

February 11, 2014

**BY COURIER (2 COPIES) AND EMAIL**

**Ms. Kirsten Walli**

Board Secretary

Ontario Energy Board

P.O. Box 2319

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Toronto, Ontario M4P 1E4

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Dear Ms. Walli:

**Re: Environmental Defence Correspondence  
EB-2013-0321 – Ontario Power Generation Inc. (“OPG”)  
2014-2015 Payment Amounts Application**

We write to respond to OPG’s reply submissions regarding the draft issues list and to address the redactions made by OPG in the new business case summary for the Darlington Refurbishment Project filed on February 6, 2014.

**Draft Issues List**

Environmental Defence submits that the parties should be allowed to examine the cost-effectiveness of the Darlington Refurbishment Project and the Pickering Nuclear Generating Station, including in comparison to alternatives (see Environmental Defence’s submissions of January 24, 2014). OPG opposes this. For the reasons outlined below, OPG’s opposition is unfounded.

*Examination of Cost-Effectiveness not Barred by the Long-Term Energy Plan*

OPG argues that the cost-effectiveness of Darlington and Pickering need not be considered because, according to OPG, both are mandated by the Long-Term Energy Plan.<sup>1</sup> This argument is without basis for two reasons.

First, even if the Long-Term Energy Plan finally and irrevocably mandated Darlington and Pickering, this would not obviate the merit of examining cost-effectiveness. Cost-effectiveness is relevant even if this Board will not be deciding on the future of Darlington and Pickering. For example, if Pickering and the Darlington Refurbishment are not cost-effective, the Board may wish to disallow certain proposed costs at this hearing, alter the payment/incentive structure, or direct that OPG take certain steps.

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<sup>1</sup> OPG, Submissions on Draft Issues List, January 31, 2014, p. 7, 12 & 13.

Second, the Long-Term Energy Plan does *not* conclusively mandate the Darlington Refurbishment or the continued operation of Pickering. This was addressed in Environmental Defence's submissions of January 24, 2014 as follows:

The proposed Darlington Refurbishment Project is not *fait accompli*, and therefore an analysis of its cost-effectiveness remains highly relevant. Although Ontario indicated in the Long-Term Energy Plan that it plans to go through with the refurbishment, it also is requiring that OPG create "appropriate and realistic off-ramps."<sup>2</sup> The Long-Term Energy Plan also states, with respect to refurbishment, that "[t]he province will proceed with caution to ensure both flexibility and ongoing value for Ontario ratepayers."<sup>3</sup> The Ontario Government has not provided its final go-ahead on this project or provided written directions to proceed with construction. The Long-Term Energy Plan also contemplates alternatives power sources, such as conservation and clean power imports, wherever they are cost-effective.<sup>4</sup> Overall, the Long-Term Energy Plan mandates continued assessment of the big picture economic impacts of the proposed Darlington Refurbishment Project.

...

The Ontario government has not made a final decision regarding the continued operation of Pickering GS. The Long-Term Energy Plan states that "[a]n earlier shutdown of the Pickering units may be possible depending on projected demand going forward, the progress of the fleet refurbishment program, and the timely completion of the Clarington Transformer Station."<sup>5</sup>

In addition, OPG's own application makes it clear that a final decision regarding the Darlington Refurbishment will not occur until 2016.<sup>6</sup>

For the above two reasons, nothing in the Long-Term Energy Plan suggests that the Board should or must refrain from assessing the cost-effectiveness of Darlington and Pickering.

*EB-2007-0905 Supports Environmental Defence's Position*

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<sup>2</sup> Ontario's Long-Term Energy Plan, December, 2013, p. 29.

<sup>3</sup> *Ibid.*

<sup>4</sup> Ontario's Long-Term Energy Plan, December, 2013, p. 20 "The government intends to ensure that conservation will be considered before building new generation and transmission facilities, and will be the preferred choice wherever cost-effective." and p. 45: "an import arrangement with a neighbour to guarantee the firm delivery of clean power could offer a cost-effective alternative to building domestic supply."

