CME Interrogatory #001

Ref: Ex. A1-T3-S1, page 3,
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

Many factors influence the total bill for electricity that consumers pay. CME is interested in obtaining the information that OPG, as a government-owned entity, is aware of and can provide in order to help consumers better understand the likely impacts on the total electricity bill charged to each typical or average residential, general service and large volume electricity consumer over the five-year period 2010 to 2014 of OPG's spending plans and the concurrent spending plans of other government-owned entities. In the context of this preamble, please provide the following information:

a) Please describe the extent to which OPG works with the Minister of Energy and Infrastructure ("MEI") and other government-owned entities, including the Ontario Power Authority ("OPA"), the Independent Electricity System Operator ("IESO"), Hydro One Networks Inc. ("Hydro One") and other large government-owned distributors such as those owned by the cities of Toronto, Ottawa and other large centres in Ontario when developing its ongoing five-year business plans.

b) Is OPG aware of any estimates developed by the MEI, OPA, IESO, Hydro One and any other municipal government-owned entities that show the year-by-year impacts that their combined activities are likely to have on the total electricity price paid by each of the following types of customer:

   i) a typical or average residential consumer;
   ii) a typical or average general service consumer; and
   iii) a typical or average large volume consumer.

c) If the answer to the previous question is "yes", then please describe these materials and either produce copies or direct us to an information source where we can obtain copies of these estimates.

Response

a) With respect to the regulated facilities, nuclear refurbishments and Pickering B Continued Operations have been and continue to be the subject of discussions with the OPA, Hydro One and Ministry of Energy and Infrastructure ("MEI").

b) No.

c) Not applicable.

CME Interrogatory #002

Ref: Ex. A1-T3-S1, page 3
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

In a speech delivered on May 6, 2010, the OEB Vice-Chair, Cynthia Chaplin, indicated that the Board is aware of total bill impacts on electricity consumers.

a) Is OPG aware of any estimates having been done by the Ontario Energy Board ("OEB") of the total electricity price being paid by either one or more of a typical or average residential, general service, or large volume consumer. If so, then please describe the analysis and produce copies or direct us to an information source where we can obtain copies of these estimates.

Response

OPG is aware that the OEB's website contains information on the total estimated monthly bill for residential consumers. This information can be found at the following link:

http://www.oeb.gov.on.ca/OEB/Consumers/Electricity/Your+Electricity+Utility/All+Electricity+Utility+Bills

CME Interrogatory #003

Ref: Ex. A1-T3-S1, page 3,
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

Exhibit I, Tab 1, Schedule 2, OPG provides an illustrative example of the impact that the proposed increase in payment amounts and any payment riders will have on a typical residential electricity consumer using 800 kWh per month. The analysis uses the average electricity distributor bill information provided on the OEB's website.

a) Please provide OPG's estimate, in dollars per MWh, of the average total "all in" electricity price that is currently being paid by each of the following:

   i) a typical or average residential electricity consumer;
   ii) a typical or average general service electricity consumer; and
   iii) a typical or average large volume electricity consumer.

   and explain how the amount has been derived in each case.

b) Bills to electricity consumers are divided into different categories. For example, residential electricity bills are divided into the following five categories of charges, namely:

   i) Electricity;
   ii) Delivery;
   iii) Regulatory;
   iv) Debt Retirement Charge; and
   v) Taxes.

   Please provide samples of the forms of bills that are rendered by a typical electricity distribution utility to each of the following types of consumers:

   i) residential consumers;
   ii) general service consumers; and
   iii) large volume consumers

and indicate how charges in each of the bills to general service and large volume consumers are categorized.

c) CME understands that the "Electricity" line in the bill that a residential consumer receives includes a number of items including, for example, LDC conservation costs; hydroelectricity costs; costs associated with wind and solar projects, including renewable energy standard offer program ("RESOP") contracts and wind and hydro negotiated contracts; Fee in Tariff ("FIT") contracts; and the costs for electricity generated by Nuclear, gas-combined heat and power, and gas-combined cycle facilities. CME understands that the "Delivery" line in the bill includes transmission and distribution charges. CME understands that "Regulatory" costs include a number of items, and "Taxes" include GST, prior to July 1, 2010, and HST, after July 1, 2010.

   i) Please provide a complete list of all items included in the electricity bills to consumers for each of the five categories of charges cited above, namely "Electricity", "Delivery", "Regulatory", "Debt Retirement" and "Taxes".

d) Please elaborate upon the description of the Global Adjustment Mechanism ("GAM") provided at Exhibit F4, Tab 4, Schedule 1, pages 3 and 4, and provide a complete list of its component parts.

e) Please indicate where, within the five categories of costs described above, namely, Electricity, Delivery, Regulatory, Debt Retirement and Taxes, the components of the GAM are to be found, and indicate whether the format of bills charged to general service and large volume customers displays the components of GAM in a manner that is different from its presentation in the bills to residential consumers.

Response

a) OPG does not believe that this information is relevant to determination of payment amounts for the prescribed facilities. In any event, OPG does not have the information requested.

b) See response to Part a) above.

c) See response to Part a) above.

d) The referenced pages in Ex. F4-T4-S1 explain how the Global Adjustment impacts OPG's payment amount. As such, OPG does not understand what further elaboration that it could usefully provide. The components of the Global Adjustment are discussed by:
   i) the IESO at http://www.ieso.ca/imoweb/b100/b100_GA.asp.
   ii) the references provided there.
   iii) the Ontario Power Authority at:

http://www.powerauthority.on.ca/Storage/117/16478_09_Annual_Report_Mar_25rev_-_final.pdf (see pages 49 and 50).

e) See response to Part a) above.

