



April 3, 2012

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

Dear Ms. Walli:

**Re: Ontario Power Generation Inc. (OPG)  
Niagara Tunnel Project Prudence Review  
Board File No. EB-2012-0002**

OPG expects to file the 2013-2014 Payment Amounts application in May 2012. On March 12, 2012 the OPG filed a letter with the Board seeking concurrence with OPG's proposal to file a separate application and dedicated proceeding in 2013 to review the reasonableness of the costs associated with the Niagara Tunnel Project (NTP). In a letter dated March 26, 2012, the Board invited parties to submit comments on OPG's proposal. Specifically, the Board wishes to understand if any party is materially affected in an adverse way, or whether the 2013-2014 payment amounts proceeding is adversely affected by deferring the review of the NTP by one year, when a more accurate understanding of the costs is available.

OPG indicates that the final costs of the NTP will not be known until the project is completed in December 2013. Construction began in 2005. OPG notes the NTP will be the largest capital project ever to have come before the OEB for a prudence review and given the time and effort to conduct a prudence review for a project this large and complex, a separate proceeding is appropriate. OPG submits an OEB prudence review in 2013, rather than 2012, will enhance the overall accuracy of the cost and schedule forecasts because they will be developed a year closer to project completion. OPG is confident that it will be able to identify and separate the NTP costs so that they are completely excluded from the revenue requirement used to form the basis of the 2013-2014 Payment Amounts application. OPG anticipates the recovery of the NTP costs would occur via a rate rider that would operate until the next Payment Amounts application, at which time the approved amounts for the NTP project would be rolled in the setting of new payment amounts.

AMPCO submits that OPG's approach is reasonable and appropriate given the scale and complexity of the project and that there will be more certainty about the final cost and in-service date if the review is conducted in 2013. This is subject, of course, to OPG really being able to separate these costs completely and that the Board would have jurisdiction to hear the NTP application separate and apart from OPG's other Payment Amounts.

AMPCO agrees with OPG that the 2013-2014 Payment Amounts application will feature a number of significant issues and there is a benefit to the OEB panel, Board Staff, intervenors and OPG to have a

**Association of Major Power Consumers in Ontario**  
[www.ampco.org](http://www.ampco.org)

372 Bay Street, Suite 1702  
Toronto, Ontario M5H 2W9

P. 416-260-0280  
F. 416-260-0442

focused review of the NTP, separate from the 2013-2014 Payments Amount application. AMPCO submits this approach will likely result in a more thorough and complete review.

In its submissions dated April 2, 2012, Board Staff suggests OPG may wish to comment on a phased approach to the next payment amounts proceeding as an alternative. Phase 1 would deal with the "all but NTP" and phase 2 would address the NTP. The phased approach would require OPG's payment amounts to be set on an interim basis pending the outcome of phase 2.

AMPCO supports this approach as it addresses AMPCO's concern that if the applications are completely separate, there would be two separate payment mechanisms reflecting two separate revenue requirements which could mask the true overall revenue requirement. The phased approach results in a final base payment amount which is more desirable and achieves full transparency for customers regarding total final costs.

Please contact me if you require additional information or have any questions.

Sincerely yours,

*(ORIGINAL SIGNED)*

Adam White

President  
Association of Major Power Consumers in Ontario

Copies to: Ontario Power Generation Inc.  
Parties to EB-2011-0286