

**Ontario Energy
Board**
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27^e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL

July 7, 2010

To: All Parties to EB-2010-0008

**Re: Ontario Power Generation Inc.
2011-2012 Payment Amounts for Prescribed Generation Facilities
Board File Number EB-2010-0008**

An Issues Conference was held on July 6, 2010. Pursuant to Procedural Order No. 1 a revised draft issues list is attached which has been prepared by Board staff based on input received at the Issues Conference. The document is a track changes version of revisions and deletions to the original draft list that was included in Procedural Order No. 1.

The Board reminds parties that pursuant to Procedural Order No. 1, OPG and intervenors may make submissions on the revised draft issues list and shall file any submissions with the Board and deliver them to all parties no later than 4:45 p.m. on **Tuesday, July 13, 2010**. OPG may respond to the submissions of intervenors, and intervenors may respond to the submissions of OPG or other intervenors by filing those responses with the Board and delivering them to all parties no later than 4:45 p.m. **Friday, July 16, 2010**.

After reviewing submissions, the Board will issue a final issues list.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

**Ontario Power Generation Inc.
2011-2012 Payment Amounts for
Prescribed Generating Facilities
EB-2010-0008**

REVISED DRAFT ISSUES LIST

1. GENERAL

- 1.1 Has OPG responded appropriately to all relevant Board directions from previous proceedings?
- 1.2 Are OPG's economic and business planning assumptions for 2011-2012 [an appropriate basis on which to set payment amounts](#)?

2. RATE BASE

- 2.1 What is the appropriate amount for rate base?
- 2.2 Is OPG's proposal to include CWIP in rate base for the Darlington Refurbishment Project appropriate?

3. CAPITAL STRUCTURE AND COST OF CAPITAL

- 3.1 What is the appropriate capital structure and rate of return on equity?
- 3.2 Are OPG's proposed costs for its long-term and short-term debt components of its capital structure appropriate?
- 3.3 Should the same capital structure and cost of capital be used for both OPG's regulated hydroelectric and nuclear businesses? If not, what capital structure and/or cost of capital parameters are appropriate for each business?

4. CAPITAL PROJECTS

Regulated Hydroelectric

- 4.1 Do the costs associated with the regulated hydroelectric projects, and proposed for recovery, [meet the requirements set out in O. Reg. 53/05](#)? If not, were the additional costs prudent?
- 4.2 Are the [capital budgets and/or financial commitments for 2011 and 2012 for the regulated hydroelectric business](#) appropriate and supported by business cases?
- 4.3 Are the proposed in-service additions for regulated hydroelectric projects appropriate?

Deleted: conform to and/or

Deleted: proposed

Deleted: capital expenditures and/or financial commitments

Nuclear

4.4 Do the costs associated with the nuclear projects, and proposed for recovery, meet the requirements set out in O. Reg. 53/05? If not, were the additional costs prudent?

Deleted: conform to and/or

4.5 Are the capital budgets and/or financial commitments for 2011 and 2012 for the nuclear business appropriate and supported by business cases?

Deleted: proposed

4.6 Are the proposed in-service additions for nuclear projects appropriate?

Deleted: capital expenditures and/or financial commitments

4.7 Is the proposed treatment for the Pickering Units 2 and 3 isolation project costs appropriate?

Deleted: capitalization approach used for

Deleted: <#>Are the test period new nuclear expenditures, if any, appropriate?¶
<#>Are the test period nuclear refurbishment expenditures appropriate?¶

5. PRODUCTION FORECASTS

Regulated Hydroelectric

5.1 Is the proposed regulated hydroelectric production forecast appropriate?

5.2 Is the estimate of surplus baseload generation appropriate?

Deleted: What economic and supply conditions are forecast to generate the surplus baseload generation outlook?

Nuclear

5.3 Is the proposed nuclear production forecast appropriate?

5.4 Are the estimates of fleet level uncertainty and forced loss rates for the individual nuclear plants reasonable?

6. OPERATING COSTS

Regulated Hydroelectric

6.1 Is the test period Operations, Maintenance and Administration budget for the regulated hydroelectric facilities appropriate?

6.2 Are the benchmarking results and targets flowing from those results for OPG's regulated hydroelectric facilities reasonable?

