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File 17939

VIA RESS FILING AND COURIER

August 19, 2010

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

Dear Ms. Walli

**Re: Ontario Power Generation Inc. 2011-2012 Payment Amounts for
Prescribed Generating Facilities, EB-2010-0008**

Attached please find the Technical Conference Questions of Power Workers' Union in connection with the above-noted application. These are being filed through the Board's Web Portal in electronic searchable pdf format.

Hard copies will follow by courier delivery.

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Original signed by

Richard P. Stephenson

RPS:jr

Encl.

cc: Ontario Power Generation (via email)

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IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S. O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an application by Ontario
Power Generation Inc. pursuant to section 78.1 of the
Ontario Energy Board Act, 1998 for an order or orders
determining payment amounts for the output of certain
of its generating facilities.

POWER WORKERS' UNION TECHNICAL CONFERENCE QUESTIONS

PWU Question 1

Issue 2.2: Is OPG's proposal to include CWIP in rate base for the Darlington Refurbishment Project appropriate?

Ref (a): Exhibit L, Tab 7, Schedule 2, Page 1:

Interrogatory

Page 8 quotes the Louisiana PSC to the effect that "the recovery of a current cash return on CWIP may be needed... to maintain an acceptable credit rating...."

a) Does Mr. Luciani believe that this consideration applies to OPG? If so, please provide any evidence that a cash return on CWIP is required in that OPG or the Province would not "maintain an acceptable credit rating" in the absence of CWIP in rate base.

Response

a) Yes, OPG understands that Mr. Luciani believes this consideration applies to OPG. A credit rating agency takes into account a number of items in determining utility credit ratings and a current cash return on CWIP is one of those items. Credit rating agencies, as part of their review, will look at a publicly-supported commercial entity such as OPG on a stand-alone basis in evaluating credit risk. As such, a cash return on CWIP will be helpful to OPG, on an incremental basis, in such a review and maintaining an acceptable credit rating.

Ref (b): Dominion Bond Rating Service Report Dated: August 12, 2009. Exhibit A2, Tab 3, Schedule 1, Attachment 1, Page 1:

DBRS has confirmed the Unsecured Debt and Commercial Paper ratings of Ontario Power Generation Inc. (OPG or the Company) at A (low) and R-1 (low), respectively, with Stable trends.

Ref (c): Standard & Poor's, Summary Report Dated: April 30, 2010. Exhibit A2, Tab 3, Schedule 1, Attachment 2, Page 2:

We base the 'A-' rating on OPG's stand-alone credit profile (SACP) on our opinion that there is "high" likelihood that the province would provide timely and sufficient extraordinary support in the event of financial distress. We assess the company's stand-alone credit profile at 'BBB'.

- (i) Is there a risk that OPG's current debt rating may be downgraded as a result of the higher financial risk that may be underpinned by future increasing needs of funding to finance large nuclear projects (e.g. Darlington Refurbishment Project and New Darlington)?
- (ii) If the response to (i) is "yes", please provide OPG's assessment as to how many basis points would be added to OPG's current debt cost?
- (iii) Could OPG's revenue requirement be materially impacted by the higher debt cost?
- (iv) If the response to (i) is "yes", please indicate whether or not OPG's CWIP proposal would mitigate potential financial risk associated future increasing needs of funding to finance large nuclear projects?

PWU Question 2

Issue 4.5: Are the capital budgets and/or financial commitments for 2011 and 2012 for the nuclear business appropriate and supported by business cases?

Ref (a): Exhibit L, Tab 11, Schedule 7, Page 1, Lines 32-38:

The Project Execution Plan (Ex. D2-T2-S1, Attachment 2) provides additional details of the project objectives, work scope and schedule, performance measurement and evaluation, and risk management and contingency plan. The Project Execution Plan provides a list of deliverables required in each phase. This project management approach reduces project risk by mandating a gated process of 'check points' at each major project phase in order to ensure the project is on track in its development regarding scope, cost, quality and schedule.

Ref (b): Darlington Nuclear Refurbishment Project, Exhibit D2, Tab 2, Schedule 1, Attachment 2

Ref (c): Exhibit L, Tab 7, Schedule 35, Page 1, Lines 39-43 and Page 2, Lines 1-3

OPG anticipates entering into some limited number of contracts during the Preliminary Planning phase to meet the deliverables for that phase, i.e., contracts to design and construct the Training and Mock-up Building. OPG may also enter into contracts with key vendors for major component work programs such as Retube and Feeder Replacement, Fuel Handling, Turbines and Generators.

It is anticipated that during the Engineering and Detailed Planning phase, certain contracts will be partially or fully released in recognition of the long lead time required for certain aspects of the work.

- (i) Please describe how OPG's project management approach will be applied in entering into some limited number of contracts during the Preliminary planning phase.

PWU Question 3

Issue 5.1: Is the proposed regulated hydroelectric production forecast appropriate?

Ref (a): Exhibit L, Tab 1, Schedule 36, Page 1, Lines 28-32:

Response

a) In 2009, the median hourly output of the Niagara Plant Group (Sir Adam Beck and DeCew Falls Generating Station) was approximately 1,500 MW. The approximate equivalent number of hours of the Niagara Plant Group operation, based on 2009 median hourly output and the Surplus Baseload Generation ("SBG") estimates, are 130 hours in 2010, 330 hours in 2011 and 525 hours in 2012.

