



***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**

Please find enclosed the Tech conference questions of VECC in the above noted proceeding.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

## Ontario Power Generation 2011-2012 Payment Amounts for Prescribed Facilities

EB-2010-0008

### Technical Conference Questions from the Vulnerable Energy Consumers' Coalition ("VECC")

#### VECC TC #1

Reference: Interrogatories L-14-003 and L-1-002

#### Issue Number 2.1

Issue: What is the appropriate amount for rate base?

Please confirm that the "Board Approved" figures filed in response to L-1-002 are in fact identical to OPG's forecasted amounts for each year. If unable to so confirm, please clarify.

#### VECC TC #2

Reference: Interrogatories L-14-004, including Attachment 1, and L-07-002

#### Issue Number 2.2

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

- a) Is it OPG's opinion that if the OPG rejects the CWIP proposal and OPG undertakes this project, then OPG's credit rating will be or is expected to be adversely affected? Please explain.
- b) Given that the response to L-14-004 c) indicates a lower PV recovered from ratepayers under the current regulatory treatment in both scenarios, why is the CWIP proposal better for ratepayers than the current regulatory treatment?
- c) Re the response to L-14-004 d), please explain how CWIP amounts put into rate base over a number of years could be wholly or partially disallowed after the fact – without raising questions of retroactivity and inter-generational equity – in the event that the OEB did not find the expenses or project management to have been prudent?
- d) Re the response to L-14-004 d) and assuming that there had been some level of imprudence on OPG's part in managing the project, please explain how intervenors will be

able to demonstrate imprudence on OPG's part after the fact given that they will have to rely on OPG for any project-specific information?

### **VECC TC #3**

**Reference:** Interrogatory L-14-011

#### **Issue Number 6.2**

**Issue:** Is the benchmarking methodology reasonable? Are the benchmarking results and targets flowing from those results for OPG's hydroelectric facilities reasonable?

- a) Please provide the historical annual calculations and targets for the EPI?
- b) For categories which include a weighting of "Meet," what happens to the EPI if the target is not met?

### **VECC TC #4**

**Reference:** Interrogatory L-14-020 (Non-Confidential Version)

#### **Issue Number 6.6**

**Issue:** Is the forecast of nuclear fuel costs appropriate?

- a) Regarding the response to L-14-020 a), please explain what each of the two long-term price indicators are intended to represent and provide the most recent copy available (for the same month) of each of "The Ux Weekly" and the "Nuclear Market Review."
- b) Regarding the response to L-14-020 c), please indicate generally under what circumstances the Canadian CPI would be used for indexing and under what circumstances the US GDP IPD would be used for indexing. Also, please indicate under what circumstances an exchange rate calculation would be required.
- c) Regarding the response to L-14-020 d), please indicate the conditions under which OPG would expect to be at risk of a Board finding of imprudence with respect to costs arising from OPG's nuclear fuel costs hedging strategy.
- d) Regarding the response to L-14-020 d), please elaborate with respect to OPG's hedging philosophy indicating the relative weights it attaches to (i) hedging price risk, (ii) reduction in cost volatility, and (iii) supply security.

**VECC TC #5**

Reference: Interrogatory L-14-021

**Issue Number 6.8**

**Issue:** Are the 2011 and 2012 human resource related costs (wages, salaries, benefits, incentives, FTEs, and pension costs) appropriate?

Please confirm that in OPG's response for the years 2010, 2011, and 2012, there is an assumption of 4% increases in each year for each compensation component (base salary, overtime, incentives, and other) for the PWU, an assumption of 4% increases in each year for each compensation component for the Society, and an assumption of 3% increases in each year for each compensation component for management. If unable to so confirm, please explain.

**VECC TC #6**

Reference: Interrogatory L-14-022 d)

**Issue Number 6.8**

**Issue:** Are the 2011 and 2012 human resource related costs (wages, salaries, benefits, incentives, FTEs, and pension costs) appropriate?

Given that OPG indicated that Chart 4 only reflects actual base pay, how is OPG certain that its total compensation package is in line with or below its comparators?

**VECC TC #7**

Reference: Interrogatory L-14-023 a)

**Issue Number 6.8**

**Issue:** Are the 2011 and 2012 human resource related costs (wages, salaries, benefits, incentives, FTEs, and pension costs) appropriate?

- a) Please identify the occupations and the number of management positions that OPG had difficulty in (i) attracting and (ii) retaining as a result of the base pay program not having been adjusted since 2002.

- b) Please confirm that other factors such as level of base pay, benefits packages, incentive programs, job security, and work environment are significant factors in attracting and retaining employees.
- c) Please indicate the extent to which non-base pay benefits were adjusted during the period 2002-2007.

#### **VECC TC #8**

**Reference:** Interrogatory L-14-024, Attachment 1

#### **Issue Number 6.8**

**Issue:** Are the 2011 and 2012 human resource related costs (wages, salaries, benefits, incentives, FTEs, and pension costs) appropriate

Given the results provided for OPG's position to market in respect of "Total Remuneration Position to Market" for 2008 and 2009 (i.e., below for all except for Band H and Band L in 2009), how has OPG managed to retain or attract any mobile, management group employees?

#### **VECC TC #9**

**Reference:** Interrogatory L-14-037

#### **Issue Number 6.8**

**Issue:** Is the hydroelectric incentive mechanism appropriate?

- a) Please provide monthly historical information, similar to that which was provided in the table in response to part a), for December 1, 2006 through November 30, 2008.
- b) Please provide monthly historical information, similar to that which was provided in the table in response to part a), for the period January 1, 2010 to the most recently available monthly information available.
- c) Please indicate when the rider shown in the response to a) became effective.
- d) Per pages 4 and 5 of the "Design of Payment Amounts: Hydroelectric" presentation at the March 29, 2010 Stakeholder Meeting, please confirm that the total payments received under the HIM are given by the formula

$$\text{Total Payment} = \text{MWavg} \times \text{Regulated Rate} + (\text{MWh} - \text{MWavg}) \times \text{MCP}$$

where  $MW_{avg}$  = Average monthly net energy production,

$MWh$  = Hourly net energy production, and

$MCP$  = Market Clearing Price

e) Regarding the response to b), please confirm that OPG believes that, in principle, the regulated rate may be expected to be (i) above, (ii) below, or (iii) equal to the HOEP for extended periods of time now and going forward.

f) Please confirm that the total payments received under the HIM are also given by the formula

$$\text{Total Payment} = MW_{avg} \times (\text{Regulated Rate} - MCP) + (MWh \times MCP)$$

g) Regarding the response to d), please explain why pump generation stations exists if not to pump water during the off-peak period in order to utilize the energy stored in a subsequent peak period.

h) Regarding the response to d), please confirm that OPG's response indicates that absent an incentive mechanism – designed to incent operation of the pump generation station in the manner for which it was designed and installed – OPG might choose to not pump water during the off-peak period even though it would be in the public interest.

i) Please provide OPG's views as to the extent to which the response to part d) of this interrogatory is consistent with the response received to a similar question at the Stakeholder Meeting on March 29, 2010.