CME Interrogatory #004

Ref: Ex. A1-T3-S1, page 3
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

The evidence at Exhibit D1-1-2 pertaining to the Niagara Tunnel Project refers to the impact OPG's spending is likely to have on the future price for Regulated Hydroelectric generation. The evidence indicates that this price will be a Levelized Unit Energy Cost ("LUEC") of 6.8¢ per kWh as of December 2013. Similarly, the evidence at Exhibit A, Tab 3, Schedule 1, page 8 and Exhibit D2, Tab 2, Schedule 1, page 5 indicate that the future price of Nuclear generation is likely to be a LUEC of between 6¢ and 8¢ per kWh. In the context of this information, please respond to the following information:

a) Is the future price for Regulated Hydroelectric generation expected to increase to about $68 per MWh by December 2013?

b) When is the future price for Nuclear generation expected to increase to between $60 and $80 per MWh?

c) What is the payment amount for Regulated Hydroelectric generation by OPG likely to be at the end of 2014?

d) What is the payment amount for Nuclear generation by OPG likely to be at the end of 2014?

Response

a) Based solely on the impact of the Levelized Unit Energy Cost ("LUEC") for the Niagara Tunnel project, cited as the context for the question, OPG would not expect the payment amounts for regulated hydroelectric to be $0.068/kWh in December 2013. However, the payments for regulated hydroelectric generation in December 2013 will depend on the outcome of this proceeding and the results of any future application that OPG files to request payment amounts to be in effect during that period.

b) Based solely on the impact of the LUEC for the Darlington Refurbishment project, cited as the context for the question, OPG would not expect the payment amounts for nuclear generation to be between $0.06/kWh and $0.08/kWh in December 2014. However, the payments for nuclear generation in December 2014 will depend on the outcome of this proceeding and the results of future payment amounts applications covering that period.

c) and d)

Please see response to the interrogatory in Ex. L-7-004 regarding projections of future payment amounts.

CME Interrogatory #005

Ref: Ex. A1-T3-S1, page 3
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

The evidence at Exhibit F4, Tab 4, Schedule 1, pages 3 and 4 and Exhibit H1, Tab 3, Schedule 1, page 9 indicate that OPG is aware of the current "depressed" market price of electricity, as well as the influence that the transition to more and more renewable energy sources is likely to have on that market price.

a) What is OPG's estimate of the current market price?

b) Apart from changes in the market price, what other impacts on the various line items in the electricity bill is OPG expecting, over the period 2010 to 2014, as a result of the transition to more and more renewable energy sources that displace less expensive Hydroelectric and/or Nuclear generation? In what line items of the bill are those impacts likely to appear?

Response

a) The market price in Ontario is reported every hour so no estimation is required. For the most current market price see: http://www.ieso.ca/imoweb/marketdata/marketToday.asp.

b) Please see the response to the interrogatory in Ex. L-5-003, part a).

CME Interrogatory #006

Ref: Ex. A1-T3-S1, page 3
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

Are OPG's Hydroelectric and Nuclear spending plans, over the period 2010 to 2014 likely to prompt a need for incremental transmission or distribution infrastructure? If so, then what are the estimated costs of such infrastructure investments and their likely impact on the "Delivery" line of the bill to consumers?

Response

OPG is unaware of any downstream electricity infrastructure investment which would be triggered over the period 2010 – 2014 by its spending plans related to the regulated hydroelectric and nuclear facilities.

CME Interrogatory #007

Ref: Ex. A1-T3-S1, page 3, and Ex. F4-T4-S1, pages 4-5, and Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

Has OPG considered the impact of the combined effect of its spending plans and the plans of others that have an impact on the total electricity bill on the need for incremental transmission and distribution infrastructure over the period 2010 to 2014? If so, what are the high-level incremental transmission and distribution infrastructure costs and bill impacts over the period 2010 to 2014 related to that transition?

Response

No. Please see response to the interrogatory in Ex. L-05-003, part a).

CME Interrogatory #008

Ref: Ex. A1-T3-S1, page 3
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

What information can OPG provide about the impact, over the period 2010 to 2014, of *Green Energy Act* initiatives, such as the Smart Grid, on total bills consumers will be expected to pay and in what line item(s) of the bill are these impacts likely to appear?

Response

OPG understands that the plans of distributors and transmitters to implement the Green Energy Act are still being formulated or are in the preliminary stages of review by the OEB. As such, it is not possible for OPG to meaningfully forecast how these plans could impact on consumers nor is such information relevant to the determination of just and reasonable payment amounts for OPG.

CME Interrogatory #009

Ref: Ex. A1-T3-S1, page 3
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

Please describe and produce all information OPG has in its possession pertaining to changes that are likely to occur, in the period 2010 to 2014, that will affect the GAM and provide an estimate of the amount OPG expects GAM to increase over the period 2010 to 2014.

Response

The chart below lists the factors that OPG expects will produce changes in the Global Adjustment between 2010 and 2012 and presents OPG's forecast of changes in the Global Adjustment over that period. OPG is not providing forecasts of changes in the Global Adjustment mechanism beyond the test period. Forecasts of future Global Adjustment amounts are irrelevant to the OEB's determination of payment amounts for the test period. They also would be speculative given that changes to the Global Adjustment will depend on many factors over which OPG has no control and about which OPG has limited information.

