

**BY COURIER AND RESS**

November 16, 2007

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

Dear Ms Walli:

**Re: Ontario Power Generation Inc.  
Application for Reliability Must Run Contract for Lennox G.S.  
Board File Number EB-2007-0715**

Please find the Independent Electricity System Operator's submission regarding supplementary information in response to Board staff interrogatory 4b.

Yours truly,

David Short, P.Eng.  
Senior Regulatory Analyst  
Regulatory Affairs  
Independent Electricity System Operator

Encl.

c: Andrew Barrett, OPG – email only  
Intervenors – email only

1        **Ontario Energy Board (Board Staff) Interrogatory #4**

2  
3        **Interrogatory**

4  
5        **Re: Section 4.4 of the 2007-08 Agreement**

6  
7        Section 4.4.1 of the 2007-08 RMR Agreement provides for the IESO to initiate one or  
8        more audits during the term of the RMR Agreement and within a period of four  
9        months from the expiration or termination of the RMR Agreement, to verify  
10       compliance by OPG with its obligations under the RMR Agreement, including  
11       verification of billings and costs.

- 12  
13       a. Please identify if the IESO is, or will be, arranging for or conducting an  
14       independent audit of OPG's performance under the second RMR agreement?  
15  
16       b. If available, please provide information on the results of such an audit.

17  
18       **Response**

- 19  
20       b. As stated in our November 7, 2007 response to the Board's staff  
21       interrogatory 4b, the IESO would provide the Executive Summary and report  
22       conclusions of the independent audit. Exhibit A in the attached now includes  
23       this information from the auditor.

Exhibit A

**OPG's Lennox Power Plant RMR Energy Audit  
2006-2007 Contract Year  
Executive Summary**

**Prepared for  
Independent Electricity System Operator (IESO)  
Toronto, Canada**

Prepared by  
ECCO International, Inc. (USA)

**November 2007**



268 Bush Street, Suite 3633  
San Francisco, CA 94104 U.S.A.

## Executive Summary

The Independent Electricity System Operator (IESO) retained ECCO International to conduct a financial and operational audit on the 2006-2007 Reliability Must-Run (RMR) contract between the IESO and Ontario Power Generation Inc. (OPG) for the Lennox generating station. This facility has been designated by the IESO as a reliability must-run resource during the term of the RMR contract (October 1, 2006 to September 30, 2007).

ECCO International has completed the audit program and is satisfied with the reasonableness of the Lennox plant operation strategy, costs, and practices. The outcome of the audit can be summarized in the following conclusions:

- The auditor is satisfied with OPG's compliance with the RMR Contract;
- The auditor verified OPG's billing costs;
- The auditor is satisfied with OPG's compliance with the RMR Contract schedules;
- The auditor is satisfied with the reasonableness of the maintained resources;
- The auditor is satisfied with the reasonableness of costs; and
- The auditor is satisfied that OPG operates and maintains Lennox in a manner consistent with good utility practices.

Each of the above statements is based on the auditor's assessment and approach for the objectives listed in the following table:

Objective	Adopted Approach
<b>Compliance with the RMR Contract</b>	Compare OPG's corporate and Lennox-related procedures, and Lennox plant operation throughout the 2006-2007 RMR Contract year with the RMR Contract terms and conditions and 2005-2006 RMR Contract year; review OPG's Energy Market department strategy for offering Lennox's units; review of Lennox operation logs; review of the insurance, permits, licenses, and authorizations held by the facility.
<b>Verification of Billing Costs</b>	Review of overall billing statements structure and flow of cost data at the Lennox plant and at OPG's Energy Market department for financial reporting & budgets. Utilize the month of June 2007 as a representative sample for detailed verification of all reported costs.
<b>Compliance with the RMR Contract Schedules</b>	Review of compliance with the five schedules included in the 2006-2007 RMR Contract; verification of OPG's utilized and submitted schedules to the IESO.
<b>Reasonableness of Maintained Resources</b>	Determination of the resources utilized at the Lennox plant throughout the 2006-2007 RMR contract year, including fuel, equipment inventory, employees, and third party and material procurement. Compare resources to Lennox's 2005-2006 RMR Contract year, Lennox's historical resources and to acceptable industry levels.
<b>Reasonableness of Plant Costs</b>	Verification of reasonableness of costs associated with fuel utilization and overall operating and maintenance costs (O&M) at the plant, and comparison to 2005-2006 RMR Contract year and to acceptable industry-wide benchmarks.
<b>Confirmation of Good Utility Practices</b>	Review of plant's unplanned outages, maintenance reworks, and operational errors. Compare practices to 2005-2006 RMR Contract year.