

AIRD & BERLIS LLP

Barristers and Solicitors

Fred D. Cass
Direct: 416-865-7742
E-mail: fcass@airdberlis.com

May 29, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: EB-2013-0061; Ontario Power Generation Inc., Thunder Bay G.S.
RMR Agreement**

We are writing on behalf of Ontario Power Generation Inc. (OPG) in response to a letter from Energy Probe Research Foundation (Energy Probe) in EB-2013-0061 dated May 27, 2013.

In its letter, Energy Probe indicated that OPG did not respond to Energy Probe's Interrogatory #1(b) in the manner intended by Energy Probe. Although OPG thought that it had responded to the interrogatory, on reading Energy Probe's letter it now appears that the interrogatory was not understood in the manner that Energy Probe intended.

A response to the follow-up question from Energy Probe is attached. The purpose of this letter is to make clear that the follow-up response is being provided in these special circumstances where there was a misunderstanding about the intent of Energy Probe's interrogatory. OPG's provision of the follow-up response should not be taken as any indication that OPG is opening up an opportunity for further interrogatories or questions now that all interrogatories have been answered in accordance with the Board's Procedural Order No. 1.

Yours truly,

AIRD & BERLIS LLP



Fred D. Cass

c.c. All EB-2013-0061 Intervenors
Andrew Barrett/Greg Towstego, Ontario Power Generation

Energy Probe Interrogatory #1 (3-Energy Probe-1) for OPG

OPG Response to Follow-up Question from Energy Probe

Interrogatory

Ref: OPG Letter Requesting Approval, dated February 27, 2013, s.4 (b) & Attachment 1, Sch. D, Table 1

S.4 (b) of OPG's letter indicates that the monthly fixed payment is designed to compensate OPG for costs "that would be avoided by OPG if the facility is deregistered" and "is based on a forecast of fixed costs". The Notes to Table 1 refer, as regards certain costs, to a "relatively short term".

- a) Does OPG agree that over a sufficiently long period of time, all costs are avoidable?
- b) What is (are) the time period(s) used to distinguish each cost or cost category in Table 1 as avoidable rather than unavoidable?

Energy Probe Follow-up Question

Interrogatory 3-Energy Probe-1 b):

What is (are) the time period(s) used to distinguish each cost or cost category in Table 1 as avoidable rather than unavoidable?

The response from OPG does not provide this information. Instead, OPG indicates that "if a cost was deemed reasonably avoidable within a period of one or two years following the shutdown of the plant then it was considered variable and recovery was included in the contract."

Energy Probe has difficulty understanding this reply, as its interrogatory did not seek clarification of OPG's understanding of the test. Rather, Energy Probe simply requested the specific time period used to classify each of the 10 costs in Table 1 as avoidable.

Accordingly, Energy Probe requests that OPG provide the ten time periods used for the ten cost items in Table 1.

Response

The time periods used by OPG to determine if costs are avoidable rather than unavoidable are provided in the table below, which replicates the cost categories from Schedule D Table 1 of the RMR Agreement.

The time periods provided are relative to the time of any plant closure as this is the reference point for cost avoidability. As the exact date of any plant closure is not known at this point, definitive calendar-based time periods cannot be provided.

SCHEDULE D Table 1: Monthly Fixed Payment ("MFP") for Thunder Bay Generating Station G3		
Cost Category	TBGS G3 (\$k)	Time Period Used by OPG to Determine if Avoidable
OM&A Costs		
Labour	17,311	<p>Within one year of plant closure.</p> <p>On the basis of demographics and the terms of the collective agreements, it is expected that all staff would be discharged from OPG or reassigned within the company within this period of time.</p>
Direct Assigned	5,752	<p>Within one year of plant closure.</p> <p>This cost is largely tied to staffing - see Labour description.</p>
Business Unit Support – Direct	404	<p>Within one year of plant closure.</p> <p>This cost is largely tied to staffing - see Labour description.</p>
Central Support – BU Allocated	5,258	<p>Within one year of plant closure.</p> <p>This cost is largely tied to staffing - see Labour description.</p>
Materials	1,224	<p>Immediately upon plant closure.</p> <p>Direct work execution costs cease upon closure.</p>
Other	4,330	<p>Majority of costs would cease immediately upon plant closure.</p> <p>Majority of cost is for direct work execution that ceases immediately upon closure. A portion of the costs are related to staffing (see Labour description) and a portion (such as telephone) depend on the future of the plant, but would cease immediately if the plant were decommissioned upon plant closure.</p>
Projects	970	<p>Immediately upon plant closure.</p> <p>Direct work execution costs cease upon closure.</p>
Insurance	795	<p>Would largely cease immediately upon plant closure.</p> <p>Depends on the future of the plant, but would largely cease if the plant were decommissioned upon closure and would cease entirely if the property was sold.</p>
Property Taxes	1,660	<p>Property tax amount can be reduced upon plant closure and eliminated if the property was sold.</p>
Other Costs		
Financing Cost on Working Capital	267	<p>Immediately upon plant closure.</p> <p>This cost is eliminated immediately upon closure as the coal would be fully consumed and the materials/supply inventory fully obsolesced upon that date.</p>

Monthly Fixed Payment ("MFP") – Annualized	37,971	
Monthly Fixed Payment ("MFP")	3,164	