Sources of Changes to Global Adjustment		
	$/MWh	
	2010 to 2011	**2011 to 2012**
OPG Nuclear*	2.2	0.2
OPG Hydro*	0.1	-0.5
OPG Fossil	-1.3	-0.7
Bruce Nuclear**	0.2	5.1
Wind	2.0	2.0
Gas	0.8	0.7
Other, including net exports	1.6	0.5
HOEP	5	5
Global Adjustment	**10.7**	**12.4**

* Assumes OPG's requested payment amounts
**Assumes that Bruce 1,2 return to service at the end of 2011 as indicated in the IESO's most recent 18 Month Outlook.

For further information on the factors influencing the Global Adjustment mechanism, see the sources cited in response to the interrogatory in Ex. L-5-003, part d).

CME Interrogatory #010

Ref: Ex. A1-T3-S1, page 3
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

The Board's Distribution Rate Handbook implies that consumers cannot be expected to tolerate an average annual total bill increase in excess of 10%. Hydro One had planned to file its application for increases in transmission rates on or about April 1, 2010. On March 29, 2010, OPG announced its plan to submit an application to the OEB in April and began stakeholder sessions. Hydro One did not file its application for transmission rate increases on or about April 1, 2010 as initially planned. On May 6, 2010, an article appeared in the *Globe and Mail*. The article notes the magnitude of the increases being requested by Hydro One and OPG. The article suggests that the government considered the combined bill impacts of the pending applications of Hydro One and OPG. On May 26, 2010, OPG announced it was proceeding with a lower rate application to the OEB. In an article appearing in *The Toronto Star* on May 26, 2010, the article indicates that OPG reduced its proposed increase by 32% and indicates that spokesperson Ted Gruetzner suggested that OPG will not increase its rates to recover what were in effect tax overpayments made in previous years. In its first payment amounts application, OPG proposed mitigation related to tax losses in an amount of $228M. In the context of these developments, please provide the following information:

a) Produce, in confidence if necessary, all documents and other information presented to OPG's Board of Directors, including any information provided to OPG by its shareholder, that led to the decision to revise the application OPG intended to file in mid-April.

b) Compared to the application OPG planned to file in mid-April 2010, what is the amount that OPG decided to refrain from claiming from ratepayers?

c) What criteria were applied by OPG's Board of Directors to cause them to conclude that a portion of the amount reflected in the application that was to have been filed in mid-April should not be claimed?

d) Assume that OPG's spending plans, in combination with the impacts of transitioning to more and more renewable energy sources, are likely to produce total bill increases for a typical or average residential consumer in an amount that exceeds, on average, 10% per year over five years. Under this assumption, does OPG have any suggestions as to what the OEB should do to constrain the total bill impacts on a typical residential customer to an amount that does not exceed, on average, 10% per year over the next five years?

Response

a) Please see response to the interrogatory in Ex. L-4-001, parts a) and b).

b) The impact of delaying the implementation of new payment amounts from January 1, 2011 to March 1, 2011 is estimated to be $16M assuming that OPG's request is fully approved.

c) Please see response to the interrogatory in Ex. L-4-001, part b).

d) No. The focus of OPG's activity before the OEB is on matters that relate to the determination of just and reasonable payment amounts for the prescribed facilities or directly impact OPG operations.

CME Interrogatory #011

Ref: Ex. A1-T3-S1, page 3
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

CME is interested in determining the "headroom" that exists to enable OPG's shareholder and/or directors to refrain from claiming from ratepayers an amount that is less than the Revenue Requirement amount the Board's regulatory methodology allows. The regulatory methodology the Board has adopted for OPG produces higher payment amounts than the regulatory methodology previously applied by the government to determine those amounts. In connection with that evidence, please provide the following information:

a) Government applied previously and the regulatory methodology the Board applies.

b) An estimate of the test period Revenue Requirement that the regulatory method the government previously applied would produce compared to the total Revenue Requirement OPG asks the Board to approve in this application.

c) Any information OPG has on whether its owner, the Government of Ontario, or its Board of Directors, considered the differences in the Revenue Requirement amounts produced by the two different methodologies when determining the extent to which payment amounts requested in this application should be reduced.

Response

a) OPG does not know the specific basis upon which the Government determined the interim rates for OPG's regulated facilities other than the assumption of a 5 per cent return on equity ("ROE") that was identified in the Government's announcement.

   In any event, the question is not relevant. As a result of legislation, OPG is regulated by the OEB under the methodology determined by the OEB. The impact of application of another methodology would be purely speculative.

b) For the reasons listed above in part a), OPG cannot produce such an estimate.

c) Please see the response to Interrogatory L-04-001. The decision to reduce the consumer impact of the Application was taken by OPG. The OPG Board of Directors did not consider any other revenue requirement methodology in approving the Application.

CME Interrogatory #012

Ref: Ex. A1-T3-S1, page 3, and Ex. F4-T4-S1, pages 4-5, and Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

Please provide a sample of the invoice(s) OPG renders for electricity it generates, and indicate to whom OPG sends its invoices.

Response

OPG does not render invoices for electricity it generates. OPG is paid for the electricity it generates though the IESO's settlement process.

CME Interrogatory #013

Ref: Ex. A1-T3-S1, page 3
Ex. F4-T4-S1, pages 4-5
Ex. I1-T1-S2

Issue Number: 1.3
Issue: Is the overall increase in 2011 and 2012 revenue requirement reasonable given the overall bill impact on consumers?

