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EB-2009-0347
SETTLEMENT PROPOSAL

February 24, 2010

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1 This Settlement Proposal is filed with the Ontario Energy Board (“OEB”) in connection with the
2 2010 Expenditure and Revenue Requirement Submission (“2010 RRS”) of the Ontario Power
3 Authority, filed November 9, 2009 under sections 25.20 and 25.21 of the *Electricity Act, 1998*. A
4 Settlement Conference was held on February 16, 2010 in accordance with the *Ontario Energy Board*
5 *Rules of Practice and Procedure* (the “Rules”) and the *Ontario Energy Board Settlement Conference*
6 *Guidelines* (“Settlement Guidelines”). This Settlement Proposal arises from the Settlement
7 Conference.

8 The Ontario Power Authority (the “OPA”) and the following intervenors listed alphabetically
9 (collectively, “the parties”), and the OEB technical staff (“Board Staff”), participated in the
10 Settlement Conference:

11 **Association of Major Power Consumers in Ontario (“AMPCO”)**

12 **Energy Probe Research Foundation (“Energy Probe”)**

13 **Vulnerable Energy Consumers Coalition (“VECC”)**

14 The Settlement Proposal represents the positions of the intervenors on the issues listed in the Table
15 of Contents and the Final Issues List attached as Appendix “A” to the OEB’s Issues Decision and
16 Order dated December 30, 2009 (the “Issues List”). The numbers given to each of the issues
17 correlate to the sections in the Settlement Proposal and each issue is categorized under one of the
18 following descriptions:

19 Complete Settlement – The OPA and all intervenors who take a position on the issue agree to the
20 proposed settlement;

21 Incomplete Settlement – The parties are only able to agree on some, but not all, parts of the
22 issue; or

23 No Settlement – The parties were unable to reach agreement on any part of the issue.

24 The categorization of each issue assumes that all intervenors participated in the negotiation of an
25 issue, unless specifically noted otherwise. Any intervenors that are identified as not having
26 participated in the negotiation of that issue also take no position on any settlement or other wording
27 pertaining to the issue. In accordance with the Rules and the Settlement Guidelines, Board Staff
28 takes no position on any issue and, as a result, is not a party to the Settlement Proposal.

29 The Settlement Proposal describes the agreements reached on the settled issues. The Settlement
30 Proposal identifies the intervenors who agree with each settlement, or who take no position on the
31 issue. The Settlement Proposal lists the evidentiary references for each issue. Therefore the
32 intervenors who are in agreement with any settled issue(s) believe that the evidence provides
33 sufficient information to support their views to support the Settlement Proposal and combined with
34 the rationale for settlement, will assist the OEB in its decision making on those issues.

1 Issues 1.0 to 6.1 in this proceeding relate to the OPA's Operating Budget, as allocated among its six
2 Strategic Objectives. The issues and their related evidence are provided individually below. The
3 parties' collective settlement status for these six issues follows.

1.0	Strategic Objective 1 – POWER SYSTEM PLANNING – Plan for and facilitate the development of a cost effective, reliable and sustainable electricity system.
1.1	Is the Operating Budget of \$6.391 million allocated to Strategic Objective 1 reasonable and appropriate?

4 **Evidence:** The evidence in relation to this issue includes the following:

5 A-2-1 2010 - 2012 Business Plan

6 B-1-1 Strategic Objective 1

7 D-2-1 2010 Registration Fees, Operating Costs and Capital Expenditures: Discussion of Variances
8 on an Organizational Level

9 D-2-2 Variance Analyses by Strategic Objective

10 I-2-1, 2, 7 AMPCO Interrogatories 1, 2, 7

11 I-3-1, 2, 3, 4, 18 Energy Probe Interrogatories 1, 2, 3, 4, 18

12 I-5-10 VECC Interrogatory 10

2.0	Strategic Objective 2 – CONSERVATION – Plan, procure and support the development of verified conservation/energy-efficiency resources as identified in the integrated plan and its subsequent iterations. Build capability and enable partners to achieve targets and contribute to a culture of conservation in Ontario.
2.1	Is the Operating Budget of \$16.484 million allocated to Strategic Objective 2 reasonable and appropriate?

