



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. <http://www.piac.ca>

Michael Buonaguro
Counsel for VECC
(416) 767-1666

April 1, 2008

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
EB-2007-0905
Ontario Power Generation Inc.

Please find enclosed the interrogatories of VECC in the above noted proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

EB-2007-0905
Ontario Power Generation Inc.
Payment Amounts for Prescribed Generating Facilities
2008 and 2009 Revenue Requirement

Interrogatories of the Vulnerable Energy Consumers' Coalition

RATE BASE (Exhibit B)

1.1 Is the rate base appropriately determined in accordance with regulatory and accounting requirements? (B1/T1/S1) (B1/T1/S1)

- 1) Please describe the process and approach taken in determining how the assets appearing in the audited statements were split between regulated and non-regulated assets for rate base purposes.

CAPITAL PROJECTS (Exhibit D)

3.1 Are the costs and financial commitments OPG is seeking to recover under section 6(2)4₁ incurred to increase the output of, refurbish or add operating capacity to a prescribed facility? (D1/T1/S1 and D2/T1/S1)

- 2) Please confirm that none of the projects, for which capital spending is forecast in this application in respect of prescribed assets, will benefit OPG's unregulated assets. If unable to so confirm, please describe the projects for which benefits may be realized by OPG's unregulated assets and explain how the capital costs have been allocated between prescribed and unregulated assets.

3.2 If so, are the costs and financial commitments within project budgets approved for that purpose by the board of directors of OPG?

3.3 If the costs and financial commitments are not within project budgets approved by the board of directors of OPG, are the costs and financial commitments prudent?

3.5 Is the additional capital spending (beyond the levels being recovered under section 6(2)4)) appropriate?

Reference: D1 Tab 1 Schedule 1 pages 3, 4, and 6

- 3) Regarding the 2007 actual capital expenditure of \$84.3M versus the 2007 budget of \$229.4M, does OPG regard the size of this variance between budgeted and actual capital expenditure as an outlier?
- 4) The evidence indicates that in each of 2005, 2006, and 2007, actual capital spending was less than budgeted at an aggregate level and by type of facility. What comfort can OPG provide to parties that actual 2008 and 2009 capital spending will be approximately equal to amounts budgeted and that the regulated rate base is not overstated in this application?

Reference: D3 Tab 1 Schedule 1

- 5) Please indicate whether there are any allocation issues between the regulated and the unregulated businesses with respect to allocating capital expenditures by OPG's corporate groups. If so, please describe how these allocation issues are resolved.

3.6 Will OPG's accounting policies result in capitalization of an appropriate amount of costs incurred in 2008 and 2009 with respect to the construction or acquisition of capital assets? (A2T2S1)

Reference: A2 Tab 2 Schedule 1, pages 4-7

- 6) Please confirm that there has been no change in OPG's capitalization policies in this application as compared to previous practice or practices. If unable to so confirm, please provide details in respect of any changes.
- 7) Please provide a table showing past historical, current, and projected (i.e., for 2008 and 2009) rates of OM&A capitalization in respect of the prescribed facilities.

PRODUCTION FORECASTS (Exhibit E)

4.1 Is the methodology used by OPG to generate the proposed hydroelectric and nuclear business production forecasts appropriate?

Reference: E1 Tab 1 Schedule 1

- 8) Is OPG in possession of any additional materials or evidence, anecdotal or otherwise, in respect of the accuracy of its hydroelectric production forecasts as compared to the forecast production accuracy of other

hydroelectric facilities operators in North America? If so, please provide any relevant materials.

- 9) On pages 2 and 3 of this exhibit, the evidence states: "Other factors that may be adjusted in the Niagara forecasting application, if necessary, include Lake Ontario water levels" Please indicate the circumstances under which Lake Ontario water levels would not be relevant to the forecast.
- 10) In general, during what month or months would OPG prepare its hydroelectric production forecast for the following year?
- 11) Please indicate when the hydroelectric production forecasts included in this application were prepared.

Reference: E1 Tab 1 Schedule 2

- 12) The table provided in this exhibit indicates that in each of the years 2005, 2006, and 2007, actual production from the regulated hydroelectric facilities exceeded production budgeted. Please comment on the asymmetric nature of this variance, the impacts of this variance on any deferral account balances, and the ultimate impact of these variances on ratepayers in Ontario.
- 13) Please provide OPG's estimate of the impacts on revenues and ultimately on ratepayers of (i) actual 2008 hydroelectric production exceeding plan by 1 TWh, (ii) actual 2008 hydroelectric production being less than plan by 1 TWh, (iii) actual 2009 hydroelectric production exceeding plan by 1 TWh, (ii) actual 2009 hydroelectric production being less than plan by 1 TWh.

Reference: E2 Tab 1 Schedule 2

- 14) Please provide OPG's estimate of the impacts on revenues and ultimately on ratepayers of (i) actual 2008 nuclear production exceeding plan by 1 TWh, (ii) actual 2008 nuclear production being less than plan by 1 TWh, (iii) actual 2009 nuclear production exceeding plan by 1 TWh, (ii) actual 2009 nuclear production being less than plan by 1 TWh.

OPERATING COSTS (Exhibit F)

5.1 Are the Operation, Maintenance and Administration (“OM&A”) budgets for the prescribed hydroelectric and nuclear business appropriate? (F1/T1/S1, F2/T1/S1)

5.3 Are the 2008 and 2009 human resource related costs (wages, salaries, benefits, incentive payments, FTEs and pension costs) appropriate? (F3/T4/S1)

Reference: F1 Tab 2 Schedule 1 Table 1

- 15) Please confirm that the data provided in this table indicates that compensation to labour in OPG’s regulated hydroelectric business averaged \$100.8K per FTE in 2005 and steadily increased over the period 2005-2009 to an average of \$130.0K per FTE in 2009 and that this increase reflects an average annual increase of 6.6% per FTE per year.

Reference: F2 Tab 1 Schedule 1 Table 1

- 16) Please add two rows to this table with one row showing labour expense for regular staff FTEs and the other showing labour expense for non-regular staff FTEs.

5.7 Is the forecast of nuclear fuel costs appropriate? (F2/T5/S1, F2/T5/S2)

Reference: F2 Tab 5 Schedule 1 page 7

- 17) Please describe the revised spot market procurement process implemented by OPG and indicate the benefits that OPG expects to when financial derivative markets for uranium are developed. Also please describe any costs or risks that may arise in conjunction.