



PUBLIC INTEREST ADVOCACY CENTRE

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June 07, 2013

VIA 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: Ontario Power Generation Inc. (OPG) – EB 2013-0061
Submission of Vulnerable Energy Consumers Coalition (VECC)**

On behalf of the Vulnerable Energy Consumers Coalition (VECC) we have enclosed their submission with respect to the above-noted proceeding.

As per Procedural Order No. 1, we have also directed a copy to the Applicant as well as OEB Case Manager, Michael Bell at Michael.Bell@ontarioenergyboard.ca and the Board's Associate General Counsel, Martine Band at Martine.Band@ontarioenergyboard.ca.

Thank you.

Michael Janigan
Counsel for VECC

Cc: OPGI – Andrew Barrett – Andrew.barrett@opg.com
All Participants – via email

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.

SUBMISSIONS OF THE VULNERABLE ENERGY CONSUMERS COALITION

1. VECC submits that in its view, the R M-R agreement is compliant with OPG's license.¹
2. VECC has concerns with respect to two components of the monthly fixed payment.
3. Per the revised Application dated February 27, 2013, among the payment terms is a monthly fixed payment the purpose of which is summarized as follows:

*A monthly fixed payment to cover costs that would be avoided by OPG if the facility was de-registered.*²
4. VECC notes that the costs that would be avoided by OPG if the facility were deregistered depend on the actions that OPG would take in respect of the subject facility subsequent to deregistration.
5. To take an extreme, hypothetical example, if OPG determined that after deregistration the subject facility should be maintained in such a condition as to ensure that the facility could be dispatched on at any future time and on short notice, the *avoided* costs of deregistration would be quite small. However, in this hypothetical case, the *avoidable* costs would be much greater than the costs actually *avoided*.

¹ See NOACC-NOMA IESO IR1 and 1-VECC-1 for IESO and OPG.

² See revised Application, page 4.

6. The monthly fixed payment includes a component of \$1.660M in respect of property taxes and a component of \$5.258M of allocated costs for central support.³
7. Regarding property taxes, while this component is avoidable upon de-registration of the subject facility and the subsequent sale of the property, *given that OPG has no plans to sell the land after deregistration*,⁴ the property taxes will not be avoided after deregistration.⁵
8. VECC submits that the component of the monthly fixed payment in respect of property taxes should be based on the *avoidable* property tax payments assuming prudent utility management of the subject property post-deregistration.
9. VECC further submits that OPG has not provided a compelling rationale that argues against the sale of the property after deregistration: therefore, in VECC's view, since the property taxes would completely be avoided upon the sale of the property, the associated component of property taxes in the monthly fixed payment should be reduced significantly.⁶
10. Should the Board find that it is prudent for the utility to retain the property post-deregistration, VECC notes that OPG provided the following comment in response to an IR:⁷

Property tax amount can be reduced upon plant closure and eliminated if the property was sold.

11. VECC submits that whether the property is sold or retained post-deregistration, the actual avoided costs will be less than the amount of \$1.660 that is included in the monthly fixed payment. As such, this component of the monthly fixed payment should be reduced to the extent that the Board believes that OPG can reduce the property tax post-deregistration.
12. With respect to the allocated central support costs, VECC submits that the related services would usually be provided centrally (as opposed to directly

³ See OPG IRRs 3-EP-2 a), 3-EP-3, and the response to Energy Probe follow-up IR dated May 27, 2013.

⁴ See OPG IRR 3-EP-3 a).

⁵ VECC notes that OPG plans to mitigate property tax costs upon deregistration.

⁶ Because it could take some time to sell the property after deregistration, OPG would not be able to avoid the payment of property taxes immediately, i.e., before it was sold.

⁷ See the response to Energy Probe follow-up IR dated May 27, 2013.

allocating dedicated resources to the facility to provide similar services) due to scale economies attendant with central provision.⁸

13. Assuming that there are scale economies associated with the provision of central support services, the avoided costs of deregistration would be expected to be less than the allocated cost of the services. *And, the larger that the economies are, the smaller the avoided costs would be in the event of cessation of the provision of these services subsequent to deregistration.*
14. As such, VECC submits that if the Board believes there are scale economies inherent in and justifying the central provision of support services, this finding should be reflected in a reduction of the proposed component of \$5.258M allocated to the subject facility for central support. While VECC does not have sufficient evidence on hand regarding the scale economies inherent in the current arrangements for central support in order to provide an exact quantum for an appropriate reduction, VECC suggests that a reduction of this amount by 10% would be reflective that there are material scale economies associated with central support service provision.
15. On the other hand, if the Board finds that there are no scale economies associated with central service provision, VECC submits that no reduction in the associated \$5.258M component is appropriate.

All of which is respectfully submitted this 7th day of June 2013.

Michael Janigan
Counsel for VECC

⁸ If scale (or scope) economies were not present, any arguments in support of central support services would be drastically weakened.