

April 3, 2012

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File: 10606.00035

Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2701
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms Walli:

Re: Ontario Power Generation Niagara Tunnel Project Prudence Review

We are counsel to the Consumers Council of Canada ("Council").

On March 12, 2012, Ontario Power Generation ("OPG") filed correspondence with the Ontario Energy Board ("Board") seeking concurrence with OPG's proposal to file a separate application in 2013 to review the reasonableness of the costs associated with the Niagara Tunnel Project ("NTP"). The project is expected to be in-service by December 2013. OPG is advocating a separate, dedicated proceeding in 2013 to deal with the NTP.

On March 26, 2012, the Board invited comments from parties to the 2013-2014 Filing Guidelines Consultation on whether any party, or the Payment Amounts Application for 2013-2014 itself, would be adversely affected by deferring the review of the NTP for one year, when a more accurate understanding of the costs would be available.

The Council believes that there is merit in dealing with the NTP in a separate process. The Council agrees with the reasoning provided by OPG, namely:

- This will be the largest capital project ever to have come before the Board for a prudence review;
- The Board Panel, Board Staff, Intervenor, and OPG will all benefit from a focussed review of the relevant evidence in a proceeding solely convened for that purpose rather than having it be one issue among many in the 2013-2014 Payment Amounts Application;
- A prudence review in 2013 would enhance the overall accuracy of the cost and schedule forecasts as they would be developed a year closer to project completion.

OPG has indicated that in preparing its evidence for the 2013-2014 Payment Amounts Application it will exclude forecast NTP rate base, return on rate base, and depreciation, indicating that the impact of the NTP entering rate base is a standalone issue that is severable from the Payment Amounts Application. Although the Council supports holding a separate process, we submit that it is important, in the consideration of the overall Payment Amounts for 2013-2014, to know the ultimate impacts of the NTP on the those amounts. This will allow intervenors and the Board to adequately assess the reasonableness of all of OPG's costs and revenues relevant to the payment period.

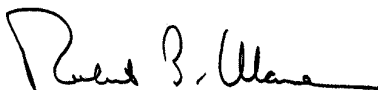
The Council recognizes that the impact evidence filed in the Payment Amounts Application with respect to the NTP will be preliminary, but will still be useful. The Council urges the Board to require OPG to file, as a part of the evidence in the Payment Amounts Application, an impact statement setting out the impact of the NTP on the overall revenue requirement and the Payment Amounts. In addition, it will be incumbent on OPG to provide evidence on any other impact the NTP may have on the issues to be considered by the Board in the Payment Amounts Application.

Board Staff, in its submissions dated April 2, 2012, proposed an alternative to the process proposed by OPG. Board Staff's proposal for a phased approach has merits. The Council submits that it makes sense to have the same Board panel hear both phases of the proceeding. Essentially one panel would be considering all of the issues relevant to the 2013-2014 Payment Amounts. In addition, the Board could approve the Payment Amounts on an interim basis after Phase I, pending a final determination following Phase II.

The Council supports OPG's proposal to deal with the NTP separately from the other issues relevant to the determination of the 2013-2014 Payment Amounts. The only caveat we have is that OPG be required to file evidence in Phase I setting out the potential impacts (subject to a final prudence review) of the NTP on the OPG's revenue requirement and Payment Amounts. In addition, the Council supports the approach identified by Board Staff for a two-phase process.

Yours very truly,

WeirFoulds LLP



Robert B. Warren

RBW/dh

cc: Ontario Power Generation
cc: Consumers Council of Canada
cc: Julie Girvan

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