COMPARISON OF DEPRECIATION AND AMORTIZATION

1.0 PURPOSE

This exhibit describes the period-over-period changes in the depreciation and amortization expense for the regulated hydroelectric and nuclear facilities.

2.0 OVERVIEW

This exhibit supports the approval sought for the depreciation and amortization expense included in the proposed revenue requirement. Ex. F4-T1-S2 Tables 1 and 2 provide the details on period-over-period changes for the regulated hydroelectric and nuclear facilities respectively, for the historic, bridge and test periods.

OPG's regulated hydroelectric depreciation and amortization expense was stable over 2008 - 2009 and is expected to remain stable throughout the bridge and test periods. As a result, comparisons are only provided for regulated hydroelectric depreciation and amortization expense for 2007 comparisons.

3.0 PERIOD-OVER-PERIOD CHANGES - TEST PERIOD, REGULATED HYDROELECTRIC

No significant variance.

4.0 PERIOD-OVER-PERIOD CHANGES - BRIDGE YEAR, REGULATED HYDROELECTRIC

No significant variance.

5.0 PERIOD-OVER-PERIOD CHANGES - HISTORIC PERIOD, REGULATED HYDROELECTRIC

<u>2008 Actual versus 2007 Actual</u>

The actual regulated hydroelectric depreciation and amortization expense was lower in 2008 than 2007 by $4.6M primarily due to higher removal costs in 2007 related to removal of the old accelerator wall as part of the Niagara Tunnel project. Removal costs were charged to

depreciation and amortization expense in accordance with OPG's policy, as described in Ex. F4-T1-S1, section 3.0.

2007 Actual versus 2007 Budget

Actual regulated hydroelectric depreciation and amortization expense for 2007 was higher than the amount budgeted by $6.2M. This difference is primarily due to removal costs of approximately $4.6M charged to depreciation and amortization relating mainly to the removal of the old accelerator wall as part of the Niagara Tunnel project.

6.0 PERIOD-OVER-PERIOD CHANGES – TEST PERIOD, NUCLEAR

2012 Plan versus 2011 Plan

Depreciation and amortization expense for 2012 is expected to be $21.1M higher than in 2011. This increase is primarily due to in-service additions in 2012 of approximately $90M at Darlington and the full-year impact of in-service additions related to the Nuclear Support Divisions expected during 2011. The main Darlington in-service additions in 2012 relate to the following projects (see Ex. D2-T1-S2): Improvement of Maintenance Facilities, Auxiliary Heating System, and the Fuel Handling Power Track Improvement.

2011 Plan versus 2010 Budget

Depreciation and amortization expense for 2011 is expected to be $25.8M higher than in 2010. This increase is primarily due to in-service additions of approximately $68M related to the Nuclear Support Divisions and $33M related to Darlington and the full-year impact of in-service additions related to Pickering expected during 2010. The main in-service additions in 2011 relate to the following projects (see Ex. D2-T1-S2): the Feeder Repair by Weld Overlay and the Upper Feeder Cabinet Inspection Robot projects related to the Nuclear Support Divisions; and the Chiller Replacement project to Reduce CFC Emissions, the Security Hardening project and the Fuel Handling Power Track Improvement project at Darlington.

7.0 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR, NUCLEAR

2010 Budget versus 2009 Actual

Depreciation and amortization expense for 2010 is forecast to be $110.2M lower than in 2009. This decrease is primarily due to the extension of the end-of-life date, for depreciation purposes, of Darlington, effective January 1, 2010 (see Ex. F4-T1-S1) and the decrease in Pickering A and Pickering B asset retirement costs ("ARC") effective January 1, 2010 (see Ex. F4-T1-S1 and Ex. C2-T1-S2). These two factors are expected to contribute approximately $78M and $57M respectively to the decrease in depreciation and amortization expense. The impact of these factors is expected to be partially offset by higher depreciation expense of approximately $20M associated with the increase in Darlington ARC effective January 1, 2010 (see Ex. F4-T1-S1 and Ex. C2-T1-S2), in-service additions of approximately $66M related to Pickering expected during 2010, and the full-year impact of actual in-service additions related to Darlington in 2009. The main in-service additions in 2010 relate to the following projects (see Ex. D2-T1-S2): P2/P3 Isolation Project at Pickering A, Inter Station Transfer Bus permanent modification project, Cabling Permanent Modification at Pickering A, Reactor Structures – Calandria Vault Inspection at Pickering A, Emergency Power Generator Control Upgrade at Pickering B, and Channel Isolation and Draining Tool for Feeder Replacement at Pickering A.

8.0 PERIOD-OVER-PERIOD CHANGES – HISTORIC PERIOD, NUCLEAR

2009 Actual versus 2009 Budget

Depreciation and amortization expense was largely on budget in 2009.

2009 Actual versus 2008 Actual

Depreciation and amortization in 2009 is higher than in 2008 due primarily to the Darlington Used Fuel Dry Storage in-service addition in the latter half of 2008 which increased the base for 2009 depreciation.

2008 Actual versus 2008 Budget

Depreciation and amortization expense was largely on budget in 2008.

2008 Actual versus 2007 Actual

Depreciation and amortization expense was stable in 2008 as compared to 2007, with two largely offsetting factors. First, the extension of the estimated service life for depreciation purposes of Darlington to December 31, 2019 from the previous estimated end-of-service life date of December 31, 2017, which became effective January 1, 2008 reduced the expense. This decrease was largely offset by the full-year impact of the 2007 in-service additions of approximately $100M related to a portion of the Auxiliary Power System project at Pickering B.

2007 Actual versus 2007 Budget

Nuclear depreciation was largely on budget in 2007.