

PWU Interrogatory #1 for OPG

Reference: OPG September 15, 2008 Request for Approval of a Lennox Power Generating Station Reliability Must-Run Agreement, Page 3, Paragraph 4:
While OPG was interested in extending the term of the RMR agreement beyond 12 months, the IESO's technical assessment indicated that under the expected resource availability and demand forecast assumptions, there is insufficient justification to extend the Lennox RMR Agreement beyond September 30, 2009.

Interrogatory

- (a) Please confirm that the IESO's technical assessment referred to is the IESO Report 0516 entitled "Lennox GS Deregistration Analysis" available on the IESO website at <http://www.ieso.ca/imoweb/pubs/corp2/IESO-Lennox-RMR-2009.pdf>

Response

- (a) The correct link to the current Lennox GS Deregistration Analysis is as follows:

<http://www.ieso.ca/imoweb/pubs/corp2/IESO-Lennox-RMR-2009.pdf>

PWU Interrogatory #2 for OPG

Interrogatory

- a) Please provide an illustrative multi-year (i.e. two-year) RMR agreement for Lennox Generation Station with a similar contractual model as the one-year IESO-OPG Reliability Must-Run Agreement for Procurement Physical Services from Lennox Generating Station, inclusive of all schedules, filed by OPG with the Board on September 15, 2008. In doing so please indicate in "track-mode" the changes made to the 1-year RMR in deriving the multi-year RMR.
- (b) Please estimate any cost differences for the October 30, 2008 to September 30, 2009 in a 1-year RMR contract and the costs for that same period associated with a multi-year contract such as that requested in (a) above that reflect the benefits of a longer term contract identified by OPG.

Response

- (a) Given that the IESO has indicated that there is no reliability need for Lennox GS beyond September 30, 2009, the two-year agreement discussed here is for illustrative purposes only.

For illustrative purposes only, a two-year RMR agreement would have essentially the same terms and conditions as the one-year agreement for October 1, 2008 – September 30, 2009 filed with the Board. As changes from a one-year agreement are described below and are not extensive, a complete illustrative multi-year agreement with track-mode is not provided.

OPG has had no discussions with the IESO regarding any of the costs that might be contained in the second year of a two year RMR agreement. Costs identified in Schedule D of the agreement for the second year of the agreement would be approximately the same in year two as they were in year one, with adjustments for the following specific cost categories: (i) OEB Approval Process, (ii) Projects, and (iii) Fixed and Variable Fuel Costs.

- (i) OEB Approval Process costs would not be required for the second year of the illustrative agreement as it is assumed that OPG would not be required to incur hearing related costs.
- (ii) Project costs vary from year to year based on assessed needs and priority ranking of required work. Forecast project costs for the second year of the illustrative agreement are based on OPG's current 2009 business planning assumptions and are estimated to be \$13.8M, representing a cost increase of \$8.6M from the first year of the illustrative multi-year agreement. The majority of this increase is attributable to \$6.5M in expenditures for the Combined Heat and Power (CHP) project, based on the business planning assumption

that any future requirement for Lennox GS will extend for a sufficient period of time to justify the investment in the project.

- (iii) Fixed and Variable Fuel Costs are based on OPG's current 2009 business planning assumptions and are forecast to be \$14M, for an increase of \$2.4M from the first year of the illustrative agreement.

Revenues identified in Schedule D for the second year of the illustrative agreement are based on OPG's current 2009 business planning assumptions and are forecast to be \$2.3M for Net Energy Market Settlement and \$2.3M for 10 Minute Spinning Reserve Market Settlement Credit with a cost increase of \$1.3M for Net Energy Market Settlement and a decrease of \$0.1M for 10 Minute Spinning Reserve Market Settlement Credit.

OPG's business planning assumptions regarding Lennox output do not indicate a significant change in Lennox output for the second year of the illustrative agreement compared to the first year. Lennox output is extremely difficult to forecast due to the peaking nature of the facility, and historical actual output for the previous three RMR agreements has been significantly higher than forecast.

- (b) Cost differences are identified in response (a) above.