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May 9, 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 Technical Conference Questions from VECC in the above noted matter.

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

Technical Conference

VECC Follow-up Questions to OPG on Interrogatory Responses

1. Reference: L-16-2 (VECC IR No. 2)

Preamble

This IR requested information on capital expenditures included in the application which may provide benefits to the unregulated business. In response, OPG stated 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, with the exception of certain capital expenditures by OPG’s corporate groups that are included in Ex. D3-T1-S1, Table 1. Please refer to the response to L-16-5 for the discussion of capital expenditures by OPG’s corporate groups.”

The Table 1 referenced is subtitled “Capital Expenditures in Corporate Groups impacting Prescribed Facility Rate Base or Asset Service Fee.”

- a) Can OPG provide a breakdown of the capital expenditures in the referenced Table showing the amounts impacting the regulated rate base and the amounts impacting the service fee with a brief explanation?
- b) Can OPG provide a breakdown with respect to the allocation of responsibility for recovery of these capital expenditures – from regulated and unregulated businesses – of the amounts shown in Table 1?
- c) Can OPG confirm that no (i) fees or (ii) return of capital or (iii) return on capital in respect of capital spending on assets shown in Table 1 are being recovered in this application from ratepayers before the associated capital projects are used and useful (in service)?

- d) With respect to the OPG Clarington Energy Park Development Project described at Ex. D3-T1-S2 p.4, can OPG confirm that this project is entirely to the (expected) benefit of the regulated operations?
- e) With respect to the OPG Clarington Energy Park Development Project, are all costs being capitalized?
- f) With respect to the OPG Clarington Energy Park Development Project, please indicate what costs are being recovered over the test period from ratepayers under OPG's proposals and the rationale for such recoveries.

2. Reference: L-16-4 (VECC IR No. 4)

Please indicate whether OPG would accept a capital expenditure variance account which would hold ratepayers harmless in the event that actual capital expenditures during the test period were significantly less than forecasted capital expenditures during the test period.

3. Reference: L-16-7 (VECC IR No. 7)

This IR asked OPG to "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. OPG's response appears to be unresponsive. Can OPG provide such a table showing Gross OM&A, Net OM&A, and the percentage capitalized?

4. Reference: L-16-15 (VECC IR No. 15)

Preamble

This IR noted that the data in Ex. F1-T2-S1 Table 1 indicated 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, representing an average annual increase of 6.6% per FTE per year over 2005-2009.

OPG confirmed that the VECC calculation was correct while noting the significant increases in pension and OPEB costs over this period, referencing Ex. F3-T4-S1 Chart 6.

Preliminary calculations by VECC using the information contained in Ex. F1-T2-S1 Table 1 and F3-T4-S1 Chart 6 appear to show an unusual pattern in direct labour costs per FTE for regulated hydroelectric operations, though “the allocation of costs related to corporate support functions” referred to in note 1 to Chart 6 may be responsible.

- a) Please provide a table breaking out total labour compensation for the regulated hydroelectric business among (i) direct labour costs, (ii) direct pension and OPEB costs not including allocations of costs related to corporate support functions, and (iii) allocations related to corporate support functions. Also please show these categories on a per FTE basis in the table and provide explanations for any large proportional changes year-over-year in the “per FTE” figures.
- b) Please provide a similar table for the prescribed nuclear facilities.