<sup>5</sup> Ontario's Long-Term Energy Plan, December, 2013, p. 5.

<sup>6</sup> See Exhibit D2, Tab 2, Schedule 1, p. 9 and Exhibit D2, Tab 2, Schedule 1, Attachment 3, p. 5 (The "Execution Phase" begins in 2016, preceded by a "Decision Gate.")

OPG argues that, according to the decision in EB-2007-0905, an assessment of the cost-effectiveness of Pickering is beyond the Board's jurisdiction. In our submission, EB-2007-0905 stands for the *opposite* proposition.

In EB-2007-0905, the Board considered the cost-effectiveness of Pickering at length. For example, the Board considered the submissions of Board Staff, AMPCO, and others that:

- “The average cost per MWh at Pickering A over the three-year period was \$107 compared to \$24 for the U.S. median and \$41 for Bruce Power.”<sup>7</sup>
- “Pickering A is almost five times more costly than the top quartile of U.S. operations, while Pickering B is two and a half times more costly.”<sup>8</sup>
- “[O]ver the 2005 to 2007 period, the average cost of Pickering A power was double the Hourly Ontario Energy Price and the nuclear payment amount received by OPG under O. Reg. 53/05.”<sup>9</sup>

The Board decided that it was not its role in the circumstances to determine the viability of Pickering. *However*, the evidence regarding cost-effectiveness was still highly relevant to its decision. The Board held that it would “only allow the recovery of reasonable costs” and that “consumers will not bear production risk.”<sup>10</sup> The evidence regarding cost-effectiveness played a large role in the Board's decision to disallow 10% of the Base OM&A costs of Pickering A.<sup>11</sup>

EB-2007-0905 supports Environmental Defence's submission that cost-effectiveness is relevant, including to intervenor requests that certain proposed costs be disallowed, that the payment/incentive structure be altered, or that OPG be directed to take certain steps.

### *Conclusion re Draft Issues List*

Environmental Defence submits that the issues it proposes are already captured by the draft issues list. However, if the Board is of the view that those issues are not captured by the current draft list<sup>2014</sup>, Environmental Defence asks that they be added to the draft issues list.

### **Confidentiality**

On February 6, 2014, OPG filed a completely new business case summary for the Darlington Refurbishment Project. This document includes significant redactions, including of fundamental cost figures such as OPG's estimate of the Levelized Unit Energy Cost (“LUEC”) for Darlington.<sup>12</sup>

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<sup>7</sup> EB-2007-0905, Decision and Reasons, November 3, 2008, p. 25.

<sup>8</sup> EB-2007-0905, Decision and Reasons, November 3, 2008, p. 25.

<sup>9</sup> EB-2007-0905, Decision and Reasons, November 3, 2008, p. 27.

<sup>10</sup> EB-2007-0905, Decision and Reasons, November 3, 2008, p. 28.

<sup>11</sup> EB-2007-0905, Decision and Reasons, November 3, 2008, p. 31.

<sup>12</sup> EB-2013-0321, Ex. D2-2-1, Attachment 5.

OPG did not file “a cover letter indicating the reasons for the confidentiality request, including the reasons why the information at issue is considered confidential and the reasons why public disclosure of that information would be detrimental” as required by sections 5.1.4 and 5.1.5 of the *Practice Direction on Confidential Filings*. Environmental Defence requests that OPG be directed to provide its reasons for the confidentiality request in accordance with the *Practice Direction*, and that the parties be provided with an opportunity to make submissions regarding the request. Environmental Defence specifically requests that OPG be directed to provide reasons why it believes the disclosure of the LUEC estimate would be detrimental.

Please advise if anything further is required or would be of assistance.

Yours truly,

A handwritten signature in blue ink, appearing to read 'K. Elson', is written over a horizontal line.

Kent Elson

Encl.

cc: Applicant and Intervenors