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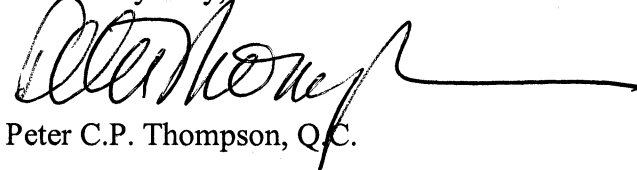
Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

Ontario Power Generation Inc. ("OPG")
2011-2012 Payment Amounts Application
Board File No.: EB-2010-0008
Our File No.: 339583-000064

We attach the Interrogatory Responses of Canadian Manufacturers & Exporters ("CME") to Interrogatories of Board Staff, and the Power Workers' Union ("PWU").

Yours very truly,



Peter C.P. Thompson, Q.C.

PCT\slc
enclosures

c. Barbara Reuber (OPG)
Intervenors EB-2010-0008
Paul Clipsham (CME)
Bruce Sharp (Agent)

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Borden Ladner Gervais LLP
Lawyers • Patent & Trade-mark Agents
World Exchange Plaza
100 Queen Street, Suite 1100
Ottawa ON K1P 1J9
tel.: (613) 237-5160 fax: (613) 230-8842
www.blgcanada.com

PETER C.P. THOMPSON, Q.C.
direct tel.: (613) 787-3528
e-mail: pthompson@blgcanada.com

1 CME's evidence refers to the very significant increase in the total electricity bills that electricity
2 consumers have already experienced in 2010. We expect that the evidence at the hearing will
3 establish that, for many, the total bill increases in 2010 fall within the 15% to 20% range.

4 There are many external factors that have a material impact on the total electricity bill
5 consumers will face in 2011, 2012 and years beyond. These external factors include Ministerial
6 Directives related to the objectives of the *Green Energy and Green Economy Act* ("GEA"),
7 covering renewable generation and Conservation and Demand Management ("CDM") initiatives.
8 External factors that are reflected in OPG's five year Business Plans, from which the Payment
9 Amounts Application is derived, include the plans of the Ontario Power Authority ("OPA"), the
10 Independent Electricity System Operator ("IESO"), and the Minister of Energy ("MOE"). All of
11 these external factors are relevant to OPG's Application.

12 Having regard to the Board's obligation under the *Ontario Energy Board Act, 1998* (the "*OEB*
13 *Act*") to protect consumers with respect to electricity prices when carrying out its responsibilities
14 under the *Act*, a consideration by the Board of evidence of the total bill impacts customers are
15 experiencing and facing is both essential and mandatory because the "electricity prices" to
16 which the legislation refers are the total amounts in the bills electricity consumers receive. The
17 phrase "electricity prices" refers to the total of all components in the electricity bill and not just a
18 particular sub-component thereof. Before the Board can determine the extent to which it should
19 protect consumers with respect to electricity prices, it needs to consider the changes in
20 electricity prices that are likely to occur during the period for which it is being asked to set rates.
21 Accordingly, consideration of a total bill impact analysis of the type presented by CME is both
22 essential and mandatory.

23 CME's evidence, using a five year planning horizon to derive an estimate of the annualized total
24 bill increases, is analogous to OPG's use of a five year planning horizon to derive its plans that
25 form the basis for the application for Board approval of payment amounts for hydro-electric and
26 nuclear generation from prescribed assets in 2011 and 2012. The electricity price increases,
27 stemming from CME's adoption of the same five year planning horizon from which OPG's
28 application is derived, are annualized to provide a levelized estimate, including the years 2011
29 and 2012, of the total bill impacts that are likely to be experienced over the same five year
30 planning horizon OPG uses.

31 CME's total bill impact evidence is relevant and admissible, and it would be inappropriate for the
32 Board to exclude this evidence as OPG suggests.

33 **III. Reliance upon CME's Evidence at the Hearing**

34 At the hearing, counsel for CME plans to rely upon the CME evidence in the manner described
35 in the subsections below.

36 **(a) Cross-Examination of OPG's Witnesses**

37 CME's evidence pertaining to customer impacts will be used as a comparator in CME's cross-
38 examination of OPG's witnesses. We will be seeking to determine the precise nature of the
39 customer impact information that was considered by OPG in its five year planning process
40 leading to the plans initially considered for inclusion in the 2011 and 2012 Payment Amounts

1 Application. These initial plans were presented to stakeholders in late March and early April of
2 2010.

3 Using the CME evidence as a comparator, we will be seeking to determine the precise nature of
4 the customer impact information that OPG considered in May 2010 when revising the
5 application initially contemplated.