Interrogatory

In Exhibit A2, Tab 1, Schedule 1, Attachment 3, OPG presents a set of stand-alone audited annual financial statements for the prescribed facilities for the years ended December 31, 2009 and December 31, 2008. At Exhibit I, Tab 1, Schedule I, Table 2 and Table 3, OPG presents the Revenue Requirement for Regulated Hydroelectric and Nuclear for 2008 and 2009 along with comparisons of amounts for Board-approved Revenue Requirement for 2008 and 2009 for Regulated Hydroelectric and Nuclear respectively. For 2008, the actual regulated Revenue Requirement for Regulated Hydroelectric is shown at $436.2M compared to a Board-Approved Annualized amount of $667.3M. For 2009, the actual Revenue Requirement is shown at $564.3M compared to a Board-approved amount of $666.6M. These numbers suggest that, for hydroelectric generation on an annualized basis, OPG recovered $131.1M in 2008 and $102M in 2009, it did not actually need to meet its Actual Revenue Requirement. For Nuclear, the 2008 annualized OEB approved capital amount exceeds the Actual Revenue Requirement amount by about $4M. In 2009, the Board-approved amount exceeds the Actual amount by about $118.2M. With respect to this evidence, please provide the following:

a) Please explain why the Actual Revenue Requirement amounts for Hydroelectric and Nuclear are materially less than the Board-approved Revenue Requirement amounts for each of the years 2008 and 2009. Are these results reflecting mitigation and tax amounts not recovered in these years, or are these results attributable to other factors?

b) Please segregate the financial statements shown at Exhibit A2, Tab 1, Schedule 1 for 2009 and 2008 between the Regulated Hydroelectric and the Nuclear segments of OPG's business.

c) Please reconcile the segregated financial statements for 2008 and 2009 to the Actual Revenue Requirement presentations for 2008 and 2009 contained in Exhibit I, Tab 1, Schedule 1, Tables 2 and 3.

Response

a) The "actual" revenue requirements provided in Tables 2 and 3 of Ex. I1-T1-S1 include both actual costs as well as an actual "Total Cost of Capital," which is in part dependent on the return on equity that is derived from the audited financial statements for the prescribed facilities, as identified at line 18 of Ex. C1-T1-S1, Table 7. The total difference in revenue requirements from those approved by the OEB includes changes in costs, changes in other revenues and changes in cost of financing. The return on equity component of the cost of capital is lower than the allowed return on equity as a result of the above changes; therefore the comparison of revenue requirement effectively counts the above changes twice.

- For regulated Hydroelectric, the primary reduction in revenue requirements relates to shortfalls in earnings.

- For Nuclear, the reductions in revenue requirements are due to a combination of lower OM&A, and fuel expenses as well as a significant shortfall in earnings, primarily due to losses related to Bruce's portion of segregated fund earnings.

b) OPG is unable to provide the requested information. OPG does not segregate the financial statements for the prescribed facilities between the regulated Hydroelectric and Nuclear segments beyond information already provided in the segmented disclosures in Note 15 to these financial statements (Ex. A2-T1-S1, Attachment 3, pages 46-50). A significant amount of work would be involved in performing the segregation of the entire statements, and a significant amount of allocation information necessary to produce such statements is not generated by OPG.

c) A reconciliation of earnings before interest & taxes ("EBIT") for the prescribed facility financial statements to regulatory return on equity is included in Ex. C1-T1-S1, Table 7. Beyond that, it is not possible to perform reconciliation between segregated financial statements for 2008 and 2009 and the revenue requirement presentations for 2008 and 2009 contained in Ex. I1-T1-S1, Tables 2 and 3, because these documents contain different information and were prepared on different bases.

CME Interrogatory #014

Ref: Ex. B1-T1, Ex. D1, Ex. D2, and Ex. D3

Issue Number: 2.2
Issue: Is OPG's proposal to include CWIP in rate base for the Darlington Refurbishment Project appropriate?

Interrogatory

To what extent does the test period Revenue Requirement decrease if Construction Work in Progress ("CWIP") for the Darlington Refurbishment Project is excluded from Rate Base?

Response

The 24-month test period revenue requirement for 2011 – 2012 would decrease by $37.9M if Construction Work In Progress ("CWIP") for the Darlington Refurbishment Project is excluded from rate base. This amount is found at Ex. D2-T2-S1, Table 1, line 8, column (h).

CME Interrogatory #015

Ref: Ex. B1-T1, Ex. D1, Ex. D2, and Ex. D3

Issue Number: 4.2
Issue: Are the capital budgets and/or financial commitments for 2011 and 2012 for the regulated hydroelectric business appropriate and supported by business cases?

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

Interrogatory

Please provide a breakdown of the Capital Budgets for Hydroelectric and Nuclear, separately, listing, year by year beginning January 1, 2011, each of the projects that will be one year or less in duration, each of the projects that will be two years or less in duration, and each of the projects that will take more than two years to complete and put in service.

Response

Hydroelectric
OPG interprets this as a request for information on the duration of Regulated Hydroelectric capital projects that are forecast to begin in 2011 and end in 2011; or begin in 2012 and end in 2012; or begin in 2011 and end in 2012. These projects are listed in the table below.

