



EB-2007-0791

IN THE MATTER OF sections 25.20 and 25.21 of the
Electricity Act, 1998;

AND IN THE MATTER OF a Submission by the Ontario
Power Authority to the Ontario Energy Board for the review
of its proposed expenditure and revenue requirements and
the fees which it proposes to charge for the year 2008.

DECISION ON ISSUES

On November 2, 2007, the Ontario Power Authority (the “OPA”) filed with the Ontario Energy Board (the “Board”) its proposed 2008 expenditure and revenue requirement and fees for review (“2009 OPA Fees Review”) pursuant to subsection 25.21(1) of the *Electricity Act, 1998* (the “Act”). Pursuant to subsection 25.21(2) of the Act, the OPA is seeking the following, among other, approvals from the Board:

- 1) approval of an overall Operating Revenue Requirement of \$58.616 million;
- 2) approval of proposed 2008 capital expenditures of \$2.6 million;
- 3) approval to establish a usage fee of \$0.391/MWh;
- 4) approval of an Interim Fees Order effective January 1, 2008 in the absence of a final Order.

The Board assigned file number EB-2007-0791 to this matter.

The Board issued a Notice of Application dated December 6, 2007 with respect to this proceeding. On December 20, 2007 the Board issued Interim Fees Order effective January 1, 2008.

Registered Intervenor in the proceedings are as follows: Green Energy Coalition (“GEC”), Pembina Foundation, and the Ontario Sustainable Energy Association (“OSEA”) - joint intervenor; Energy Probe Research Foundation (“Energy Probe”); Pollution Probe Foundation (“Pollution Probe”); Vulnerable Energy Consumer’s Coalition (“VECC”); Electricity Distributors Association (“EDA”); Direct Energy Inc.; Ontario Power Generation Inc. (“OPG”) and Hydro One Inc. (“Hydro One”). Hereafter, the intervenors

and the Applicant are referred to as Parties.

On January 16, 2008 the Board issued Procedural Order No. 1 and set a timeline for an Issues Conference to be held on January 30, 2008; an Issues Day to be held February 7, 2008; for written interrogatories on the Applicant's pre-filed evidence to be filed by February 14, 2008; and for responses to the interrogatories to be filed by February 28, 2008. The Board also set the time for the Settlement Conference on March 18 and 19; and for a hearing a Settlement Proposal on March 28, 2008.

Procedural Background

On January 30, 2008, parties to the OPA 2008 Fees Review met for an Issues Conference in an attempt to produce a mutually agreeable Issues List to present to the Board for approval in this proceeding. Although a wide degree of consensus was reached, parties were unable to agree to the wording of one issue (the "Contested Issue"). A proposed issues list (the "Proposed Issues List") was prepared, which set out all of the agreed to issues and the single contested issue. The Proposed Issues List is attached as Appendix "A" to this decision.

On February 7, 2008, the Board held an Issues Day to review the Proposed Issues List and to hear argument on the Contested Issue.

Consensual Changes to the Proposed Issues List

Over the course of the Issues Day, the Board panel and certain parties suggested wording and numeration changes to the uncontested issues in the Proposed Issues List.

In particular, for clarity for what was intended, it was suggested that the words "to achieve" in issues 1.1, 2.1, 3.1 and 5.1 be changed to "associated with"; and that issues 2.1(a) and 2.1(b) be re-labelled as issues 2.2 and 2.3. There were no objections to any of these revisions, and the Board accepts these changes. The changes are reflected in the Final Issues List, which is attached as Appendix "B".

The Contested Issue

The Contested Issue below was issue 2.1(a) (now re-labelled as issue 2.2) on the Proposed Issues List:

In the context of determining the OPA's 2008 Revenue Requirement, are the OPA's energy conservation, demand response, fuel switching and combined heat and power targets (MW and **MWh**) for 2008 appropriate?

The only part of the issue that was contested was the inclusion of the word MWh (which is bolded above).