13 **Evidence:** The evidence in relation to this issue includes the following:

14 A-2-1 2010 - 2012 Business Plan

15 B-2-1 Strategic Objective 2

16 D-2-1 2010 Registration Fees, Operating Costs and Capital Expenditures: Discussion of Variances
17 on an Organizational Level

18 D-2-2 Variance Analyses by Strategic Objective

19 I-1-1 Board Staff Interrogatory 1

20 I-2-6, 8, 9, 10 AMPCO Interrogatories 6, 8, 9, 10

21 I-3-5, 6, 7 Energy Probe Interrogatories 5, 6, 7

22 I-4-1, 2, 3, 4 Pollution Probe Interrogatories 1, 2, 3, 4

23 I-5-1, 2, 3, 4, 5, 6, 7, 8 VECC Interrogatories 1, 2, 3, 4, 5, 6, 7, 8

3.0	Strategic Objective 3 – SUPPLY PROCUREMENT AND CONTRACT MANAGEMENT – Plan and design standardized tariff-based, competitive and bilateral procurement processes and enter into procurement contracts for generation resources. These procurement and contracts will meet the requirements identified in the integrated plan, ministerial directives and legislation, and incorporate world-class contracting and settlement practices that support investment in electricity.
3.1	Is the Operating Budget of \$7.836 million allocated to Strategic Objecting 3 reasonable and appropriate?

1 **Evidence:** The evidence in relation to this issue includes the following:

- 2 A-2-1 2010 - 2012 Business Plan
- 3 B-3-1 Strategic Objective 3
- 4 D-2-1 2010 Registration Fees, Operating Costs and Capital Expenditures: Discussion of Variances
- 5 on an Organizational Level
- 6 D-2-2 Variance Analyses by Strategic Objective
- 7 I-2-5, 11, 12, 13, 15 AMPCO Interrogatories 11, 12, 13, 15
- 8 I-3-8, 10, 11 Energy Probe Interrogatories 8, 10, 11
- 9 I-4-5, 6 Pollution Probe Interrogatories 5, 6

4.0	Strategic Objective 4 – BARRIERS TO THE DEVELOPMENT OF EFFICIENT AND ENVIRONMENTAL SUSTAINABLE GENERATION DEVELOPMENT – Identify barriers and limitations; develop and/or define methods and solutions to deliver enhanced generation developments, through innovation, analysis, assessment and benchmarking with a view to efficiency and environmental sustainability.
4.1	Is the Operating Budget of \$833,000 allocated to Strategic Objective 4 reasonable and appropriate?

10 **Evidence:** The evidence in relation to this issue includes the following:

- 11 A-2-1 2010 - 2012 Business Plan
- 12 B-4-1 Strategic Objective 4
- 13 D-2-1 2010 Registration Fees, Operating Costs and Capital Expenditures: Discussion of Variances
- 14 on an Organizational Level
- 15 D-2-2 Variance Analyses by Strategic Objective
- 16 I-2-3, 4 AMPCO Interrogatories 3, 4
- 17 I-3-9, 12, 13 Energy Probe Interrogatories 9, 12, 13

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5.0	Strategic Objective 5 – ORGANIZATIONAL CAPACITY – Develop and maintain organizational capacity to achieve the strategic objectives and be recognized as a strategic partner.
5.1	Is the Operating Budget of \$24.474 million allocated to Strategic Objective 5 reasonable and appropriate?

2 **Evidence:** The evidence in relation to this issue includes the following:

3 A-2-1 2010 - 2012 Business Plan

4 B-5-1 Strategic Objective 5

5 D-2-1 2010 Registration Fees, Operating Costs and Capital Expenditures: Discussion of Variances
6 on an Organizational Level

7 D-2-2 Variance Analyses by Strategic Objective

8 B-1-1 Strategic Objective 1

9 B-2-1 Strategic Objective 2

10 B-3-1 Strategic Objective 3

11 B-4-1 Strategic Objective 4

12 B-6-1 Strategic Objective 6

13 I-1-2, 4 Board Staff Interrogatories 2, 4

14 I-3-14, 15, 16, 17 Energy Probe Interrogatories 14, 15, 16, 17

15 I-5-9 VECC Interrogatory 9

6.0	Strategic Objective 6 – COMMUNICATIONS – Be a trusted and respected source of information in the electricity sector.
6.1	Is the Operating Budget of \$9.108 million allocated to Strategic Objective 6 reasonable and appropriate?

