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October 31, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

Re: EB-2012-0340 – Second Round Submissions of the London Property Management Association

Introduction

On September 19, 2012, the Ontario Energy Board ("Board") provided amended instructions for written submissions related to the Consultation regarding Incentive Rate Making Options for Ontario Power Generation's Prescribed Generation Assets.

Board staff has determined that a one-stage process does not give interested parties the opportunity to consider and comment on alternative options for IRM that might emerge from the first stage of written submissions. Board staff invited interested parties to submit a second round of written comments in response to the first round of submissions from interested parties.

These are the second round submissions of LPMA related to the options and next steps in the process of determining an Incentive Rate Mechanism ("IRM") regime for setting payments for OPG's prescribed assets .

LPMA has reviewed that comments from other interested parties and believes that there is not significant divergence of opinion on the issues for the most part.

LPMA believes that there appears to be a general consensus that an IRM approach to regulating the nuclear assets is neither appropriate nor preferable to cost of service regulation, especially at this time. LPMA agrees.

LPMA continues to believe that if the Board wishes to continue to pursue an IRM methodology that is to be applied to the nuclear assets, significantly more research and discussion are warranted. In the meantime, the Board should continue to use cost of service to regulate the price paid for the nuclear assets.

LPMA would suggest that the Board should consider what is the appropriate length (number of test years) for the next filing for these assets under cost of service.

There is less consensus with regards to how the prescribed hydro assets should be regulated. Some parties believe that IRM can be effectively applied to these assets, while others provide a convincing argument for remaining on cost of service. Having read these submissions, LPMA believes that cost of service regulation should be maintained for the short and medium term (up to, perhaps, 5 years). During this time, the Board may wish to investigate the type of IRM that could be successfully applied to these assets in the future, along with any special requirements that may be needed for IRM to succeed.

Again, LPMA submits that the Board should consider what an appropriate length of time the cost of service applications for the prescribed hydro assets is.

Finally, if cost of service regulation remains the preferred option for both the nuclear and hydro assets of OPG over the next number of years, then LPMA submits that the Board should stagger the filings so that there are separate filings for nuclear and hydro in the same manner that Hydro One has traditionally filed applications for its Transmission and Distribution business units. This would ensure that OPG, the Board and intervenors have sufficient resources to effectively participate in both the nuclear and hydro applications without the need to bring on incremental resources.

Sincerely,

Randy Aiken

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