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February 28, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

Ontario Power Generation Inc. ("OPG") **2014-2015 Payment Amounts Application**	
Board File No.:	**EB-2013-0321**

Please find enclosed the Interrogatories of Canadian Manufacturers & Exporters ("CME"), in this proceeding.

Yours very truly,

Vincent J. DeRose
VJD/kt
Encl.

c. Colin Anderson (OPG)
Charles Keizer (Torys LLP)
All Interested Parties
Paul Clipsham (CME)
Peter C.P. Thompson, Q.C. (BLG)

OTT01: 6191274: v1

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. pursuant to section 78.1 of the *Ontario Energy Board Act, 1998* for an order or orders determining payment amounts for the output of certain of its generating facilities.

INTERROGATORIES OF
CANADIAN MANUFACTURERS & EXPORTERS ("CME")
TO ONTARIO POWER GENERATION INC. ("OPG")

GENERAL

0 – CME 1

Ref: 2013 Annual Report of the Office of the Auditor General of Ontario (December 10, 2013)

CME wishes to better understand the process undertaken by OPG following the release of the Annual Report of the Office of the Auditor General of Ontario on December 10, 2013. To this end:

(a) Please provide all presentations, PowerPoint slides, briefing notes, or other written memoranda prepared by OPG for OPG's Board of Directors relating to that Report of the Auditor General; and

(b) Please provide all written questions, comments or directions provided by OPG's Board of Directors to OPG relating to that Report of the Auditor General.

Issue 1.4: Is the overall increase in 2014 and 2015 revenue requirement reasonable given the overall bill impact on customers?

1.4 – CME 2

CME is interested in obtaining the information that OPG, as a government-owned entity, is aware of and can provide in order to help consumers better understand the likely impacts on the total electricity bill charged to each typical or average residential, general service and large volume electricity consumer over the period 2014 to 2016 of OPG's spending plans and the concurrent spending plans of other government-owned entities. In the context of this preamble, please provide the following information:

(a) Please describe the extent to which OPG works with the Minister of Energy and Infrastructure ("MEI") and other government-owned entities, including the Ontario Power Authority ("OPA"), the Independent Electricity System Operator ("IESO"), Hydro One Networks Inc. ("Hydro One") and other large government-owned distributors such as those owned by the cities of Toronto, Ottawa and other large centres in Ontario when developing its ongoing business plans.

(b) Is OPG aware of any estimates developed by the MEI, OPA, IESO, Hydro One and any other municipal government-owned entities that show the year-by-year impacts that their combined activities are likely to have on the total electricity price paid by each of the following types of customer:

(i) a typical or average residential consumer;

(ii) a typical or average general service consumer; and

(iii) a typical or average large volume consumer.

(c) If the answer to the previous question is "yes", then please describe these materials and either produce copies or direct us to an information source where we can obtain copies of these estimates.

1.4 – CME 3

Are OPG's Hydroelectric and Nuclear spending plans, over the period 2014 to 2016 likely to prompt a need for incremental transmission or distribution infrastructure? If so, then what are the estimated costs of such infrastructure investments and their likely impact on the "Delivery" line of the bill to consumers?

1.4 – CME 4

Has OPG considered the impact of the combined effect of its spending plans and the plans of others that have an impact on the total electricity bill on the need for incremental transmission and distribution infrastructure over the period 2014 to 2016? If so, what are the high-level incremental transmission and infrastructure costs and bill impacts over the period 2014 to 2016?

1.4 – CME 5

In OPG's last payment amounts case (EB-2010-0008) the Board determined that ratepayers should not be required to pay in their rates the amount of compensation OPG pays to its employees in excess of the benchmark determined by the Board in that case to be appropriate. OPG appealed the Board's Decision to the Divisional Court which dismissed the appeal. OPG obtained leave and appealed the Divisional Court's Decision to the Ontario Court of Appeal which allowed OPG's appeal. Around the same time, the Annual Report of the Office of the Auditor General of Ontario was released. That Report was critical of OPG for the compensation it pays to employees.