6 We also expect to be using the CME evidence as a comparator when cross-examining OPG
7 witnesses on the implied assertions in its evidence to the effect that no one engaged in the
8 integrated planning that is essential for achieving the government's policy objectives, including
9 the MOE, the OPA, IESO, OPG, Hydro One, and other large distributors, and/or the OEB, either
10 prepares or considers total bill impact analysis of the type CME presents.

11 (b) Deficiencies in OPG's Planning Processes

12 In argument, we expect to be relying upon the CME evidence to support a submission that
13 OPG's failure to prepare or consider, in its planning process, a total bill impact analysis of the
14 type CME presents is a material deficiency.

15 (c) Unreasonableness of Total 2011 and 2012 Spending and Deferral Account Balances

16 The CME evidence is relevant to the Board's consideration of the reasonableness of OPG's
17 total spending, as well as the reasonableness of particular line items of proposed spending. It
18 also has relevance to the deferral account balances OPG seeks to recover.

19 (i) Total Planned Spending is Unreasonable

20 We expect to be relying upon the CME evidence to support a submission that the revisions
21 made, in May 2010, to the 2011 and 2012 total spending plans were insufficient to bring total
22 spending and consequential revenue requirement and payment amount increases within the
23 bounds of reasonableness. We expect to rely on the CME evidence to submit that some further
24 "belt tightening" needs to be imposed by the Board.

25 (ii) Specific Line Items of Spending are Unreasonable

26 We also expect to be relying upon the total bill increases facing consumers as one of the factors
27 that should prompt the Board to refrain from approving, in full, various line item amounts
28 reflected in the 2011 and 2012 test year revenue requirements. For example, we expect to rely
29 upon the total bill impact evidence to support an argument that it would be inappropriate to
30 approve OPG's Customer Work in Progress ("CWIP") proposal at this time. While CME
31 supports the refurbishment of Ontario's nuclear facilities, it does not accept that OPG should be
32 made the beneficiary of an accelerated cost recovery mechanism in current circumstances.

33 After the oral hearing has concluded, we expect that there will be other line item amounts that
34 we will be suggesting should be scaled back having regard to a consideration of a number of
35 factors, including customer impacts and the spending discretion OPG can exercise.

1 (iii) Deferral Account Balances and Clearances

2 We also expect to rely on customer impacts, including the CME total bill impact analysis
3 evidence, as factors to be considered when determining the amounts of balances recorded in
4 deferral accounts that should be recoverable as riders to the payment amounts OPG asks the
5 Board to approve.

6 (d) The Board's Jurisdiction

7 The Board has a broad jurisdiction to determine whether all of OPG's planned spending is
8 reasonable and whether all or only a portion of amounts recorded in OPG deferral accounts are
9 recoverable as riders to the payment amounts OPG asks the Board to approve. To discharge
10 its statutory obligations under the *OEB Act*, pertaining to protecting consumers with respect to
11 electricity prices, the Board's consideration of customer impact evidence is essential. The
12 Board's jurisdiction to consider customer impact evidence is not constrained in the manner OPG
13 suggests in the Letter.

14 CME's evidence is relevant and admissible. The weight the Board ascribes to the evidence,
15 compared to the evidence OPG presents pertaining to bill impacts, is a matter for the Board to
16 determine at the conclusion of the proceeding and not before.

17 **IV. Summary and Conclusion**

18 Actions being taken by OPG's owner are currently having, and will continue to have, a
19 significant impact on the total bills electricity consumers receive. Estimates of the total bill
20 impacts of these actions are relevant to a consideration of OPG's application. The broad scope
21 of the Board's jurisdiction does not preclude the Board from considering CME's evidence, as
22 OPG contends.

23 If OPG regards the total annualized and levelized bill increase impacts that Mr. Sharp has
24 estimated for 2011 and 2012 to be inappropriately excessive, then it should submit pre-filed
25 reply evidence and then cross-examine Mr. Sharp on the analysis he prepared. At the moment,
26 the only "on the record" estimates of total bill impacts is contained in the analysis prepared by
27 Mr. Sharp.