Regulated Hydroelectric - Capital Projects Starting and Ending in 2011 and 2012

Line No.	Project Description	Number of Projects	Total Project Cost ($M)	Average Cost Of Projects ($M)
		(a)	(b)	(c)
	Projects starting and ending in 2011			
1	Projects >$10M Total Project Cost	0	0.0	0.0
2	Projects $5M - $10M Total Project Cost	0	0.0	0.0
3	Aggregate Total All Projects <$5M	2	1.2	0.6
	Projects starting and ending in 2012			
4	Projects >$10M Total Project Cost	0	0.0	0.0
5	Projects $5M - $10M Total Project Cost	0	0.0	0.0
6	Aggregate Total All Projects <$5M	3	1.3	0.4
	Projects starting in 2011 and ending in 2012			
7	Projects >$10M Total Project Cost	0	0.0	0.0
8	Projects $5M - $10M Total Project Cost	0	0.0	0.0
9	Aggregate Total All Projects <$5M	3	2.5	0.8
10	**Total**	8	4.9	0.6

<u>Nuclear</u>

OPG interprets this as a request for information on the duration of Nuclear capital projects that are forecast to begin in 2011 and end in 2011; or begin in 2012 and end in 2012; or begin in 2011 and end in 2012. OPG Nuclear has no such projects.

CME Interrogatory #016

Ref: Ex. B1-T1, Ex. D1, Ex. D2, and Ex. D3

Issue Number: 4.2
Issue: Are the capital budgets and/or financial commitments for 2011 and 2012 for the regulated hydroelectric business appropriate and supported by business cases?

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

Interrogatory

For those projects that will not be completed and in service by December 31, 2012, show, year by year and cumulatively, the amounts that OPG plans to spend in order to complete each of those multi-year projects.

Response

Hydroelectric
Regulated Hydroelectric capital projects are listed in Ex. D1-T1-S2, Tables 1, 2, and 3. There are three projects over $10M, three projects between $5M and $10M, and four projects under $5M with both cash flows in 2011 or 2012, and in-service dates after 2012. They are listed with their cash flows in the table below.

Regulated Hydroelectric - Capital Projects In-Service after 2012

Line No.	Project Name	Project Number	Final In-Service Date	Total Project Cost (M$)	2009 LTD Actual ($M)	2010 Budget ($M)	2011 Plan ($M)	2012 Plan ($M)	Future Plan ($M)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Projects >$10M Total Project Cost								
1	Niagara Tunnel Project	EXEC0007	Dec-13	1,600.0	648.0	241.8	288.0	199.0	223.2
2	Sir Adam Beck I GS - Unit G10 Upgrade	SAB10050	Dec-14	29.5	0.0	0.0	0.0	2.4	27.1
3	R.H. Saunders - Station Service Replacement	SAUN0080	Dec-17	10.7	0.0	0.0	0.2	0.9	9.6
	Projects $5M - $10M Total Project Cost								
4	Sir Adam Beck Pump GS - Governor Replacement	SABP0033	Dec-13	5.6	0.0	0.5	1.5	1.8	1.8
5	Sir Adam Beck Pump GS - 13.8 kV Breaker Replacements	SABP0034	Mar-13	5.9	0.0	0.1	2.0	3.0	0.8
6	R.H. Saunders GS - Replace Static Excitors	SAUN0079	Dec-13	5.1	0.0	0.0	0.1	2.5	2.5
7	**Aggregate Total All Projects <$5M**			13.9	0.0	0.2	1.3	2.9	9.6

Forecast project costs beyond 2012 are provided in aggregate form, as the requested level of detail is unrelated to OPG's current application

Witness Panel: Hydroelectric
Nuclear Projects

Nuclear

As shown in Ex. D2-T1-S2 Tables 1a, 2a and 2b (taking into account data corrections as noted in Ex. L-2-012), there are six projects that are planned to be completed after December 31, 2012. None of the projects making up the totals shown in Ex. D2-T1-S2, Table 3 have completion dates after December 31, 2012.

The requested information on these six projects is presented in the table below.

Line No.	Facility	Project Name	Project Number	Final In-Service Date	Total Project Cost (M$)	2009 LTD Actual ($M)	2010 Budget ($M)	2011 Plan ($M)	2012 Plan ($M)	Future Plan ($M)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	DN	Fuel Handling Power Track Improvement	31438	Feb-13	17.4	7.6	4.4	2.8	1.7	0.9
2	DN	Improve Maintenance Facilities at Darlington	31717	May-13	57.7	4.7	13.7	15.4	10.5	0.4
3	DN	Shutdown System Computer Aging Management	33955	Nov-13	17.2	1.9	3.2	4.9	2.7	4.4
4	NPT	Controlled Area Improvements (1)	25902	Nov-13	15.0	1.5	0.5	3.3	9.4	0.4
5	DN	Turbine Generator Vibration Monitor System Replacement	33819	Dec-13	8.0	1.2	0.3	2.5	0.3	3.7
6	DN	Fuel Handling Simulator Project	31430	Dec-13	5.9	1.8	0.3	2.5	1.0	0.3

Note 1: Total project cost (as presented in from Ex. D2-T1-S2 Table 1a) has been corrected here.

Forecast project costs beyond 2012 are provided in aggregate form, as the requested level of detail is unrelated to OPG's current application.

CME Interrogatory #017

Ref: Ex. B1-T1, Ex. D1, Ex. D2, and Ex. D3

Issue Number: 2.2
Issue: Is OPG's proposal to include CWIP in rate base for the Darlington Refurbishment Project appropriate?

