



ONTARIO ENERGY BOARD

STAFF SUBMISSION

August 21, 2009

ONTARIO POWER GENERATION INC.

APPLICATION FOR ACCOUNTING ORDER

EB-2009-0174

Introduction

Ontario Power Generation Inc. (“OPG”) filed an application with the Ontario Energy Board, (the “Board”) on June 9, 2009 under section 78.1 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B). The application seeks an accounting order to address the treatment of deferral and variance accounts approved in the Payment Amounts proceeding (EB-2007-0905), for the period after December 31, 2009. The Board assigned the application File No. EB-2009-0174.

On December 2, 2008, as part of the Payment Amounts proceeding, the Board issued a Payment Amounts Order which described the treatment of approved variance and deferral accounts for a 21 month period ending December 31, 2009. OPG has deferred the filing of its next payment amounts application by one year. OPG states that it requires an accounting order to address the treatment of deferral and variance accounts from January 1, 2010.

The Board adopted as intervenors in this proceeding the intervenors and parties of record from the Payment Amounts proceeding. On June 30, 2009, Notice of Hearing and Procedural Order #1 was issued, which made provision for interrogatories, responses and submissions. Board staff, the Canadian Manufacturers and Exporters and the School Energy Coalition filed interrogatories. The responses were filed by OPG on August 7, 2009.

Board staff will comment on the following matter.

The Recovery of Hydroelectric Variance Account Balances as Part of the Hydroelectric Payment Amount

In the Payment Amounts proceeding, OPG applied for clearance of certain hydroelectric deferral and variance accounts based on December 31, 2007 balances. OPG's request is summarized in the following table. As the net balance was relatively small, OPG did not propose a separate rate rider, but proposed recovery through the hydroelectric payment amount.

Hydroelectric Deferral and Variance Accounts, December 31, 2007

Account	Amount (\$ millions)	Reg. 53/05 Section	Recovery Period	
			OPG Proposal	Maximum per Reg. 53/05
Water conditions	\$ 6.7	5 (1) (a)	1.75 years	3 years
Ancillary services	6.7	5 (1) (c)	1.75 years	3 years
Segregated mode of operations	(11.5)	n/a	1.75 years	n/a
Water transactions	(3.0)	n/a	1.75 years	n/a
Interest (6%)	(1.7)	5 (3)	1.75 years	3 years
Total	\$ (2.8)			

Sources : Ex. J1-1-1, Table 2, EB-2007-0905; O. Reg. 53/05.

As noted in the Payment Amounts Decision, the Board concluded that there was no basis for permitting the clearance of the segregated mode of operations and water transactions accounts. The Board approved a December 31, 2007 balance of \$6.7 M for the hydroelectric water conditions variance account and \$6.7 M for the ancillary services net revenue hydroelectric variance account. OPG's proposed method of recovery was approved. The approved recovery of the \$13.4 M for the two accounts, which ends on December 31, 2009, was included in the regulated hydroelectric Payment Amount of \$36.66/MWh.

Board staff interrogatory #3 noted that there will be over recovery related to these balances between January 1, 2010 and December 31, 2010. Board staff inquired whether a variance account should be established to record the over recoveries for future disposition. OPG replied that a variance account should not be established and that OPG has simply proposed to continue the approach adopted by the Board.

Board staff submits that it is appropriate to track the over collection of approximately \$8 million that will accrue to the end of 2010 for purposes of future disposition. The Payment Amounts decision and the Payment Amounts Order assumed that there would be a new payment amounts order effective January 1, 2010, which is why the recovery sunset for the Board approved balances is December 31, 2009, the expected end date of the Payment Amount. The Board's decision to allow the account balances to be

included in the Payment Amount was premised upon the filing of a payment amounts application for a test period beginning January 1, 2010. As OPG has deferred filing its next payment amounts application, Board staff submits that a variance account should be established to record the over recovery.

All of which is respectfully submitted