



VIA RESS, EMAIL AND COURIER

May 9, 2008

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

Dear Ms. Walli:

**Re: AMPCO Response to Interrogatory on AMPCO Evidence
Ontario Power Generation, Payment Amount Increases for Prescribed
Generating Facilities, Board File No. EB-2007-0905**

Pursuant to Procedural Order #4, issued April 18, 2008, attached please find AMPCO's response to an interrogatory from GEC-Pembina-OSEA.

Please contact me if you require additional information.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Adam White", with a long horizontal flourish extending to the right.

Adam White
President

Copies to:
Applicant and Intervenors

Association of Major Power Consumers in Ontario
www.ampco.org

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1 **AMPCO**

2
3 **Response to Interrogatory from GEC Pembina-OESA**

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6 **Interrogatory #1**

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8 Mr. Chernick in his evidence states:

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10 There are at least two benefits of separate costs of capital for OPG's two lines of
11 business. First, if the OEB establishes separate costs of capital and the mix of OPG's
12 investment changes, due to nuclear retrofits or refurbishment or new nuclear or hydro
13 capacity, OPG's average allowed return would automatically shift in the direction of the
14 investment mix. The return would only need to be updated for changes in market rates
15 or the underlying risk in either OPG business segment.

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17 Second, when OPG is reviewing options for capital investments—capital to reduce
18 operating cost, capital to increase output, capital to extend operating lives—it's analysis
19 should reflect the different costs of capital for nuclear and hydro investments.

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21 Please comment on this suggestion of distinct costs of capital for the nuclear and
22 hydraulic businesses on the rationale above and on the compatibility of that approach
23 with the cost of capital proposal you have made. Assuming that the combined cost of
24 capital would equal the value you have recommended for the initial rate period, what
25 spread between the two divisions would you suggest (for both ratio and ROE as
26 appropriate) if such a spread were to be utilized by the Board?

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28
29 **Response**

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31 AMPCO has not provided evidence on the subject of differential vs common capital
32 structures for segments of OPG's prescribed assets.