The OPA was opposed to the inclusion of the word MWh. In its view, none of the government's directives to the OPA involve MWh (i.e. total reductions in energy consumption). Instead, the government's directives are focussed on reducing peak consumption (MW). Given that the government has not seen fit to set any MWh targets, it was the OPA's view that it would not be appropriate to include the disputed language in issue 2.1(a). The OPA was concerned that the effect of adding MWh to the issue would be to require the OPA to set MWh targets.

The addition of the word MWh to issue 2.1(a) was supported by Pollution Probe, GEC, VECC, and Energy Probe. These parties were of the view that, although specific MWh targets have not been set by any government directives, a focus on MWh was implicit in at least some of the directives. For example, it was the position of GEC that the low-income conservation directive could not be aimed at reducing peak load, as typically low-income consumers do not have air conditioners and do not contribute greatly to peak load. Therefore, it is implicit that the governmental directives recognize the importance of reducing overall energy consumption, not just peak consumption.

Decision

The Board accepts the inclusion of the word MWh into issue 2.1(a) (now issue 2.2). However, the Board wishes to stress that it will be restricting the scope of the MWh issue. As several parties noted, this is an OPA fees case and the overall purpose of this hearing is to determine if the revenue requirement and fees proposed by the OPA are reasonable. In order to determine if the fees are reasonable, of course, some examination of the costs that make up this fee may be necessary. The Board does not intend, however, to entertain a debate concerning specific programs that the OPA should consider to meet a MWh goal or target. Questions and submissions surrounding the extent to which the OPA should be focussing some of its attention on MWh reduction, however, will be acceptable. The Board does not consider that allowance of this issue, as scoped, requires the OPA to set specific MWh targets for the purposes of this proceeding, which is to review the proposed revenue requirement and fees.

The Board Orders That

1. The Final Issues List (attached as Appendix “B” to this decision) is hereby approved for the OPA fees case.

Issued at Toronto, February 11, 2008.

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix “A”

Issues Day Decision

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Proposed Issues List

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OPA 2008 Fees Review

Proposed Issues List

February 1, 2008

1. **Strategic Objective #1- POWER SYSTEM PLANNING- Plan for an adequate, reliable and sustainable system that integrates conservation, generation and transmission.**
 - 1.1 Has the OPA presented a reasonable and appropriate 2008 budget for programs and activities to achieve strategic objective number 1?
 - 1.2 Budget allocation to activities under the Strategic Objective # 1.
 - a. Is the budget allocated to activities to complete the current IPSP proceeding and to prepare the next IPSP plan appropriate?
 - b. Is the budget allocated to Local Area Supply and CDM activities appropriate?
 - c. Is the budget allocated to Policy Development activities appropriate?
2. **Strategic Objective # 2: CONSERVATION AND DEMAND MANAGEMENT- Contribute to the achievement of Ontario's Conservation Resource Targets and to fostering a culture of conservation using market-based approaches.**
 - 2.1 Has the OPA presented a reasonable and appropriate 2008 budget for programs and activities to achieve strategic objective number 2?
 - 2.2 In the context of determining the OPA's 2008 Revenue Requirement, are the OPA's energy conservation, demand response, fuel switching and combined heat and power targets (MW and MWh¹) for 2008 appropriate?
 - 2.3 In the context of determining the OPA's 2008 Revenue Requirement, is the OPA's proposed system to evaluate, measure and verify conservation programme data and results appropriate?
3. **Strategic Objective # 3: SUPPLY PROCUREMENT AND CONTRACTS- Consistent with the IPSP, ensure that the Province of Ontario has diverse electricity generation resources.**
 - 3.1 Has the OPA presented a reasonable and appropriate 2008 budget for programs and activities to achieve strategic objective number 3?

¹ This issue is under dispute between the OPA and GEC/Pembina/OSEA and Pollution Probe

