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April 20, 2008

BY EMAIL & BY COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St, Suite 2701  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Board File No. EB-2007-0791 Ontario Power Authority  
Fiscal 2008 – Expenditure, Revenue and Fees Submission for Review  
Argument of Energy Probe**

Attached please find two hard copies of the Argument of Energy Probe Research Foundation (Energy Probe). An electronic copy of this submission will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh  
Case Manager

cc: Miriam Heinz, Ontario Power Authority (By email)  
Fred Cass, Aird & Berlis LLP (By email)

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**Ontario Energy Board**

**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.

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**Final Argument On Behalf Of**

**Energy Probe Research Foundation**

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**April 20, 2008**

**Final Argument On Behalf Of  
Energy Probe Research Foundation**

**How these Matters came before the Board**

- 1. The Ontario Power Authority (OPA) submitted its annual proposed expenditure and revenue requirement and fees for review to the Ontario Energy Board (Board) on November 2, 2007. A Letter of Direction and a Notice of Application were issued on December 6, 2007. An Interim Fees Order was issued on December 20, 2007 effective January 1, 2008.**
- 2. Energy Probe Research Foundation (Energy Probe) provided a Notice of Intervention to the Board on December 17, 2007. Confirmation of Energy Probe's intervention was issued January 14, 2008.**
- 3. Board staff proposed an Issues List which was issued on January 16, 2008 as Appendix B to Procedural Order No. 1, which outlined a schedule for the proceeding. Energy Probe took part in an Issues Conference on January 30th, and an Issues Day before the Board on February 7, 2008. The Decision on Issues was issued on February 11, 2008.**
- 4. Energy Probe submitted Interrogatories on February 14, 2008, received Responses on February 28, 2008, and actively participated in a Settlement Conference with the OPA and other Intervenors on March 18 and 19, 2008.**

5. A Motions Day was held on March 28, 2008 on to hear a Pollution Probe motion to require the OPA to respond to certain interrogatories related to local electricity supply in the North York Region and the Kitchener-Waterloo-Cambridge-Guelph regional areas. Pollution Probe was supported by GEC. Energy Probe did not participate. The Motion was denied as the interrogatories in question were designed to gather information on programs the costs of which were not recovered by the OPA in this proceeding.

6. There was no Settlement Proposal on any Issue arising from the Settlement Conference. Nevertheless, Intervenors did narrow the scope of the Hearing so that the Applicant needed to supply only one Panel for cross-examination. Energy Probe attended the Oral Hearing in this matter on April 14, 2008.

### **Argument Overview**

7. In its Argument, Energy Probe will not seek to explore all outstanding Issues before the Board, but will be examining those Issues of concern to Energy Probe where we believe we can be of most assistance to the Board.

8. Energy Probe notes that in the 2006 and 2007 proceedings in respect of submissions of the OPA to the Board for review of its proposed expenditures and revenue requirements, settlement discussions have led to general agreement between the Applicant and the Intervenors on the issues before the Board. As a result, parties have either filed little in the way of comment on financial matters, or have commented on financial matters in the pursuit of other program-related interests of the intervening parties.

9. As the Settlement Conference in the present proceeding produced no settlement among the parties and no Settlement Proposal was filed with the Board, Energy Probe wishes to submit observations in respect of the direction of the OPA's finances.

## OPA Budgets and OPA Spending

10. As the OPA moved closer to a Review of its Integrated System Power Plan (IPSP), it was reasonable that its budgets would rise. While witness panels for the Applicant in each of the Board's Review proceedings have provided convincing testimony on its budgeting processes, costs and revenue requirements, the shifting of combinations of costs from objective to objective as part of reorganizing and redefining priorities, has made it somewhat challenging for intervening parties to follow the OPA's growth in manpower, consulting fees paid and operational costs in general.

Table 1

Operating Costs by Strategic Objective	Budget 2006	Budget 2007	Forecast 2007	Budget 2008
				Shifted Objectives
Objective 1 Power System Planning	4,365	8,444		10,445
Objective 2 Generation Development	5,217	6,816		26,445
Objective 3 Conservation Bureau	5,874	19,658		8,364
Objective 4 Electricity Sector Dev.	3,146	3,448		1,252
Objective 5 Corporate	12,069	15,057		17,800
Contingency Fund	1,400	4,000		3,215
<b>Total</b>	<b>31,121(1)</b>	<b>57,423(2)</b>	<b>48,969(3)</b>	<b>67,521(4)</b>

11. As can be seen from Table 1 above, the change from the proposed 2007 Budget to the proposed 2008 Budget is 17.6%. The increase from the 2007 Forecast to the proposed 2008 Budget is 37.9%.

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(1) EB-2006-0233 Exh. D/T 2/Schedule 1, p.17, Table 11

(2) Ibid

(3) EB-2007-0791 Exh. D/T 2/Schedule 1, p. 3, Table 2

(4) Ibid

**12. Now that the OPA has gained experience and developed its IPSP, it is the submission of Energy Probe that the time for double digit increases will have passed by the end of 2008.**

**13. The Report of the Agency Review Panel, Phase Two, dated November 2007, often referred to as the second Arnett report, has provided the Ontario government with a number of recommendations with reference to the Applicant. The recommendations if taken in full, would redistribute the OPA into the Ministry of Energy and the Independent Electricity System Operator once the current review of the initial IPSP is completed.**

**14. Energy Probe has no special knowledge of this government's future actions in response to the Report's recommendations, but it appears likely that some if not all will be acted upon within the current government mandate. That said, it would appear to Energy Probe that the OPA should not build another increase in manpower and revenue requirement into its 2009 budget as this will make transition more difficult.**

## **In Summary**

**15. Energy Probe submits that it does not oppose the approvals requested by the OPA for its proposed 2008 overall Operating Revenue Requirement of \$58.6 million, its proposed 2008 capital expenditures of \$2.6 million, or its proposed usage fee of \$0.391 per MWh.**

**16. It is the expectation of Energy Probe that the Operating Revenue Requirement of 2009 will show very modest, if any, increases.**

## **Costs**

**17. Energy Probe submits that it participated responsibly in this proceeding. Energy Probe requests the Board award 100% of its reasonably incurred costs.**

**ALL OF WHICH IS RESPECTFULLY SUBMITTED**

**April 20, 2008**

**Energy Probe Research Foundation**