Interrogatory

Is there a CWIP amount included in the test period Revenue Requirement, but not in Rate Base, for capital expenditures being incurred in the test period with respect to projects expected to be completed, and in service on a date later than December 31, 2012? If so, what is the total CWIP amount for Hydroelectric and Nuclear projects included in the 24-month test period Revenue Requirement for such projects? How have each of the amounts been calculated; and in what line items do the CWIP amounts for such projects appear in the Revenue Requirement presentation?

Response

No.

CME Interrogatory #018

Ref: Ex. C1-T1-S1, Tables 1-7

Issue Number: 3.1
Issue: What is the appropriate capital structure and rate of return on equity?

Interrogatory

What is the total dollar amount for equity return that OPG seeks to recover in the 24-month test period?

Response

The return on equity ("ROE") for the 24-month test period is $591.2M, comprised of $298.5M in 2012 (Ex. C1-T1-S1, Table 1) and $292.7M in 2011 (Ex. C1-T1-S1, Table 2).

OPG expects that in the final Payment Amounts Order, the equity return will be determined using an ROE based on data for the month that is three months prior to the effective date of the new payment amounts, consistent with the OEB's Cost of Capital Report.

CME Interrogatory #019

Ref: Ex. C1-T1-S1, Tables 1-7

Issue Number: 6.11
Issue: 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?

Interrogatory

What is the total dollar amount OPG seeks to recover in the test period Revenue Requirement (i.e., not through deferral accounts) for payments in lieu of taxes ("PILS") for the test period?

Response

The total payments in lieu of income, capital and property taxes and municipal property taxes[1,2] amounts included in the 24-month test period revenue requirement for prescribed and Bruce facilities is $301.6M. The total municipal property taxes amount included in the 24-month test period revenue requirement for prescribed and Bruce facilities is $29.5M.

Therefore, the total PILS and municipal property taxes for the test period is $331.1M. A detailed breakdown of the components of this amount is presented in Ex. L-05-036.

[1] Municipal property taxes are included to enable amounts to be reconciled to the pre-filed evidence (which combines both Payment in Lieu of property tax paid to the OEFC and property taxes paid to municipalities) and to enable results to be reconciled to results from other CME interrogatories, which request information related to taxes generally.

[2] OPG is expected to become subject to the water taking charges during the test period. As the test period amount is only approximately $0.5M per year, it has been presented in OPG's property taxes amounts for the test period in the pre-filed evidence (refer to Ex. F4-T2-S1, section 10.5). Inclusion of WTC in this response is required to reconcile to the breakdown of taxes requested by CME at Ex. L-5-036.

CME Interrogatory #020

Ref: Ex. C1-T1-S1, Tables 1-7

Issue Number: 3.1
Issue: What is the appropriate capital structure and rate of return on equity?

Interrogatory

Based on the audited corporate financial statements for OPG as a whole, what was OPG's actual ROE for the years ending December 31, 2008 and December 31, 2009?

Response

OPG does not determine a corporate return on equity ("ROE") for internal or external purposes. OPG has provided an ROE for its regulated operations for 2008 and 2009 at Ex. C1-T1-S1, Table 7.

CME Interrogatory #021

Ref: Ex. C1-T1-S1, Tables 1-7

Issue Number: 3.1
Issue: What is the appropriate capital structure and rate of return on equity?

Interrogatory

Based on the segregated financial statements provided by OPG at Exhibit A2, Tab 1, Schedule, Attachment 3, what is the indicated ROE for each of the periods ending December 31, 2008 and December 31, 2009? Please show how OPG derives the ROE for each year from these statements.

Response

The return on equity ("ROE") is ($92M) in 2008 and $31.6M in 2009. These values are found at line 18 of Ex. C1-T1-S1, Table 7.

The Income (Loss) before interest and income on the Consolidated Statements of Income on page 2 of the segregated financial statements shows a loss of $228M in 2008 and income of $606M in 2009. These amounts are the starting point for Ex. C1-T1-S1, Table 7 titled Reconciliation to Audited Financial Statements for Prescribed Facilities (see footnote 1 of Ex. C1-T1-S1, Table 7a).

The ROE on a percentage basis is calculated for 2008 and 2009 in Ex. C1-T1-S1, Tables 4 and 5, respectively, as the cost of capital divided by the principal value in line 5 of those tables.

CME Interrogatory #022

Ref: Ex. C1-T1-S1, Tables 1-7

Issue Number: 3.1
Issue: What is the appropriate capital structure and rate of return on equity?

Interrogatory

Please provide segregated financials for the year ending December 31, 2010 based on three month actuals and nine month forecast in a format comparable to the statements provided at Exhibit A2, Tab 1, Schedule, Attachment 3 and reconcile these segregated financial statements to the determination of 2010 forecast return on equity shown at Exhibit I1, Tab 1, Schedule 1, Table 5.

Response

OPG does not produce financial statements for the prescribed facilities with three months actuals and nine months forecast based on Canadian generally accepted accounting principles ("GAAP") for internal business or for regulatory purposes. OPG declines to produce the requested financial statements because:

- a substantial amount of work would be required,
- a significant portion of the allocation information necessary to prepare financial statements for the prescribed facilities is not generated until year end, and
- certain information that would be necessary at the OPG-wide level to produce these statement is not prepared at all on a forecast basis.

As such, OPG cannot complete the requested reconciliation since it depends on these financial statements.

CME Interrogatory #023

Ref: Ex. C1-T1-S1, Tables 1-7

Issue Number: 6.11
Issue: 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?

Interrogatory

What amount of tax does OPG, the corporation, actually expect to pay to the Ontario Electricity Financial Corporation ("OEFC") for 2010?

