EB-2013-0061

IN THE MATTER OF the *Ontario Energy Board Act 1998*, S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF an Application by Ontario Power Generation Inc. for approval, pursuant to Part 1, Paragraph 5.2 of Ontario Power Generation Inc.'s Generation Licence EG-2003-0104, of a Reliability Must-Run Agreement for the Thunder Bay Generating Station between Ontario Power Generation Inc. and the Independent Electricity System Operator.

BOMA Submission

1. In BOMA's view, the RMR agreement complies with OPG's licence.

2. BOMA believes that certain components of the proposed Monthly Fixed Payment (Attachment 1, Schedule D) are not supported by historical evidence of comparable 2012 actual cost and the explanations provided for such increases from 2012 actuals, either in the prefiled evidence, or in the response to CME #2, Tables 1 to 6.

In particular, BOMA finds the explanation for the proposed increase in labour costs, from $16,060 (000's) (2012 actual) to $17,311 (2013 proposed), and "regular internal labour" from $14,571 (2012 actual) to $15,824 (2013 proposed), a difference of $1,253 or about 8½% to be insufficient. While the increase of 8½% appears to be excessive, OPG states on Table 4:

> "Note that the 2012 Actual has been increased by $718K to reflect certain time that was "banked", which is not recorded as an expense in the primary pay cost centre until the banked time is taken and paid out; but is recorded as an expense elsewhere in OPG in 2012".

It is not clear what "banked time" is and whether it is a legitimate claim. BOMA requests that OPG address that issue in its reply argument.

Second, the "Direct Assigned" component of costs, which BOMA assumes is mainly pensions and post-retirement benefits, increased from $4,334 to $5,752, an increase of $1,419 (CME #2, Table 3). The increase, of about 35% is attributed to (largely) "a change in the estimated discount rates" (Ibid).

BOMA again suggests that OPG explain what were the amounts in respect of which the change in the discount rate was applied, and why the discount rate was forecast to change as a result of a calculation made in 2012 relative to one made in 2013. In other words, given that there was very little, if any, change in market interest rates over that period, what prompted the proposed change in the discount rates? OPG needs to provide a fuller and more concrete explanation of how this happened, perhaps with reference to the most recent actuarial study that used a lower discount rate, to value the relevant liabilities, as is required of the gas utilities when they seek to recover increased amounts for pensions and OPEB contributions.

Finally, the OPG has proposed the Central Support – Business Unit (support from the thermal business unit from central business supports such as finance) of $5,258, an increase of $1,393 from 2012 actuals of $3,865, an increase of about 35%. The explanation is that "is largely due to Standing Labour Rate and Burden increase of the corporate function staff, and a portion is due to normal attrition in 2012". Given the magnitude of the increase, BOMA believes that more explanation is required.

BOMA views the proposed increases from 2012 actuals noted above as too high, absent some more compelling explanations; and invites OPG to provide such explanations in its reply submission.

BOMA does not make firm recommendations on how much to reduce the fixed monthly payment, but suggests the Board reduce the amounts, unless OPG is able to make more substantial justification for the increases of those three items that it has so far.

3. BOMA is supportive of the reward/penalty scheme outlined in the evidence. Nor would it appear to have any major incentive efforts, given the structure of the agreement.

4. BOMA understands that neither party has the right to extend or renew the term of the agreement (Attachment 1, s7.2). In Attachment 4 (p2), the IESO states:

> "The northwest zone will need to rely on one Thunder Bay unit to supply the zone demand for 2013 to allow for lower than normal water conditions. Beyond this period, a new assessment would be required to evaluate the need for one Thunder Bay unit after the conversion of Atikokan to biomass is completed and the operating characteristics of the connected unit are well known".

BOMA is also aware that discussions have taken place within and outside OPG with respect to converting one or both units of Thunder Bay to natural gas in the near future. BOMA urges the Board to make clear that any new RMR Agreement between the IESO and OPG will not necessarily follow the precedent of the proposed one year agreement.