

**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 INTERROGATORIES  
ON BOARD STAFF EVIDENCE**

**PWU Interrogatory 1**

**Issue 12.2: What processes should be adopted to establish the framework for incentive regulation, or other form of alternative rate regulation, that would be applied in a future test period?**

Ref (a): August 30, 2010. Update to Report on Methodologies for Setting Ontario Power Generation Payment Amounts. Prepared for Ontario Energy Board. Power Advisory LLC.

**Question:**

The above report makes reference to EB-2006-0064, Board Report: A regulatory Methodology for Setting Payment Amounts for the Prescribed Generation Assets of Ontario Power Generation Inc., November 30, 2006 [Board Report: Setting Payment Amounts for Prescribed Generation Assets]. On page 7, paragraph 5 of that report, the Board states:

**Although an incentive regulation methodology was the central recommendation, staff acknowledged that a number of proceedings would be required to determine some of the components of a complete incentive regulation formulation. In particular, Board staff recommended that the Board commission studies to determine cost inflation and productivity factors and investigate the need for “Z” factors and “off ramps” to account for unforeseen circumstances. Board staff acknowledged that these studies would also have to consider the appropriate methodologies to examine OPG’s data and the availability of credible information and comparators to establish these factors.**

The report filed by Board staff in this proceeding, referenced above, does not comment on the issue of what processes should be adopted to establish the framework for

incentive regulation, or other form of alternative rate regulation, that would be applied in a future test period.

1. Please describe the process that Board staff believes should be adopted to establish the framework for incentive regulation, or other form of alternative rate regulation, for OPG that would take into account the above excerpt from the Board Report: Setting Payment Amounts for Prescribed Generation Assets.

Doc 766453v1