

**Ontario Energy  
Board**

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**BY EMAIL**

December 4, 2018

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Ontario Power Generation Inc.  
Application for 2019 Hydroelectric Payment Amount Adjustment and  
Clearance of Deferral and Variance Account Balances  
OEB File Number EB-2018-0243**

In accordance with Procedural Order No. 2, please find attached OEB staff's submission on the 2019 hydroelectric payment amount adjustment for the above noted proceeding. This document is being forwarded to Ontario Power Generation Inc. and to all registered parties to this proceeding.

Yours truly,

*Original signed by*

Georgette Vlahos  
Advisor, Incentive Rate-setting & Accounting

Attachment

**ONTARIO POWER GENERATION INC.**

**2019 Hydroelectric Payment Amount Adjustment  
and Clearance of Deferral and Variance Account  
Balances**

**EB-2018-0243**

**Ontario Energy Board**

**Staff Submission -**

**2019 Hydroelectric Payment Amount Adjustment**

**December 4, 2018**

## Introduction

Ontario Power Generation Inc. (OPG) filed an application with the Ontario Energy Board (OEB) on August 9, 2018 under section 78.1 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) seeking approval for an order or orders related to deferral and variance accounts, including disposition of account balances related to its nuclear generating facilities and most of its hydroelectric generating facilities as at December 31, 2017. OPG has also applied to increase the amount it charges for the output of most of its hydroelectric generating facilities effective January 1, 2019 using an OEB-approved formula that is tied to inflation and other factors intended to promote efficiency.

On November 9, 2018, OPG filed a letter requesting the OEB bifurcate the two requests in this proceeding into separate and parallel phases. In Procedural Order No. 2,<sup>1</sup> the OEB approved this request and set out procedural steps relating to OPG's 2019 hydroelectric payment amount adjustment.

The purpose of this document is to provide the OEB with the submissions of OEB staff based on its review of the updated evidence submitted by OPG relating to its 2019 hydroelectric payment amount adjustment.

## Background

In its original application, OPG applied a 2019 input price index (IPI) of 1.5%<sup>2</sup> to estimate the proposed 2019 hydroelectric payment amount and corresponding customer bill impacts, noting that the OEB was expected to issue the 2019 IPI later in the fall.<sup>3</sup> OPG also stated:

If the OEB's published index values include different annual percentage changes in either of the GDP-IPI FDD or the Ontario AWE, OPG will update this Application and the proposed 2019 HPA accordingly.<sup>4</sup>

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<sup>1</sup> Issued on November 15, 2018

<sup>2</sup> Exhibit I1, Tab 1, Schedule 1, Page 3, Chart 1

<sup>3</sup> *Ibid.*, Pages 2-3

<sup>4</sup> *Ibid.*, Page 3

The OEB issued the IPI to be used as the inflation adjustment for rates effective in 2019 on November 23, 2018<sup>5</sup> with a value of 1.5%. OEB staff filed a letter noting its calculation of the IPI applicable to OPG on November 23, 2018 in accordance with Procedural Order No. 2. In that letter, OEB staff noted that the calculation of OPG's hydroelectric payment amount for 2019 IPI is 1.4%. OEB staff suggested that OPG update its proposed hydroelectric payment amount and estimated bill impacts to reflect the 2019 IPI of 1.4%.

OPG filed the requested data on November 28, 2019. OPG has calculated the 2019 hydroelectric payment amount to be \$42.51/MWh<sup>6</sup> using an escalation of 1.1%, which reflects an estimated inflation factor value of 1.4%, based on Statistics Canada - published index values for 2016 and 2017, less the approved X-factor value of 0.3%.

OPG estimates the average incremental impact of the proposed payment riders and 2019 HPA on a typical residential customer's monthly bill to be \$0.38<sup>7</sup>, or 0.34%, per year over the 2019-2021 period. The proposed 2019-2021 deferral and variance account payment riders make-up \$0.36 of this average annual bill impact and the 2019 hydroelectric payment amount adjustment comprises the remaining \$0.02.<sup>8</sup>

## Position

As noted in the EB-2016-0152 Payment Amounts Order issued by the OEB on March 29, 2018:

For the periods January 1, 2019 to December 31, 2019, January 1, 2020 to December 31, 2020 and January 1, 2021 to December 31, 2021, the HPA amounts will be determined through an annual hydroelectric payment amount adjustment application. The HPA for each year shall be determined using the price-cap index proposed by OPG in Ex. A1-3-2 of this proceeding, under which the HPA for the prior year is adjusted by the generation industry-weighted inflation factor (using the most current Statistics Canada values for GDP-IPI (FDD) and Ontario AWE), less a productivity factor of 0% less a stretch factor of 0.3%.

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<sup>5</sup> <https://www.oeb.ca/industry/applications-oeb/electricity-distribution-rates/2019-electricity-distribution-rate#updates>

<sup>6</sup> Down from a proxy of \$42.55/MWh as initially filed

<sup>7</sup> Down from a proxy of \$0.39 as initially filed

<sup>8</sup> EB-2018-0243, Amended Evidence, Exhibit I1, Tab 1, Schedule 2, Page 2

OEB staff submits that in the current proceeding, OPG has correctly applied the approved methodology to determine its 2019 hydroelectric payment amount adjustment.

All of which is respectfully submitted