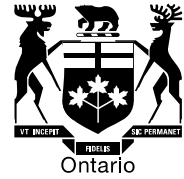


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BY E-MAIL

November 20, 2008

Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor, Box 2319
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: OPG's Payment Amount - EB-2007-0905
Submissions of Board Staff re Draft Rate Order**

Please see attached Board Staff Submissions for the above mentioned proceeding. Please forward the attached to Ontario Power Generation and all intervenors in this proceeding.

Yours truly,

Original Signed By

Richard Battista
Case Manager

cc: All Intervenors in EB-2007-0905

**Board Staff Submission on OPG's Draft Rate Order
EB-2007-0905
November 20, 2008**

Board staff suggests the process below be followed:

The payment amounts should be determined by using the forecast production over the entire 21 month period

To determine what the shortfall is during the interim period (April 1, 2008 to November 30, 2008) the difference between the new payment amounts and interim payment amounts should be multiplied by the actual production. This is what OPG proposed and this is in accordance with the Board's Decision with Reasons dated November 3, 2008 (the "Decision") which requires OPG to remain at risk for its production forecast in the same way it would have been had the payment amounts been set on a prospective basis (p. 177-178).

There are two different ways to recover a shortfall—either by a one time adjustment or with a rate rider over the balance of the period covered by the Rate Order. The Board has directed the latter in its Decision which states on page 177 that the new payment amounts will be effective April 1, 2008, and that the shortfall for the period from April 1, 2008 to the implementation of the Board's order should be recovered over the balance of the test period.

By recovering the shortfall using a rate rider over the balance of the test period the actual amount recovered may differ from the calculated shortfall. Typically the Board has used a deferral account to ensure that only the calculated amount of the shortfall is recovered.

Board staff notes that the IESO's submission contains a proposal that does not require a deferral account, and which bases the monthly payments on the interim period payments made on forecasted production and not based on actual production. Board staff requests that in its Reply, OPG include actual production numbers for the interim period.

Given the timing, if the IESO's proposal is adopted Board staff recommends that the actual interim period payments be used for the months of April through October, 2008, and the forecast payment be used for the month of November, 2008.

Board staff notes that both OPG's and the IESO's proposals based their calculation on each wholesale consumer's historical consumption over the interim period. Board staff points out that basing the calculation on historical consumption may result in significant implementation issues for LDCs, given the number of non-RPP consumers for whom the calculation would need to be made. Board staff also notes that historical consumption cannot be the basis for the collection from each RPP consumer. For the RPP consumers, with the exception of the allowance already included in the November 1st RPP price, the next price change in May 2009 will need to reflect the payment amounts set by the Board including this rate rider.