



**PUBLIC INTEREST ADVOCACY CENTRE**  
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**VIA MAIL and E-MAIL**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: Vulnerable Energy Consumers Coalition (VECC)**  
**EB-2010-0008: Ontario Power Generation Inc. – Payment Amounts**  
**for Prescribed Generation Facilities commencing March 1, 2011**

These are the comments of VECC with respect to the submissions made by other parties concerning the draft issues list.

We have had the opportunity to review the comments of CME with respect to other parties' comments on the draft issues list, and agree with and support the comments of CME, save for the following additional comments.

CME describes OPG's proposed change to Issue 6.9 as non-substantive; however in VECC's view OPG's justification for the re-wording suggests that, if accepted, a re-wording in the manner proposed by OPG could substantively alter the scope of the issue. OPG's proposed change is based, in part, on the assertion that the issue of the appropriateness of OPG's "Centralized Support and Administrative Costs", as a whole, is out of scope, and that the only relevant issues involve the methodology for allocating costs to the regulated business and the costs actually allocated by that methodology.

In VECC's view the narrower view of the issue as described by OPG is incorrect, in that while the Board could, for example, approve the methodology used to allocate costs, and as such determine that the amount allocated to the regulated

company may be in accordance with the approved methodology, the allocation may or may not be ultimately reasonable if the base costs from which the allocation is made is inappropriate. For example, if OPG had an employee that spent only 20% of his/her time on regulated business, and the Board approved OPG's methodology for allocating that employee's time to regulated business, the issue of the appropriateness of the allocated costs would not be properly resolved until and unless the Board also satisfied itself that the employee's total compensation was appropriate. If the employee was being paid 10x the market rate for their job description, then a 20% allocation of that base compensation would be clearly inappropriate; yet OPG's submission on the issue suggests to VECC that such a scenario should be ignored by the Board if the methodology for allocating the employee's time was appropriate and correctly done.

Similarly CME describes OPG's rewording of Issue 9.2 as non-substantive, however VECC suggests that if OPG's rewording on this issue were accepted it would materially alter the scope of the issue. The rewording suggests that only if the Board determined that the existing incentive failed to encourage appropriate operating decisions would the Board then proceed to entertain changes, but even then the only changes would be modifications to the existing methodology.

In VECC's view the appropriate issue is the appropriateness of the methodology, which leaves open the issue of whether the incentive mechanism is required at all, or whether an entirely different methodology for encouraging appropriate operating decisions is necessary or appropriate. It may be that the existing mechanism encourages appropriate operating decisions, but that the incentive that is paid far outweighs the benefit derived from the decisions made, or is far in excess of the encouragement that is actually required in order to ensure that OPG's makes appropriate operating decisions.

Yours truly,

Michael Buonaguro  
Counsel for VECC