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March 31, 2014

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

Dear Ms Walli,

<b>Ontario Power Generation Inc. ("OPG")</b>	
<b>2014-2015 Payment Amounts Application</b>	
<b>Board File No.:</b>	<b>EB-2013-0321</b>
<b>Our File No.:</b>	<b>339583-000168</b>

We are writing on behalf of Canadian Manufacturers & Exporters ("CME"). Please consider this letter as CME's submissions on the prioritization of the Issues List as required by Procedural Order No. 4 dated March 21, 2014.

CME has had the benefit of reviewing the draft written submissions of the School Energy Coalition ("SEC") on the prioritization of issues for the oral hearing. CME agrees with SEC that, at this early stage, it is extremely difficult to designate specific issues as requiring oral evidence or not. CME agrees with SEC that, after discovery is completed, and once the ADR has taken place, all parties will be in a much better position to meaningfully scope the issues on the Issues List and to provide submissions to the Board on which issues are primary and which are secondary.

CME submits that, at such an early stage, any issue that potentially requires oral examination should be categorized as a primary issue. Within this context, CME submits that the majority of issues fall into this category.

In prioritizing the Issues List, CME has taken guidance from 2 sources of information. First, CME has considered the issues that proceeded by way of oral hearing during OPG's last Payment Amounts Application (EB-2010-0008). CME submits that, at this preliminary stage of discovery, the Board can reasonably conclude that those issues which were contested and subject to scrutiny in the oral hearing in the previous case should be appropriately categorized as primary issues.

Second, CME has also considered which issues have been subject to Interrogatories. If an issue has been subject to Interrogatories, some of which were filed less than one week ago, then that issue should be categorized as primary.

CME wants to reiterate that categorizing an issue as primary does not necessarily mean that the issue will be subject to oral examination. Even if the issue is not settled at the ADR, it is common for the parties to reduce the scope of the oral hearing. As the Board is aware, this often occurs after the completion of discovery.

At this stage, CME believes that all of the issues should be categorized as primary except Issues 6.13, 10.1 and 12.1 which can be identified as secondary.

Without wanting to limit the generality of these comments, there are certain primary issues that CME wishes to specifically address:

1. General

CME submits that Issues 1.2 and 1.4 must be considered as primary issues. OPG's economic and business planning assumptions, and the overall bill impact on customers caused by the proposed increase in revenue requirement are both issues which were subject to oral examination during OPG's last case.

They were also commented on by the Board in its EB-2010-0008 Decision with Reasons. The Board expressly stated that it would assess the results of OPG's change in the planning process and its emphasis on continual improvement "in future applications". This is the first opportunity for the Board to assess the results of OPG's planning process and to determine whether it has resulted in continual improvement. Under such circumstances, CME submits that it would be inappropriate for Issue 1.2 to be categorized as secondary and not primary.

With respect to Issue 1.4, in OPG's previous case, the Board considered evidence regarding the economic situation and the trend in overall electricity costs as a relevant consideration, along with a variety of other factors such as inflation rates, interest rates, legislation, business needs and benchmarking results. The Board expressly recognized that it has the discretion to find forecast costs unreasonable based on evidence that may be related to a cost benefit analysis, the impact on ratepayers, comparison with other entities, or other considerations. CME urges the Board to identify this issue as a primary issue so that it may properly consider the overall impact of the amounts requested by OPG.

Without allowing this broad issue to be canvassed during the oral hearing, it may be difficult for the Board to properly determine whether the new payment amounts are just and reasonable in light of all circumstances. CME submits that this can only be achieved by allowing for the overall increase in revenue requirement to be considered in light of the overall bill impact on customers during the oral proceeding.

On a final note, CME notes that numerous Interrogatories addressing Issues 1.2 and 1.4 were submitted to OPG. This is another reason for these 2 issues to be categorized as primary.

2. Section 3 – Capital Structure and Cost Capital

As raised in the submissions of SEC, the inclusion of the newly regulated hydro-electric facilities raises the issue of equity thickness. Furthermore, the debt rates of OPG have historically been a concern to parties.

Capital structure and cost of capital were subject to scrutiny during the oral hearing in OPG's previous Payments Amounts Application. Capital structure and cost of capital are also subject to a number of Interrogatories. On this basis, CME submits that Issue 3.1 and 3.2 should be identified, at this preliminary stage, as primary issues.

3. Section 4 – Capital Projects

OPG has excluded Issues 4.2 and 4.7 as primary issues. These 2 issues address whether the proposed regulated hydro-electric and nuclear capital expenditures and/or financial commitments are reasonable. CME submits that these 2 issues are related to the Board's assessment of the overall bill impact on customers (Issue 1.4). To this end, these 2 issues should also be considered as primary.

4. Section 5 – Production Forecasts

In OPG's last case, the production forecasts for both regulated hydro-electric facilities and nuclear facilities were subject to oral cross-examination. This includes not only the proposed forecast, but also the estimate of surplus base load generation.

In the current case, OPG has also proposed a new incentive mechanism. This new incentive mechanism has been the subject of Interrogatories from a variety of parties including CME.

In light of both the historic scrutiny imposed on production forecasts, coupled with the fact that there is a new incentive mechanism proposed, CME submits that all of the issues under Section 5 of the Issues List should be categorized, at this stage, as primary.

5. Section 6 – Operating Costs

Issue 6.3, which asks whether the test period OM&A budget for the nuclear facilities is appropriate, should also be identified as a primary issue. The OM&A budget for nuclear facilities was subject to scrutiny in OPG's past case and is also subject to a number of Interrogatories.

Similarly, Issue 6.3 asks whether the benchmarking methodology is reasonable, and whether the benchmarking results and targets flowing from those results for the nuclear facilities are reasonable. Again, nuclear benchmarking was an issue in the past OPG case and is subject to a number of Interrogatories from parties.

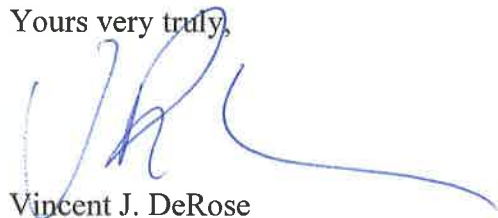
Finally, Issue 6.5, which addresses the forecast of nuclear fuel, should also be identified as a primary issue. In the past case, there was significant cross-examination on OPG's nuclear fuel costs. Moreover, the Board expressly stated that it would examine OPG's procurement program to determine whether the company is optimizing its contracting in order to minimize costs to

ratepayers, and thereby directed OPG to file an external review as part of its next application. OPG has responded by filing the Uranium Procurement Program Assessment Report. This issue and report have been subject to a number of Interrogatories in this case, including an Interrogatory from CME. CME submits that in light of the previous Board direction, and the filing of the Uranium Procurement Program Assessment Report, Issue 6.5 is also a primary issue.

CME's highlighting of these issues, in particular, is not intended to diminish the other issues which it believes should also be categorized as primary. To reiterate, at this stage, CME submits that all issues should be primary except Issues 6.13, 10.1 and 12.1. The issues specifically addressed are those that CME has, at this stage, identified as of particular importance to its membership.

If you have any questions or concerns, please do not hesitate to contact me.

Yours very truly,



Vincent J. DeRose

c. Colin Anderson (OPG)  
Paul Clipsham (CME)  
EB-2013-0321 Intervenor  
Peter Thompson and Kim Dullet (BLG)

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