16 **Evidence:** The evidence in relation to this issue includes the following:

17 A-2-1 2010 - 2012 Business Plan

18 B-6-1 Strategic Objective 6

19 D-2-1 2010 Registration Fees, Operating Costs and Capital Expenditures: Discussion of Variances
20 on an Organizational Level

21 D-2-2 Variance Analyses by Strategic Objective

22 I-1-3 Board Staff Interrogatory 3

23 I-2-14 AMPCO Interrogatory 14

24 I-3-19 Energy Probe Interrogatory 19

Incomplete Settlement:

The parties have reached a partial settlement of Issues 1.0 to 6.1 on the basis that the operating budgets for Strategic Objectives 1 through 6 for 2010 are accepted. However, parties propose to make written submissions in this proceeding as follows:

- Energy Probe proposes to make written submissions that the OPA develop internal processes to be able to track and report staffing and other costs on a per-project basis for the next revenue requirement submission.
- Energy Probe also proposes to make written submissions on the OPA's ratio of contract staff to permanent staff.
- VECC proposes to make written submissions regarding the level of detail to be provided by the OPA in the establishment of test year milestones and the reporting of its achievements.

All parties reserve the right to make written submissions with respect to the above issues. The OPA will have the right to reply to these submissions.

Participating Intervenors: AMPCO; Energy Probe; VECC

7.0	Proposed Fees
7.1	Is the proposed usage fee reasonable and appropriate?
7.2	Are the proposed registration fees per proposal for electricity supply and capacity procurement reasonable and appropriate?
7.3	Are the proposed application fees for the Feed-in-Tariff program reasonable and appropriate?

Evidence: The evidence in relation to this issue includes the following:

D-1-1 2010 Revenue Requirement and Usage Fee

B-1-1 Strategic Objective 1

B-2-1 Strategic Objective 2

B-3-1 Strategic Objective 3

B-4-1 Strategic Objective 4

B-5-1 Strategic Objective 5

B-6-1 Strategic Objective 6

D-2-1 2010 Registration Fees, Operating Costs and Capital Expenditures: Discussion of Variances on an Organizational Level

D-2-2 Variance Analyses by Strategic Objective

I-1-5 Board Staff Interrogatory 5

Incomplete Settlement:

The parties have reached a partial settlement on the basis that the proposed usage fees, registration fees for electricity supply and capacity procurement and application fees for the Feed-in Tariff program for 2010 are accepted. However, parties propose to make written submissions in this proceeding as follows:

- Energy Probe proposes to make written submissions that the OPA consider billing third parties for the costs incurred to provide analysis and support in regulatory proceedings, based on the tracking of costs as described in the settlement status of Issues 1.0 through 6.1, above.
- AMPCO proposes to make written submissions that the OPA should increase its forecast registration fee income by \$80,000, to be collected as registration fees for the OPA's Hydroelectric Contract Initiative and NUG re-contracting.

All parties reserve the right to make written submissions with respect to the above issues. The OPA will have the right to reply to these submissions.

Participating Intervenors: AMPCO; Energy Probe; VECC

8.0	Deferral and Variance Accounts
8.1	Is the proposed disposition of the various Deferral and Variance Accounts reasonable and appropriate?
8.2	Are the proposed Deferral and Variance Accounts appropriate?

Evidence: The evidence in relation to this issue includes the following:

- D-3-1 Deferral and Variance Accounts
- D-3-2 Invoices from the Ministry
- D-3-3 Forecast Variance Deferral Account

Incomplete Settlement:

Parties have reached a partial settlement on the basis that the proposed Deferral and Variance Accounts are appropriate and that the OPA's proposals to dispose of the balances in the Government Procurement Costs and Forecast Variance Deferral Accounts are reasonable and appropriate. However, parties propose to make written submissions in this proceeding as follows:

- AMPCO proposes to make written submissions regarding the disposition of the outstanding balances in the OPA's Retailer Contract Settlement and Retailer Discount Settlement Deferral Accounts.

All parties reserve the right to make written submissions with respect to the above issue. The OPA will have the right to respond to these submissions.

Participating Intervenors: AMPCO; Energy Probe; VECC

9.0	Previous Settlement Agreements and Decisions
9.1	Has the OPA responded appropriately to previous Settlement Agreements and Decisions?

Evidence: The evidence in relation to this issue includes the following:

B-1-1 Strategic Objective 1

B-2-1 Strategic Objective 2

B-3-1 Strategic Objective 3

B-4-1 Strategic Objective 4

B-5-1 Strategic Objective 5

B-6-1 Strategic Objective 6

D-2-1 2010 Registration Fees, Operating Costs and Capital Expenditures: Discussion of Variances on an Organizational Level

D-2-2 Variance Analyses by Strategic Objective

I-3-22 Energy Probe Interrogatory 22

Complete Settlement:

The parties have reached a full settlement of this issue on the basis that the OPA's response to previous settlement agreements and Board Decisions is accepted.

Participating Intervenors: AMPCO; Energy Probe; VECC