

UNDERTAKING J13.8

Undertaking

To provide an estimate of what the 42.9 percent in J3.10 would become under a clearance scenario.

Response

The undertaking postulates the hypothetical scenario, as described by Mr. Thompson at Tr. 13 pages 108 to 110, to clear the entirety of 2013 hydroelectric and nuclear deferral and variance account balances, less amortization amounts already approved for 2014, through riders over the forecast production of the single year, 2015.

As noted by Mr Barrett at Tr. 13, page 110, lines 25 – 28:

Certainly the math could be done. I am not sure of the relevance of it, given that it's not our proposal and would be inconsistent with an existing Board order, but the math could be done.

In OPG's view the single year recovery period postulated in this undertaking is unreasonable. In its application, OPG proposes a 24-month recovery for one account balance and a 12-month recovery for the three others proposed for clearance. Furthermore, as noted in Ex L-9.6-1 Staff 192, the Settlement and OEB Order in EB-2012-0002 already specifies a different clearance treatment for two of the accounts covered by the hypothetical, namely:

- After December 31, 2014, the remaining recovery period for the balance in the Pension and OPEB Cost Variance - Future account is 10 years;
- Clearance of the derivative sub account of the Bruce Lease Net Revenues Variance account is to be accomplished using OPG's forecast of payouts to Bruce Power rather than by straight line amortization of the balance over a set period of time.

Notwithstanding its reservations about the nature of the scenario, OPG confirms that the resulting hypothetical previously regulated hydroelectric and nuclear riders would be \$8.42/MWh and \$27.47/MWh, respectively, effective January 1 through December 31, 2015.

The September 1, 2014 increase shown in Ex J3.10 would still be 42.9%.

The additional increase on January 1, 2015 resulting from implementation of hypothetical deferral and variance account riders would be 28.7%, expressed as a percent of the total base rate and rider in effect before September 1, 2014.

Upon expiry of the Interim Period Recovery Riders and the hypothetical deferral and variance account riders on January 1, 2016, the corresponding decrease would be 46.6% expressed on the same basis.

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Calculations are shown in the chart below.

Calculation of Hypothetical Percent Rate Change					
Line No.	Item	Prev Reg Hydro	Nuclear	Newly Reg Hydro	Production-Weighted Change
At Sept 1, 2014					
1	Current Base Rate or Assumed HOEP (\$/MWh)	35.78	51.52	30.00	
2	2014 D&V Rider (\$/MWh)	2.02	4.18	-	
3	Total Base Rate and Rider Before Sept 1, 2014 (\$/MWh)	37.80	55.70	30.00	
4	Proposed Base Rate (\$/MWh)	42.75	67.60	47.57	
5	2014 D&V Rider (\$/MWh)	2.02	4.18	-	
6	Interim Period Recovery Rider (\$/MWh)	3.38	8.51	1.79	
7	Total Base Rate and Riders at Sept 1, 2014 (\$/MWh)	48.15	80.28	49.36	
8	Increase at Sept 1, 2014 (\$/MWh) (line 7 - line 3)	10.35	24.58	19.36	
9	Production Weights, Sept 2014 - Dec 2015	26.2%	58.5%	15.4%	
10	Production-Weighted Percent Increase at Sept 1, 2014 (line 8 / line 3) x line 9	7.2%	25.8%	9.9%	42.9%
Hypothetical Increase at Jan 1 2015:					
11	Expiring 2014 D&V Rider (\$/MWh)	(2.02)	(4.18)	-	
12	Added Hypothetical 2015 D&V Rider (\$/MWh)	8.42	27.47	-	
13	Additional Increase at Jan 1, 2015 (\$/MWh) (line 11 + line 12)	6.40	23.29	-	
14	Production Weights, Jan - Dec 2015	26.4%	57.9%	15.7%	
15	Production-Weighted Additional Increase at Jan 1, 2015 (line 13/line 3) x line 14	4.5%	24.2%	0.0%	28.7%
Decrease at Jan 1 2016 Upon Expiry of Riders:					
16	Expiring Interim Period Recovery Rider (\$/MWh)	(3.38)	(8.51)	(1.79)	
17	Expiring Hypothetical 2015 D&V Rider (\$/MWh)	(8.42)	(27.47)	-	
18	Decrease at Jan 1, 2016 (\$/MWh) (line 11 + line 12)	(11.80)	(35.98)	(1.79)	
19	Production-Weighted Decrease at Jan 1, 2016 (line 18/line 3) x line 14	-8.3%	-37.4%	-0.9%	-46.6%

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