

Ontario Energy Board

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.

**ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")
INTERROGATORIES OF
GREEN ENERGY COALITION ("GEC")**

September 7, 2010

**ONTARIO POWER GENERATION INC.
DETERMINING PAYMENT AMOUNTS
EB-2010-0008**

**ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES
OF
GREEN ENERGY COALITION**

Issue 3.3:

Should the same capital structure and cost of capital be used for both OPG's regulated hydroelectric and nuclear businesses? If not, what capital structure and/or cost of capital parameters are appropriate for each business?

Interrogatory # 1

Ref: Exhibit PLC-2, p. 4

Ms. McShane discusses the relevance of the Capital Asset Pricing Model ("CAPM") to estimating the cost of equity at some length (Ex. C3-S1-T1, at p. 47+). Please indicate whether you agree or disagree with her assessment that in CAPM, non-diversifiable risk is captured through beta and that company-specific risks can be diversified away and therefore not reflected or compensated for in expected returns.

Interrogatory # 2

Ref: Exhibit PLC-2, p. 5

You refer to Ms. McShane's discussion of forced outages in nuclear in her evidence in EB-2007-0905. To the extent that these outages are due to equipment failures, would such failures be regarded as company-specific risks and diversifiable, and hence not reflected in expected returns in the CAPM framework?

Interrogatory # 3

Ref: Exhibit PLC-2, p. 10

Recognizing that both regulated hydro and nuclear produce baseload power, does the dispatchability of hydro in response to changes in economic activity that affect the demand for electricity mean that its beta and hence its cost of equity are greater or less than the equity cost of nuclear, everything else equal?

Interrogatory # 4

Ref: Exhibit PLC-2, p. 10

Having regard to the various risks of regulated hydro and nuclear identified in your testimony in EB-2007-0905, what other non-diversifiable risks may be viewed as suggesting that OPG's nuclear business is riskier than its regulated hydro?