Nuclear

6.3 Is the test period Operations, Maintenance and Administration budget for the nuclear facilities appropriate?

6.4 Are the benchmarking results and targets flowing from those results for OPG's nuclear facilities reasonable?

6.5 Has OPG responded appropriately to the observations and recommendations in the benchmarking report?

Formatted: Bullets and Numbering

6.6 Is the forecast of nuclear fuel costs appropriate?

Formatted: Bullets and Numbering

6.7 Are the proposed expenditures related to continued operations at Pickering B appropriate?

Deleted: test period

Corporate Costs

6.8 Are the 2011 and 2012 human resource related costs (wages, salaries, benefits, incentive payments, FTEs and pension costs) appropriate?

Formatted: Bullets and Numbering

6.9 Are the “Centralized Support and Administrative Costs” (which include Corporate Support and Administrative Service Groups, Centrally Held Costs and Hydroelectric Common Services) and the allocation of the same to the regulated hydroelectric business and nuclear business appropriate?

Formatted: Bullets and Numbering

6.10 Is OPG responding appropriately to the findings in the Human Resources and Finance Benchmarking Reports?

Deleted: Has

Deleted: ed

Other Costs

6.11 Are the amounts proposed to be included in the test period revenue requirement for other operating cost items, including depreciation expense, income and property taxes, appropriate?

Formatted: Bullets and Numbering

6.12 Are the asset service fee amounts charged to the regulated hydroelectric business and nuclear business appropriate?

7. OTHER REVENUES

Regulated Hydroelectric

7.1 Are the proposed test period regulated hydroelectric business revenues from ancillary services, segregated mode of operation and water transactions appropriate?

Nuclear

7.2 Are the proposed test period nuclear business non-energy revenues appropriate?

Bruce Nuclear Generating Station

7.3 Are the test period costs related to the Bruce Nuclear Generating Station, and costs and revenues related to the Bruce lease appropriate?

8. NUCLEAR WASTE MANAGEMENT AND DECOMMISSIONING LIABILITIES

- 8.1 Is the revenue requirement methodology for recovering nuclear liabilities in relation to nuclear waste management and decommissioning costs appropriate? If not, what alternative methodology should be considered?
- 8.2 Is the revenue requirement amount for nuclear liabilities related to nuclear waste management and decommissioning costs appropriately determined?

9. DESIGN OF PAYMENT AMOUNTS

9.1 Is the design of regulated hydroelectric and nuclear payment amounts appropriate?

Formatted: Bullets and Numbering

9.2 Is the hydroelectric incentive mechanism appropriate?

Deleted: <#>Has the hydroelectric incentive mechanism encouraged appropriate use of the regulated hydroelectric facilities to supply energy in response to market prices?¶

10. DEFERRAL AND VARIANCE ACCOUNTS

- 10.1 Is the nature or type of costs recorded in the deferral and variance accounts appropriate?
- 10.2 Is the proposed inclusion of costs related to Pickering B continued operations in the Capacity Refurbishment Variance Account appropriate?
- 10.3 Are the balances for recovery in each of the deferral and variance accounts appropriate?
- 10.4 Is the disposition methodology appropriate?
- 10.5 Is the proposed continuation of deferral and variance accounts appropriate?
- 10.6 Should the proposed variance account related to IESO non-energy charges be established?

10.7 What other deferral and variance accounts, if any, should be established for the test period?

Formatted: Bullets and Numbering

11. REPORTING AND RECORD KEEPING REQUIREMENTS

- 11.1 What reporting and record keeping requirements should be established for OPG?

12. METHODOLOGIES FOR SETTING PAYMENT AMOUNTS

The Board Report, *A Regulatory Methodology for Setting Payment Amounts for the Prescribed Generation Assets of Ontario Power Generation Inc.*, EB-2006-0064, November 30, 2006, stated that, "The Board will implement an incentive regulation formula when it is satisfied that the base payment provides a robust starting point for that formula."

- 12.1 What incentive regulation formulations and options should be considered?
- 12.2 When would it be appropriate for the Board to establish incentive regulation, or other form of alternative rate regulation, for setting payment amounts?
- 12.3 What issues will require further examination to establish appropriate base payment amounts as the starting point for an incentive regulation or other form of alternative rate regulation plan?
- 12.4 What processes should be adopted to establish the framework for incentive regulation, or other form of alternative rate regulation, that would be applied in a future test period?