Response

OPG declines to provide the requested 2010 information with respect to income and capital taxes because it has not been previously filed with the OEB, it is not publicly available and it is not relevant to this proceeding. It is not relevant because it is a forecast for OPG's company-wide operations, including unregulated operations. OPG does not make separate income or capital tax payments for its regulated operations, as the payments are made on a legal entity basis. A budget calculation for the 2010 tax expense for the regulated facilities is provided at Ex. F4-T2-S1, Table 5. OPG has filed its tax returns for 2005 – 2009, in confidence, in response to the OEB's direction in EB-2007-0905 to provide a reconciliation of prior period tax expense and the calculation of tax expense for the regulated facilities.

With respect to payments in lieu of property tax made to the OEFC, the projected amount that will be paid in cash property taxes for OPG's regulated operations (including Bruce assets), based on the 2010 – 2014 business plan, is $15.2M. Additionally, OPG expects to pay $14.8M in municipal property taxes for the regulated operations (including Bruce assets).

CME Interrogatory #024

Ref: Ex. E1-T1-S1, and E1-T1-S2

Issue Number: 5.1
Issue: Is the proposed regulated hydroelectric production forecast appropriate?

Interrogatory

At Exhibit E1, Tab 1, Schedule 1, page 5, OPG indicates that Surplus Baseload Generation ("SBG") is a condition that occurs when electricity production from hydroelectric baseload facilities is greater than Ontario demand. The evidence indicates that during 2009 SBG was more prevalent in Ontario than it has been for many years, and that SBG is forecast to continue through the test period. In connection with this evidence, please provide the following additional information:

(a) Please describe the conditions that have given rise to the much more prevalent SBG problem and, in particular, indicate the extent to which generation from renewable generation sources such as wind and solar and/or natural gas fired generation is a cause of the problem.

(b) What conditions would need to exist to enable wind and solar and/or natural gas fired generation to be curtailed in order to assure that little or no SBG occurs in any year so that all available hydroelectric generation capacity is used throughout the entire test period?

(c) How much lower would the test period revenue deficiency be if no SBG were forecast for the test period and all available hydroelectric capacity could be used throughout the entire test period?

Response

a) SBG occurs when baseload electricity supply exceeds Ontario demand. Generally speaking, SBG exhibits:

- a seasonal component, occurring most often in the spring and fall when generally moderate temperatures result in low demand and hydroelectric generation is high;

- a weekly component, occurring most often on weekends and holidays when electricity demand is low; and

- a daily component, occurring most often during overnight off-peak periods when electricity demand is low.

Relative to the forecast of supply and demand used in EB-2007-0905, the increased prevalence of SBG in 2009, during the periods above, was primarily due to:

- Low demand: During the spring to fall period, Ontario demand during the off-peak periods and exports were below forecast.

- High hydroelectric generation: High inflows in 2009 resulted in higher than expected hydroelectric supply during off-peak periods.

- High combined cycle gas turbine generation: Natural gas generation during off-peak periods exceeded forecast levels.

- High wind generation. At times, wind generation exceeded forecast.

At various times, combinations of the factors above resulted in baseload supply exceeding market demand during off-peak periods in the spring and fall of 2009.

b) As indicated in the response to the interrogatory in Ex. L-01-036 part b), the management of SBG, including potential curtailments in generation, is the accountability of the IESO. OPG is unaware of the specific commercial or operational conditions that would lead the IESO to curtail wind, solar and/or natural gas generators.

c) Under the scenario where there is no SBG during the test period, the hydroelectric revenue deficiency would decline by $32.5M, moving from a deficiency of $27.7M to a sufficiency of $4.8M. As stated in Ex. E1-T1-S1, section 2.5, significant SBG is forecast to continue through the test period and will impact production at the regulated hydroelectric facilities.

The derivation of this impact is shown in the attached version of Ex. I1-T1-S1, Table 4, which calculates the deficiency/sufficiency for this scenario.

Table 4
Summary of Revenue Deficiency - No SBG
Test Period January 1, 2011 to December 31, 2012

Line No.	Description	Regulated Hydroelectric 2011	2012	Total
		(a)	(b)	(c)
1	**Forecast Production (TWh)**[1]	19.8	19.8	39.7
2	**Prescribed Payment Amount ($/MWh)**[2]	36.66	36.66	N/A
3	**Indicated Production Revenue ($M)**	727.0	727.0	1,454.1
	(line 1 x line 2)			
4	**Revenue Requirement ($M)**[3]	727.7	721.6	1,449.3
5	**Revenue Requirement Deficiency ($M)**	0.6	(5.5)	(4.8)
	(line 4 - line 3)			
6	**Revenue Requirement Deficiency - OPG Proposal**	**13.9**	**13.8**	**27.7**
	CHANGE IN DEFICIENCY	**(13.2)**	**(19.2)**	**(32.5)**

Notes:
1 Reg. Hydro production from Ex. E1-T1-S1 Table 1, adjusted for SBG of 0.5TWh in 2011 and 0.8 TWh in 2012.
2 From EB-2007-0905 Payment Amounts Order.
3 Ex. I1-T1-S1 Table 1 (line 24) adjusted for increase in GRC of $6.6M in 2011 and $11.5M in 2012.

CME Interrogatory #025

Ref: Ex. E1-T1-S1, and E1-T1-S2

Issue Number: 5.2
Issue: Is the proposed nuclear production forecast appropriate?