1 **CME RESPONSE TO POWER WORKERS' UNION ("PWU") INTERROGATORY # 1**

2 **Question**

3 **Reference: Issue 1.3: Is the overall increase in 2011 and 2012 revenue requirement**
4 **reasonable given the overall bill impact on consumers?**

5 Ref (a): Evidence of Bruce Sharp from Aegent Energy Advisors Inc. ("Aegent") Page 5,
6 Paragraph 4 states:

7 **"Reference Spot Market Prices**

8 Based on the monthly behavior of HOEP and the GA over the last six to twelve months, we
9 estimate the current, total commodity price to be approximately \$ 65/MWh, comprised of
10 HOEP at \$ 38/MWh and the GA at \$ 27/MWh. For most of the new generation sources with
11 fixed-price contracts, we assume they will be paid \$ 38/MWh from the spot market and then
12 be "made whole" through payments funded through the GA. Solar and NUG projects are
13 the exception - as they produce energy during higher-priced daylight and on-peak hours.
14 We assume they will be paid \$ 48/MWh from the spot market, with the remainder funded
15 through the GA."

16 **Questions**

17 1. Please provide sensitivity analysis assuming that commencing in 2012 the HOEP rises
18 to:

19 a. \$45/MWh, assuming a reference spot price of

20 (i) \$45/MWh; and

21 (ii) \$55/MWh

22 b. \$50/MWh, assuming a reference spot price of

23 (i) \$50/MWh; and

24 (ii) \$60/MWh

25 **Response**

26 On page 5 of our report, we discussed commodity price assumptions, including the interaction
27 between HOEP and the Global Adjustment:

28 *"There is a clear interaction between the spot price of electricity and the GA.*
29 *When spot prices fall, the GA rises and vice versa. This occurs because the*
30 *government and its agencies have entered into electricity supply arrangements*
31 *that cover off a very large majority of Ontario electricity supply requirements.*
32 *The majority of these contracts included fixed prices (some with escalators).*
33 *With the huge amount of contracted generation coming in to service over the*

1 *next five years, virtually no new supply will be un-contracted and so this*
2 *interaction will become even stronger.*

3 *The dynamic is more complex than that but for the purposes of this analysis we*
4 *assume that the combination of HOEP and the GA are generally fixed. This*
5 *means that a lower spot price is offset by a correspondingly higher GA and vice*
6 *versa."*

7 This assumption renders moot any HOEP-related speculation. This means that relative to the
8 total commodity price starting point of \$ 65/MWh, the sum of the total commodity price starting
9 point plus the unit cost increase will be the same, regardless of the reference HOEP value used.
10 Put another way, the result or final price paid in 2015 will be the same.

1 **CME RESPONSE TO PWU INTERROGATORY # 2**

2 **Question**

3 **Issue 1.3: Is the overall increase in 2011 and 2012 revenue requirement reasonable**
4 **given the overall bill impact on consumers?**

5 Ref (a): Evidence of Bruce Sharp from Aegent, Page 5, Paragraph 6 states:

6 **“One major assumption of note is the amount of FIT generation that will come into**
7 **service during the forecast period. For our analysis, we assume a total of 10,500**
8 **MW of FIT generation will come online by July 2015. This is comprised of 8,000**
9 **MW of FIT applications received by the OPA as of April 2010 and 2,500 MW of**
10 **Samsung wind and solar projects.”**

11 **Question**

12 With regard Feed-in Tariff applications, the Ontario Power Authority's states the following on
13 Ontario's Feed-in Tariff ("FIT") Program Backgrounder webpage:

14 [http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=7136\)](http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=7136)

15 **“For these FIT projects, the Ontario Power Authority has estimated**
16 **that there is approximately 2,500 megawatts of available**
17 **transmission connection capacity. As of December 1, 2009 the**
18 **Ontario Power Authority received 1,022 FIT applications with**
19 **about 8,000 MW of potential electricity generation. This translates**
20 **into about three megawatts of potential generation for every**
21 **megawatt of connection capacity available.”**

- 22 1. Given the capacity constraints which could delay progress on FIT and possibly delay the
23 Samsung development, please provide a sensitivity analysis assuming only 5,000 MW of
24 FIT and 1,000 MW of Samsung capacity are in service by 2015. Please use your
25 current timing but prorate the data in your current analysis on the basis of 6/10.5 (the
26 ratio of the [5,000 MW + 1,000 MW] assumed for this PWU interrogatory compared to
27 Aegent's 10,500 MW) for each period included in Aegent's analysis.

28 **Response**

29 With Hydro One and others' planned and possible additional GEA-related wires investment, the
30 level of FIT development could be constrained at some level above 6,000 MW.

31 In answering this question, we modified FIT capacity additions in years 4 and 5, assumed
32 Samsung's 1,000 MW would be split 80% wind and 20% solar and that they would receive 40%
33 (1,000 / 2,500) of the estimated economic development adder. The end result is a modified
34 component cost increase of \$ 2,224 million, compared to the report value of \$ 3,848 million.
35 The modified component unit cost increase would be \$ 15.56/MWh, compared to the report
36 value of \$ 26.93/MWh.