In the context of the foregoing, please provide the following information:

(a) Have any of the costs OPG has incurred to date in challenging the Board's last payment amounts decision been recorded in deferral accounts? If so, then please provide details of all of the internal and external costs incurred by OPG to date in connection with its Court challenges to the Board's Decision.

(b) What is the current status of the Court process? Did the Board seek leave to appeal the Court of Appeal's Decision to the Supreme Court of Canada? If so, has that request been granted or denied?

(c) Has OPG requested in this case pertaining to a determination of its payment amounts for 2014 and 2015 that ratepayers pay in rates OPG employee compensation at levels which exceed the benchmark found by the Board to be appropriate in OPG's last case? If so, then please quantify the amount of 2014 and 2015 employee compensation being claimed which is in excess of that benchmark.

(d) As a result of the Court of Appeal Decision, is OPG seeking to recover from ratepayers in this proceeding or in any other proceeding any amount of the total compensation it paid to its employees in 2011 and 2012 in excess of the amount determined by the Board in OPG's last case to be appropriate? If the answer is "yes", then please quantify the amount of such compensation for prior years which OPG now seeks to recover.

CAPITAL STRUCTURE AND COST OF CAPITAL

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

3.1 – CME 6

Ref: Exhibit A1-2-2 page 1 and Board Staff IR 3.1-Staff-13

Board Staff has asked OPG to confirm that the 8.98 percent referred to on page 1 of this Exhibit refers to the return on equity ("ROE") as issued by the Board in its letter of February 14, 2013 for rates effective May 1, 2013 and not the "combined rate of return".

CME wishes the following additional information:

(a) If the 8.98 percent refers to the ROE as issued by the Board, then please set out the ROE that the "combined rate of return" would produce; and

(b) If the 8.98 percent refers to the ROE produced by the "combined rate of return", then please provide the ROE calculated in accordance with the Board's letter of February 14, 2013 instead of the "combined rate of return".

PRODUCTION FORECASTS

Issue 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?

5.4 – CME 7

Ref: Exhibit E1-2-1, Table 3

OPG has prepared Table 3 as an example of the interaction between SBG and the existing HIM.

OPG has also identified three alternative incentive mechanisms: the enhanced hydroelectric incentive mechanism ("eHIM"), the modified version of the hydroelectric baseload forecast mechanism ("eHBF") and the incentive mechanism ("IM") based on a fixed market price exposure.

Please reproduce Table 3 for each of these three alternative mechanisms showing the incentive that would be paid for both Case 1 (spill avoided) and Case 2 (spill not avoided). To the extent that additional assumptions have to be included for some or all of the incentive mechanisms, please identify the requisite assumptions.

OPERATING COSTS

Issue 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?

6.5 – CME 8

Ref: Exhibit F5-2-1, pages 28-29

CME wishes to better understand the extent to which OPG has optimized its existing inventory of uranium in accordance with the Longenecker & Associates' recommendations.

CME has reviewed Board Staff Interrogatory 90 which has already requested that OPG set out how much it has reduced inventory levels to date and what level OPG is now targeting taking into account all of the stages of its nuclear supply chain, as well as whether the reduction in nuclear fuel inventory is being implemented for the 2014 to 2015 test years. In addition the information sought from Board Staff, CME requests that OPG provide the following additional information:

(a) How much of OPG's annual inventory is purchased through long-term contracts?

(b) If OPG elected to, could it reduce its inventory to the levels recommended by Longenecker & Associates without breaching its long-term contracts?

(c) Please set out the annual cost savings from 2011 to date associated with OPG reducing its inventory levels. In setting out the annual savings, please identify how much of the savings are a one-time saving and how much of the savings are continuous.

(d) For the 2014 to 2015 test years, please set out the one-time and continuous savings that OPG expects to achieve by reducing its inventory.

(e) Had OPG immediately reduced its inventory to 30% of its annual requirements, how much would the annual savings total from 2012 to date?

(f) If OPG's inventory levels were reduced to 30% of its annual requirements at the commencement of 2014, please set out the estimated savings for 2014 and 2015.