- 3.2 Budget allocation to activities under the Strategic Objective # 3.
 - a. Is the budget allocated to conduct standard procurement process activities in 2008 appropriate?
 - b. Is the budget allocated to design contracts by the OPA appropriate?
 - c. Is the budget allocated to manage and settle conservation and generation resources contracts appropriate?
- 4. **Strategic Objective # 4 –SECTOR DEVELOPMENT- Define sector development goals and facilitate the efficient allocation of risk between customers and investors in conservation and generation**
- 4.1 2008 Operating Budget for Strategic Objective # 4 – sector development
 - a. Is the Operating Budget of \$ 1.252 million allocated for 2008 sector development appropriate?
- 5. **Strategic Objective # 5- BUILDING ORGANIZATIONAL CAPACITY -Maintain and develop organizational capacity to achieve the strategic objectives.**
- 5.1 Has the OPA presented a reasonable and appropriate 2008 budget for programs and activities to achieve strategic objective number 5?
- 6. **General**
- 6.1. **Proposed Fees**
 - a. Are the proposed usage and registration fees appropriate?
- 6.2. **Commitments from Settlement Agreement 2007 (EB-2006-0233)**
 - a. Has the OPA met its commitments, as set out in the 2007 Settlement Agreement (EB-2006-0233)?
- 6.3 **Are the OPA's proposals for deferral and variance accounts appropriate?**

Appendix “B”

Issues Day Decision

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Final Issues List

OPA 2008 Fees Review

Final Issues List

1. **Strategic Objective #1- POWER SYSTEM PLANNING- Plan for an adequate, reliable and sustainable system that integrates conservation, generation and transmission.**
- 1.2 Has the OPA presented a reasonable and appropriate 2008 budget for programs and activities associated with strategic objective number 1?
- 1.2 Budget allocation to activities under the Strategic Objective # 1.
 - a. Is the budget allocated to activities to complete the current IPSP proceeding and to prepare the next IPSP plan appropriate?
 - b. Is the budget allocated to Local Area Supply and CDM activities appropriate?
 - c. Is the budget allocated to Policy Development activities appropriate?
2. **Strategic Objective # 2: CONSERVATION AND DEMAND MANAGEMENT- Contribute to the achievement of Ontario's Conservation Resource Targets and to fostering a culture of conservation using market-based approaches.**
- 2.1 Has the OPA presented a reasonable and appropriate 2008 budget for programs and activities associated with strategic objective number 2?
- 2.2 In the context of determining the OPA's 2008 Revenue Requirement, are the OPA's energy conservation, demand response, fuel switching and combined heat and power targets (MW and MWh) for 2008 appropriate?
- 2.3 In the context of determining the OPA's 2008 Revenue Requirement, is the OPA's proposed system to evaluate, measure and verify conservation programme data and results appropriate?
3. **Strategic Objective # 3: SUPPLY PROCUREMENT AND CONTRACTS- Consistent with the IPSP, ensure that the Province of Ontario has diverse electricity generation resources.**
- 3.1 Has the OPA presented a reasonable and appropriate 2008 budget for programs and activities associated with strategic objective number 3?
- 3.2 Budget allocation to activities under the Strategic Objective # 3.
 - a. Is the budget allocated to conduct standard procurement process activities in 2008 appropriate?

- b. Is the budget allocated to design contracts by the OPA appropriate?
 - c. Is the budget allocated to manage and settle conservation and generation resources contracts appropriate?
- 4. Strategic Objective # 4 –SECTOR DEVELOPMENT- Define sector development goals and facilitate the efficient allocation of risk between customers and investors in conservation and generation**
- 4.1 2008 Operating Budget for Strategic Objective # 4 – sector development
 - a. Is the Operating Budget of \$ 1.252 million allocated for 2008 sector development appropriate?
- 5. Strategic Objective # 5- BUILDING ORGANIZATIONAL CAPACITY -Maintain and develop organizational capacity to achieve the strategic objectives.**
- 5.1 Has the OPA presented a reasonable and appropriate 2008 budget for programs and activities associated with strategic objective number 5?
- 6. General**
- 6.1. Proposed Fees**
 - a. Are the proposed usage and registration fees appropriate?
 - 6.2. Commitments from Settlement Agreement 2007 (EB-2006-0233)**
 - a. Has the OPA met its commitments, as set out in the 2007 Settlement Agreement (EB-2006-0233)?
 - 6.3 Are the OPA's proposals for deferral and variance accounts appropriate?**

**ONTARIO POWER AUTHORITY
2008 REVENUE REQUIREMENT SUBMISSION
EB-2007-0791**

APPLICANT & LIST OF INTERVENTIONS

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