



January 24, 2014

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

Re: Ontario Power Generation Inc.
2014/2015 Payments Amount Application
Board File No. EB-2013-0321

Dear Ms. Walli:

In accordance with Procedural Order No. 1 dated December 1, 2013, AMPCO has reviewed the Draft Issues List and OPG's request for confidential treatment of certain parts of its evidence, and makes the following comments. AMPCO understands the Draft Issues List provided as Appendix C in Procedural Order No. 1 is OPG's Draft Issues List with some additions from Board Staff based on a review of the approved issues list in OPG's previous cost of service application (EB-2010-0008).

AMPCO's Comments on Draft Issues List

1. GENERAL

- 1.1 Has OPG responded appropriately to all relevant Board directions from previous proceedings?
- 1.2 Are OPG's economic and business planning assumptions for 2014-2015 appropriate?
- 1.3 Has OPG appropriately applied USGAAP accounting requirements, including identification of all accounting treatment differences from its last payment order proceeding?

Proposed New Issue

Is the overall increase in 2014 and 2015 revenue requirement reasonable given the overall bill impact on customers?

The above issue appeared on the Final Issues List in EB-2010-0008. In AMPCO's view this issue should remain on the issues list. The persons affected by this application are all electricity consumers in Ontario. With the Board's Renewed Regulatory Framework in place and the renewed focus on customers, AMPCO submits the impact on customers is an issue that needs to be formally considered and addressed in this application.

Proposed New Issue

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Does OPG's business transformation initiative appropriately support the alignment of OPG's costs with its declining generation capacity?

OPG has identified business transformation as one of the highest priority issues¹ in the application. On this basis AMPCO submits it warrants a separate issue.

2. RATE BASE

2.1 Are the amounts proposed for rate base appropriate?

3. CAPITAL STRUCTURE AND COST OF CAPITAL

3.1 What is the appropriate capital structure and rate of return on equity for the currently regulated facilities and newly regulated facilities?

3.2 Is OPG's proposal for return on equity appropriate for the currently regulated facilities and for the newly regulated facilities?

3.3 Are OPG's proposed costs for its long-term and short-term debt components of its capital structure appropriate?

4. CAPITAL PROJECTS

Regulated Hydroelectric

Proposed Amendment

4.1 Are the costs associated with the regulated hydroelectric projects subject to section 6(2)4 of O. Reg. 53/05 (~~in~~excluding the Niagara Tunnel Project) within the project budgets approved by the OPG Board of Directors before the making of the Board's first order establishing payment amounts for the regulated facilities? If not, were the excess costs prudent?

The prudence of the \$514.8 M in Niagara Tunnel Project expenditures beyond the original budget of \$985.2M that was approved by OPG Board prior to the OEB's first order with respect to payment amounts for OPG's prescribed facilities under Section 78.1 of the Ontario Energy Board Act will be reviewed in this proceeding.

AMPCO submits the expenditures related to the Niagara Tunnel Project should be excluded from Issue 4.1 and the subject of its own stand-alone issue given the scope, complexity, resulting challenges, and importance of the project and its impact on OPG's proposed revenue requirement. (See proposed new issues below).

This approach is similar to the approach already proposed in consideration of the capital costs and in-service additions related to the Darlington Refurbishment Project (see issues 4.7 & 4.8 below)

4.2 Are the proposed regulated hydroelectric capital expenditures and/or financial commitments appropriate?

4.3 Are the proposed test period in-service additions for regulated hydroelectric projects (excluding the Niagara Tunnel Project) appropriate?

¹ Exhibit A3, Tab 3, Schedule 1 Page 2



Proposed New Issues

Are the costs associated with the regulated hydroelectric projects subject to section 6(2)4 of O. Reg. 53/05 within the project budgets approved by the OPG Board of Directors before the making of the Board's first order establishing payment amounts for the regulated facilities? If not, were the excess costs prudent?

Are the proposed test period capital expenditures associated with the Niagara Tunnel Project reasonable?

Are the proposed test period in-service additions for the Niagara Tunnel Project appropriate?

Nuclear

4.4 Are the costs associated with the nuclear projects subject to section 6(2)4 of O. Reg. 53/05 within the project budgets approved by the OPG Board of Directors before the making of the Board's first order establishing payment amounts for the regulated facilities? If not, were the excess costs prudent?

4.5 Are the proposed nuclear capital expenditures and/or financial commitments appropriate?

4.6 Are the proposed test period in-service additions for nuclear projects (excluding those for the Darlington Refurbishment Project) appropriate?

4.7 Are the proposed test period in-service additions for the Darlington Refurbishment Project appropriate?

4.8 Are the proposed test period capital expenditures associated with the Darlington Refurbishment Project reasonable?

4.9 Are the commercial and contracting strategies used in the Darlington Refurbishment Project reasonable?

4.10 Does OPG's nuclear refurbishment process align appropriately with the principles stated in the Government of Ontario's Long Term Energy Plan issued on December 2, 2013?

5. PRODUCTION FORECASTS

Regulated Hydroelectric

5.1 Is the proposed regulated hydroelectric production forecast appropriate?

5.2 Is the estimate of surplus baseload generation appropriate? ~~Are the~~ What economic and supply conditions ~~are~~ forecast to generate the surplus baseload generation outlook reasonable?

AMPCO submits the second question needs to be slightly amended as above so that the rationale of the economic and supply conditions is assessed.

