 1 ("Discussion Of The Ongoing
Requirement For The Availability Of The Lennox Generating Station And The
Cost Effectiveness Of Alternatives")**