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April 4, 2011

VIA COURIER and RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2010-0008 Ontario Power Generation Inc. ("OPG") Response to
Intervenor Comments on the Draft Payment Amounts Order**

Please find attached, Ontario Power Generation Inc.'s ("OPG's") response to Board staff and intervenor comments on the March 21, 2011 draft Payment Amounts Order in EB-2010-0008.

If there are any questions with respect to the response, please contact me at (416) 592-5419.

Yours truly,

[Original signed by]

Barbara Reuber

Encl.

C. Carlton Mathias OPG (email)
Charles Keizer Torys LLP (email)
EB-2010-0008 Intervenors (email)

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.

ONTARIO POWER GENERATION INC.

RESPONSE TO INTERVENOR COMMENTS ON THE DRAFT PAYMENT AMOUNTS ORDER

1. Introduction

In this submission, Ontario Power Generation Inc. (“OPG”) responds to intervenor comments on the draft Payment Amounts Order that it filed on March 21, 2011.

2. Percent Change in Payment Amounts – Submissions of the Board Staff and CME

Board staff and CME have requested that OPG include a presentation of the percent change in payment amounts from the current payment amounts. Board staff provides no rationale for this request and CME submits that it will increase the “rate transparency.”

OPG does not support this proposal. The proposal by Board staff and CME is inconsistent with other Rate Orders approved by the OEB. OPG’s proposed draft Payment Amounts Order contains a table which presents the customer impact in the same manner as the customer impact was presented in OPG’s original evidence. The percent change in payment amounts was not part of the filing requirements for this proceeding, and its filing was not directed by the Board in section 14.1 of the Decision.

The presentation of customer impacts in the Appendices to the draft Rate Order as proposed by OPG is entirely consistent with the manner in which customer impacts are presented in other Board-approved Rate Orders. OPG does not believe the OEB should depart from its usual practice and establish a precedent by requiring OPG to include a presentation of percent increase in payment amounts

Transparency will not be enhanced by including a presentation of a percent change in payment amounts. OPG believes that the draft Payment Amounts Order it filed was a clear and transparent presentation of the final revenue requirement and payment amounts for the prescribed facilities. No electricity consumer directly pays the payment amounts. They are either paid through a combination of the wholesale market price and the global adjustment or, for RPP customers, through the RPP price. The most meaningful presentation of customer impacts is the bill impact as presented by OPG in the draft Payment Amounts Order.

In the event that the OEB finds that the Payment Amounts Order should include such an analysis, OPG has provided a calculation as an attachment to this reply.

3. Deferral and Variance Account Descriptions – Submissions of Board Staff

Inclusion of Forecast Amounts in Account Descriptions

Board Staff submits that approved forecast amounts should be included in account descriptions, consistent with the previous Payment Amounts Order.

In preparing this draft Payment Amounts Order OPG removed forecast amounts to ensure that the account descriptions are generic and enduring. OPG submits that all required reference figures can be found in the tables in the draft Payment Amounts Order or in the hearing record and should not be included in the account descriptions. Including them in the descriptions in Appendix F is redundant and unnecessary, and provides no additional clarity.

Income and Other Taxes Variance Account

Board staff propose that capital tax be removed from the description of the Income and Other Taxes Variance Account as it is no longer required going forward.

OPG does not support this proposal. Payments in lieu of capital taxes are listed along with other tax items in OPG's pre-filed evidence at Ex. H1-T3-S1, page 3. The OEB approved the continuation of the account as proposed by OPG (Decision with Reasons, page 139). Accepting the change proposed by Board staff would not be appropriate given the wording of the OEB's Decision.

Tax Loss Variance Account

Board staff submitted that a description of the purpose of the Tax Loss Variance Account should be included in the Payment Amounts Order and provide suggested wording. OPG believes that the additional wording is not necessary.

Appendix F of the draft Payment Amounts Order indicates that the Tax Loss Variance Account will only record amortization and interest going forward. As there will be no further transactions recorded in the account effective March 1, 2011, adding a description defining how amounts were derived prior to the effective date of this rate order would seem of no consequence.

In preparing these reply comments OPG noted an error in the draft Payment Amounts Order. The Tax Loss Variance Account should be listed as one of the accounts in paragraph 10 of the Payment Amounts Order, rather than in paragraph 9 where it is listed in the draft Payment Amounts Order. Paragraph 10 lists accounts which are continued only for entries of amortization and interest effective March 1, 2011. This correction would make the Payment Amounts Order consistent with OPG's pre-filed evidence at Ex. H1-T3-S1 page 3 which states, "This account needs to continue in order to clear the 2010 year-end balance, and to record additions during the test period before the effective date of new payment amounts (proposed to be March 1, 2011). Following the effective date of new payment amounts, the only entries in this account will be for interest and amortization."

Capacity Refurbishment Variance Account

OPG accepts Board staff's suggestion that a reference to section 6(2)4 of O. Reg. 53/05 should be included in the description of the account for clarity.

Interest

OPG accepts Board staff's proposal that the following revision should be made to the description of interest on page 9 of Appendix F for added clarity: "Unless otherwise provided in this payment amounts order..." should be replaced with "Except for the Nuclear Liability Deferral Account..."

Numbers may not add due to rounding.

Filed: 2010-04-04
 EB-2010-0008
 OPG Response to DPAO Comments
 Attachment

Computation of Per Cent Change in Payment Amounts
EB-2007-0905 to EB-2010-0008

Line No.	Description	EB-2007-0905 (OEB Approved)			EB-2010-0008 (Draft Payment Amounts Order)		
		2008 Apr 1-Dec 31	2009	Total	2011	2012	Total
		(a)	(b)	(c)	(d)	(e)	(f)
	AVERAGE RATE:						
1	Regulated Hydroelectric Rate (\$/MWh) ¹			36.66			34.13
2	Nuclear Rate (\$/MWh) ²			54.98			55.85
3	Forecast Regulated Hydroelectric Production ³ (TWh)	12.9	18.5	31.4	19.8	19.8	39.7
4	Forecast Nuclear Production ³ (TWh)	38.3	49.9	88.2	50.4	51.5	101.9
5	Total Forecast Production (TWh) (line 3 + line 4)			119.6			141.6
6	Regulated Hydroelectric Portion of Average Rate (\$/MWh) (line 1 x line 3 / line 5)			9.62			9.56
7	Nuclear Portion of Average Rate (\$/MWh) (line 2 x line 4 / line 5)			40.55			40.20
8	Total Average Rate (\$/MWh) (line 6 + line 7)			50.17			49.77
9	RATE INCREASE (DECREASE) from EB-2007-0905 to EB-2010-0008 (0.8%)						

Notes:

- 1 EB-2007-0905 amount from EB-2007-0905 Payment Amounts Order, December 2, 2008, Appendix B, Table 1, line 5.
 EB-2010-0008 amount from draft EB-2010-0008 Payment Amounts Order, March 21, 2011, Appendix B, Table 1, line 3 plus line 5.
- 2 EB-2007-0905 amount from EB-2007-0905 Payment Amounts Order, December 2, 2008, Appendix C, Table 1, line 7 plus Appendix D, Table 1, line 9.
 EB-2010-0008 amount from draft EB-2010-0008 Payment Amounts Order, March 21, 2011, Appendix C, Table 1 line 3 plus line 5.
- 3 EB-2007-0905 amounts from EB-2007-0905 Payment Amounts Order, December 2, 2008, Appendix A, Table 3.
 EB-2010-0008 amounts from draft EB-2010-0008 Payment Amounts Order, March 21, 2011, Appendix A, Table 3.