5.3 Has the incentive mechanism encouraged appropriate use of the regulated hydroelectric facilities to supply energy in response to market prices?

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5.4 Is the proposed new incentive mechanism appropriate? Does the proposed new incentive mechanism increase benefits to consumers while maintaining operational incentives for OPG?

Nuclear

5.5 Is the proposed nuclear production forecast appropriate?

5.6 Are the estimates of forced loss rates for the individual nuclear plants reasonable?

6. OPERATING COSTS

Regulated Hydroelectric

6.1 Is the test period Operations, Maintenance and Administration budget for the regulated hydroelectric facilities appropriate?

6.2 Is the benchmarking methodology reasonable? Are the benchmarking results and targets flowing from those results for the regulated hydroelectric facilities reasonable?

Nuclear

6.3 Is the test period Operations, Maintenance and Administration budget for the nuclear facilities appropriate?

6.4 Is the benchmarking methodology reasonable? Are the benchmarking results and targets flowing from those results for the nuclear facilities reasonable?

6.5 Is the forecast of nuclear fuel costs appropriate? Has OPG responded appropriately to the suggestions and recommendations in the Uranium Procurement Program Assessment report?

6.6 Are the test period expenditures related to continued operations for Pickering Units 5 to 8 appropriate?

6.7 Is the test period Operations, Maintenance and Administration budget for the Darlington Refurbishment Project appropriate?

Corporate Costs

6.8 Are the 2014 and 2015 human resource related costs (wages, salaries, benefits, incentive payments, FTEs and pension costs) appropriate?

6.9 Are the corporate costs allocated to the regulated hydroelectric and nuclear businesses appropriate?

6.10 Are the centrally held costs allocated to the regulated hydroelectric business and nuclear business appropriate?

Depreciation

6.11 Is the proposed test period depreciation expense appropriate?



6.12 Are the depreciation studies and associated proposed changes to depreciation expense appropriate?

Income and Property Taxes

6.13 Are the amounts proposed to be included in the test period revenue requirement for income and property taxes appropriate?

Other Costs

6.14 Are the asset service fee amounts charged to the regulated hydroelectric and nuclear businesses appropriate?

6.15 Are the amounts proposed to be included in the test period revenue requirement for other operating cost items appropriate?

7. OTHER REVENUES

Regulated Hydroelectric

7.1 Are the proposed test period revenues from ancillary services, segregated mode of operation and water transactions appropriate?

Nuclear

7.2 Are the forecasts of nuclear business non-energy revenues appropriate?

Bruce Nuclear Generating Station

7.3 Are the test period costs related to the Bruce Nuclear Generating Station, and costs and revenues related to the Bruce lease appropriate?

8. NUCLEAR WASTE MANAGEMENT AND DECOMMISSIONING LIABILITIES

8.1 Is the revenue requirement methodology for recovering nuclear liabilities in relation to nuclear waste management and decommissioning costs appropriate? If not, what alternative methodology should be considered?

8.2 Is the revenue requirement **amount and** impact of the nuclear liabilities appropriately determined?

AMPCO submits before the impact can be assessed, the appropriateness of the amount must also be considered.

9. DEFERRALAND VARIANCE ACCOUNTS

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- 9.1 Is the nature or type of costs recorded in the deferral and variance accounts appropriate?
- 9.2 Are the balances for recovery in each of the deferral and variance accounts appropriate?
- 9.3 Are the proposed disposition amounts appropriate?
- 9.4 Is the disposition methodology appropriate?
- 9.5 Is the proposed continuation of deferral and variance accounts appropriate?
- 9.6 Is OPG's proposal to not clear deferral and variance account balances in this proceeding (other than the four accounts directed for clearance in EB-2012- 0002) appropriate?
- 9.7 Is OPG's proposal to create sub-accounts of variance accounts for the newly regulated hydroelectric generation facilities appropriate?
- 9.8 Is the proposal to discontinue the Hydroelectric Incentive Mechanism Variance Account appropriate?

Proposed New Issue

What other deferral accounts if any, should be established for the test period?

AMPCO notes that in OPG's previous proceedings EB-2010-0008 and EB-2012-0002 new deferral accounts were established. AMPCO submits this needs to be an issue in the event new deferral accounts are contemplated in this proceeding.

10.REPORTING AND RECORD KEEPING REQUIREMENTS

- 10.1 What additional reporting and record keeping requirements should be established for OPG?

11.METHODOLOGIES FOR SETTING PAYMENT AMOUNTS

- 11.1 Has OPG responded appropriately to Board direction from the previous proceeding regarding benchmarking of generation performance with an intention to establishing incentive regulation?

12.IMPLEMENTATION

- 12.1 Are the effective dates for new payment amounts and riders appropriate?

AMPCO's Comments on OPG's Request for Confidential Treatment

OPG seeks confidential treatment for revenue comparison tables, the Darlington Refurbishment Contract Strategies, the Concentric Energy Advisors Engagement Letter, Business Case Summaries, Business Plans, Business Planning Instructions and 2012 and Income Tax Returns. In accordance with section 5.1.5 of the Practice Direction, OPG has filed cover letters that describe the basis on which confidentiality is claimed. AMPCO has reviewed the correspondence from OPG on the issue of confidentiality and takes no position on OPG's request for confidential treatment.



Please do not hesitate to contact me if you have any questions or require further 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
Association of Major Power Consumers in Ontario

Copy to: Ontario Power Generation Inc.