- (i) Please describe inputs and the methodology underpinning SBG estimate of 130 hours in 2010, 330 hours in 2011 and 525 hours in 2012.
- (ii) Please indicate on what basis the median hourly output of 1,500 MW for the Niagara Group has been calculated. Is the calculated median hourly output related to the total annual hours (i.e. 8,760) or to annual off peak hours?

PWU Question 4

Issue 6.3: Is the test period Operations, Maintenance and Administration budget for the nuclear facilities appropriate?

Ref (a): Exhibit L, Tab 11, Schedule 15, Page 2, Lines 27-29:

c) No, 'cost-focused reductions' does not imply that those cost reductions were made in isolation of their impact on net value. As outlined in Ex. D2-T1-S1, Section 3.1, it is the role of the Asset Investment Screening Committee ("AISC") to prioritize project work to provide highest value. This is done on the basis of the project Part A screening forms (characterizing the issue, operational and financial impact, and relative ranking of potential impact) supplemented by the broad senior management experience of the AISC members. Lower priority work is deferred until it can be accommodated within planned portfolio funding. The work that will

potentially be deferred beyond the test period due to project portfolio funding levels is the “Listed Work to be Released” (Ex. D2-T1-S2 Table 5a, 5b and Ex. F2-T3-S3 Table 4a and 4b). As indicated above, any such judgments will be made on the basis of AISC assessment of project value. Critical work will not be deferred.

- (i) Please describe what OPG considers as “critical work”?
- (ii) Does OPG agree that project funding reductions that result in deferral of work will lead to a lower net value, taking into account the achievement of targeted performance metrics, over the station life cycle?
- (iii) How does OPG measure value?
- (iv) How does OPG incorporate non-monetary performance metrics in its determination of value?
- (v) How will OPG maintain backlogs created by deferrals at acceptable levels (e.g. levels that provide for sustainable levels of performance) in an environment of ongoing cost cutbacks?

PWU Question 5

Issue 6.9: Are the “Centralized Support and Administrative Costs” (which include Corporate Support and Administrative Service Groups, Centrally Held Costs and Hydroelectric Common Services) and the allocation of the same to the regulated hydroelectric business and nuclear business appropriate?

Ref (a): Exhibit F4, Tab 4, Schedule 1, Page 3, Lines 15-18 and Page 4, Lines 18-22:

IESO non-energy costs are charges that are applied to withdrawals of energy from the IESO controlled grid. The charges include transmission charges, the debt retirement charge, the rural or remote electricity rate protection charge, charges associated with IESO administration fees, OPA fees, uplift charges and the Global Adjustment. These charges are not discretionary and apply to all withdrawals from the IESO-controlled grid. These charges are directly assigned to the specific regulated facilities.

The various constituents that make up the IESO non-energy charge can be difficult to accurately forecast. As a result, the aggregate total of these charges is extremely difficult to accurately forecast. Accordingly, OPG is seeking approval of a new variance account to protect both itself and ratepayers from over or under collection of IESO non-energy charges. See Ex. H1-T3-S1, section 4.1 for additional details.

Ref (b): Ontario Energy Board, EB-2010-0191. Decision with Reasons, July 22, 2010:

Ontario Regulation 330/09 requires that the Ontario Energy Board (the “Board”) determine the Renewable Generation Connection Rate Protection (“RGCRP”) compensation amount for 2010 and subsequent years in accordance with the Green Energy and Economy Act, 2008...

For 2010, pursuant to the Board’s Decision with Reasons in the Hydro One Distribution Rates case EB-2009-0096, issued on April 9, 2010, the Board has calculated the amount of RGCRP compensation eligible consumers will receive in 2010: \$3,666,667...

The Board has determined that effective May 1, 2010, the RGCRP charge to be collected by the IESO from all electricity market participants shall be \$458,333 per month. Regulation 330/09 sets out that collection of these amounts by the IESO will be in the form of a monthly amount charged to all Market Participants, based on their actual kWh consumption withdrawn from the IESO controlled grid each month. As a result, the monthly charge for each market participant will vary with the actual consumption in that month...

In determining this charge, the Board acknowledges that distributors will be passing on this charge to their electricity distribution customers through the Wholesale Market Service Charge (“WMSC”) currently approved by the Board at \$0.0052 per kWh. It is the Board’s view that at its current level, the RGCRP will have a minimal impact on balances in the WMSC variance account (Account 1580) and will not adjust the WMSC at this time. Therefore the WMSC shall remain at its current level of \$0.0052 per kWh.

- (i) Please confirm that IESO non-energy costs paid by OPG include Wholesale Market Service Charge.
- (ii) Is OPG aware that the OEB may approve increasing costs to be incurred by electricity LDCs related to investments enabling to connect renewable generation?
- (iii) If the response to (i) is yes, please indicate whether or not OPG’s IESO non-energy Charges forecast for the test period incorporates an estimate of RGCRP and WMSC charges? Does OPG have an estimate of RGCRP and WMSC charges?