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July 9, 2014

BY COURIER (2 COPIES) AND RESS

Ms. Kirsten Walli
Board Secretary, Ontario Energy Board
P.O. Box 2319, 2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4
BoardSec@ontarioenergyboard.ca

Dear Ms. Walli:

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

I am writing to request directions from the Board regarding the possibility that the OPA provide written responses to the six brief questions listed below. We provided these questions to the OPA in June. Before filing answers to the questions, the OPA desires an indication from the Board that it is appropriate that the questions be answered. In our submission, the questions are relevant and would most efficiently be dealt with by way of brief written evidence by the OPA.

The six questions relate to the cost-effectiveness of Pickering GS and Darlington GS in comparison to other potential sources of base load power. The questions relate to a cost comparison with:

- Conservation programs (question 1);
- Existing natural gas-fired combined-cycle power plants (question 2);
- Hydro power imports from Quebec (question 3);
- Existing wind, solar, and hydro facilities (questions 4 and 5); and
- New natural gas-fired combined heat and power plants (question 6);

In our submission, cost-effectiveness vis-à-vis other generation sources is one of the potential factors to consider in determining appropriate payment amounts and rate of return. This evidence is *not* sought in order to revisit the Long-Term Energy Plan or address the selection of generation options in this proceeding – that would clearly be out of scope. Again, in our view, cost-effectiveness vis-à-vis other generation sources is one of the potential factors to consider in setting OPG's payment amounts, which is why the information is sought.

However, the Board need not decide today whether this information will factor into its payment amount decision. The weight and final impact of this potential evidence can assessed after the evidence and final submissions have been filed.

The text of the proposed questions is attached. The questions are simple and straightforward and responses would not require a significant amount of work. Most of the questions can be answered with a simple "yes" or "no." Half of the questions simply ask the OPA to confirm the accuracy of information contained in its own documents. It is our understanding that the OPA does not object to answering the questions. Instead, it simply seeks permission from the board before doing so.

In our submission, the questions are relevant and would most efficiently be dealt with by way of brief written evidence from the OPA. We therefore request an indication from the Board that written responses would be appropriate in the circumstances.

Yours truly,

Kent Elson

cc: Applicant and Intervenors

Questions for the OPA

1. According to an OPA presentation (at Ex. K6.3, p. 8) the costs of the OPA's energy conservation programs between 2015 and 2020 will be 3.5 to 4 cents per kWh. Can the OPA confirm those estimates?

2. Can the OPA confirm that the fuel and operating costs of a natural gas-fired combined-cycle power plant are approximately 3.8 cents per kWh assuming a gas price of $5/MMBTu?[1]

3. According to page 183 of a February 2013 report of the Quebec Energy Commission report (Ex. K6.3, p. 30) Hydro Quebec will be exporting 20.1 TWh of electricity at 3 cents per kWh in 2014 and 25.4 TWh of electricity at 3 cents per kWh in 2016. Does the OPA have any reason to doubt the accuracy of these figures?

4. How much of OPG's potential water power generation will be foregone (spilt) in 2014 and 2015 due to the surplus base-load generation resulting from Pickering GS?

5. How much solar and wind generation will be curtailed in 2014 and 2015 due to the surplus base generation resulting from Pickering GS?

6. Can the OPA confirm that the LUEC for a representative natural gas-fired combined heat and power plant would be approximately 4.7 cents per kWh assuming a gas price of $5/MMBTu and an average annual capacity factor of 90%?[2]

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[1] This number is based on an OPA interrogatory response found at Exhibit K6.3, p. 8. The response shows the fuel and operating cost of a natural gas-fired combined-cycle power plant assuming a gas price of $8/MMBTu. Adding up the circled numbers, the total operating costs would be approximately 5.9 kWh. If we assume a price of $5/MMBTu, the fuel cost would decrease by 5/8ths from 5.6 to 3.5 cents per kWh, which would result in an operating cost of 3.8 cents per kWh.

[2] The calculations are as follows: The OPA interrogatory response in exhibit I-31-90 in EB-2007-0707 indicates a LUEC of 6 ¢/kWh assuming a commodity cost of $8/MMBTU and an average annual capacity factor of 90%. Reducing the fuel cost by 5/8 (from 3.4 ¢/kWh to 2.1 ¢/kWh) brings the cost down by 1.3 ¢/kWh to 4.7 ¢/kWh.