

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 GEC EVIDENCE**

PWU Interrogatory 1

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

Ref (a): August 31, 2010. DIRECT TESTIMONY OF PAUL CHERNICK ON BEHALF OF THE GREEN ENERGY COALITION. Resource Insight, Inc., Page 20, Lines 1-10 of states:

Utilities Mid-Year 2010 Update, July 14 2010) rates "regulatory conditions" across 47 U.S. states⁶. Of the seven jurisdictions that received the top ranking awarded ("more credit supportive"), only two (Georgia and South Carolina) are on Mr. Luciani's list of jurisdictions allowing CWIP in rate base (Exhibit D4-1-1, p. 4) and at least two jurisdictions (Alabama and California) prohibit CWIP. Of the 19 jurisdictions rated as "supportive," five are on Mr. Luciani's list, one other reports allowing CWIP, and seven never or rarely allow CWIP. One state on Mr. Luciani's list—Louisiana—is rated "less supportive." Hence, allowing CWIP in rate base is neither necessary nor sufficient to produce a favourable opinion from a rating agency.

[<http://www2.standardandpoors.com/spf/pdf/events/CRTconJuly142010.pdf>, accessed August 30 2010]

Ref (b): Footnote 6 in Reference (a) Page 20.

[<http://www2.standardandpoors.com/spf/pdf/events/CRTconJuly142010.pdf>, accessed August 30 2010]

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Regulated U.S. Electric Utilities Mid-Year 2010 Update Standard & Poor's, July 14, 2010. Page 11, Utility Regulation Conditions Across 50 U.S. States.

Ref (c): August 30, 2010. Update to Report on Methodologies for Setting Ontario Power Generation Payment Amounts. Prepared for Ontario Energy Board. Power Advisory LLC, Page 22, Paragraph 4 and Page 23, Paragraph 2 states:

Indiana: Indiana's utilities have alternative regulation plans in place. The plans include earnings sharing mechanisms and several variance accounting provisions to recover fuel and other costs. However, the recovery of fuel costs is subject to an earnings test specified by state statute. Utilities are also permitted to share in margins earned from off-system sales above a benchmark level. Sales of emissions allowances are also subject to a sharing mechanism. Variance accounting is used for certain Midwest ISO related expenses. Utilities are allowed to earn a return on CWIP for qualified environmental compliance investments and these investments are recoverable through a tariff rider. In at least one case, the Commission approved accelerated depreciation recovery for environmental compliance investments. They are also allowed to earn a return on certain demand-side management ("DSM") programs.

Wisconsin: Legislation provided the Commission with the ability to establish a separate rate of return for new generating facilities, including other financial parameters to remain in place over the life of the plant as part of a pre-approval process. The Commission has also approved a return on 50% of CWIP. Wisconsin's utilities have divested their ownership interests in nuclear plants. The Commission establishes benchmarks for electric fuel costs, with sharing above and below the benchmark between shareholders and customers. Recovery of electric fuel costs is subject to variance accounting although utilities can request deferral of the recovery or refund.

Questions:

1. Are Indiana and Wisconsin among the seven jurisdictions that received the top ranking awarded ("more credit supportive") identified in Ref (b) above?
2. If the response to (1) is yes, is a revision required to Ref (a) and if so please provide the revision in response to this interrogatory.