Interrogatory

The evidence indicates that the Nuclear production forecast for 2011 is about 1.0 TWh below the forecast of 49.9 TWh approved by the Board for 2009. How much lower would the 24-month test period revenue deficiency be if the production forecast for the test period was greater by 1 TWh?

Response

Table 4 below provides a recalculation of the nuclear revenue deficiency under the scenario where forecast 2011 generation is 1 TWh higher. The impact is a reduction in the deficiency of $50M.

Summary of Revenue Deficiency
Test Period January 1, 2011 to December 31, 2012

Line No.	Description	Nuclear 2011	Nuclear 2012	Nuclear Total
		(d)	(e)	(f)
1	**Forecast Production (TWh)**[1]	49.9	50.0	99.9
2	**Prescribed Payment Amount ($/MWh)**[2]	52.98	52.98	N/A
3	**Indicated Production Revenue ($M)**	2,644.9	2,648.9	5,293.8
	(line 1 x line 2)			
4	**Revenue Requirement ($M)**[3]	2,680.5	2,796.5	5,476.9
5	**Revenue Requirement Deficiency ($M)** (line 4 - line 3)	35.6	147.5	183.1
6	**Revenue Requirement Deficiency in current proposal ($M)**[4]	85.6	147.5	233.1
	Change from Rate Proposal (line 5 - line 6)	(50.0)	0.0	(50.0)

Notes:
1 Ex. E2-T1-S1 Table 1.
2 From EB-2007-0905 Payment Amounts Order.
3 Ex. I1-T1-S1 Table 1 (line 24). 2011 figure adjusted upward approximately $3M to account for additional fuel required.
4 Ex. I1-T1-S1 Table 4, line 5.

CME Interrogatory #026

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 6.11
Issue: 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?

Interrogatory

All taxes that OPG pays are effectively paid to its owner, the Province of Ontario. All return on equity OPG earns is either paid to or attributable to its owner, the Province of Ontario. In these circumstances, please respond to the following questions:

a) Does OPG make any effort to minimize or eliminate its tax burden? If so, then please list all of the tax reduction initiatives in which OPG engaged in each of the years 2005 to 2010, inclusive.

b) Please list whether OPG has adopted any tax planning measures for the test period to minimize the amount of taxes it will be called upon to pay to the Province of Ontario.

c) Please provide the names of any consultant(s) OPG uses to help it with its tax planning.

Response

a) Yes. As any prudent commercial taxable entity would, OPG has made and continues to make (including the period 2005 – 2010) all appropriate efforts to structure and conduct its business and operations in a tax-effective manner while operating in accordance with the rules and regulations of the *Income Tax Act* (Canada) and the *Electricity Act, 1998*. OPG considers all potentially relevant allowable tax deductions and tax credits in the filing of its tax returns in order to minimize its tax burden.

   OPG's Finance department has a dedicated group of experienced tax professionals. To fulfill the objective of tax minimization and assessment of related risks, tax filing positions are taken after appropriate research into case laws and technical interpretations where available. OPG's tax professionals engage in continuing professional development training such as attending the Canadian Tax Foundation and Tax Executive Institute seminars, and participate in the Canadian Electricity Association's tax consultation group. OPG also consults with external tax advisors to optimize the tax effectiveness of its business activities.

b) As part of OPG's normal business operations, tax planning measures noted in part a) are carried out to minimize the amount of taxes OPG will be required to pay for the test period.

c) OPG engages the following consultants for tax planning, depending on the nature of the area of tax:

- PricewaterhouseCoopers LLP
- KPMG LLP
- Deloitte & Touch LLP
- Ernst & Young LLP
- Blake, Cassels and Graydon LLP
- Torys LLP

CME Interrogatory #027
(NON-CONFIDENTIAL VERSION)

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 6.11
Issue: 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?

Interrogatory

What amount did OPG, the corporation, actually pay to the Province of Ontario in taxes in each of the years 2005 to 2009, inclusive?

Response

OPG makes payments in lieu of income, capital and property tax to the Ontario Electricity Financial Corporation ("OEFC") and property tax payments to municipalities[1]. This information for 2005 – 2009 is provided in the table below.

While the amounts for income and capital taxes relate to OPG's total operations, the payments in lieu of property taxes and municipal property taxes shown below only relate to OPG's regulated operations (including Bruce assets). OPG does not make separate payments for income and capital taxes for regulated operations, as noted in Ex. L-5-023.

$M	2005	2006	2007	2008	2009
OEFC – income and capital taxes	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
OEFC – property tax	12.3	13.8	13.6	14.7	14.5
Municipalities – property tax	12.5	12.8	13.3	14.1	14.1
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[1] Municipal property taxes are included to enable amounts to be reconciled to the pre-filed evidence (which combines both Payment in Lieu of property tax paid to the OEFC and property taxes paid to municipalities) and to enable results to be reconciled to results from other CME interrogatories, which request information related to taxes generally.

CME Interrogatory #028

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 6.11
Issue: 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?

Interrogatory

What amount does OPG, the corporation, actually expect to pay in taxes to the Province of Ontario in 2010, 2011 and 2012?

Response

OPG declines to provide the requested 2010, 2011 and 2012 information with respect to income and capital taxes because it has not been previously filed with the OEB, it is not publicly available and it is not relevant to this proceeding. It is not relevant because it is a forecast for OPG's company-wide operations, including unregulated operations. OPG does not make separate income or capital tax payments for its regulated operations, as the payments are made on a legal entity basis. A forecast of the 2010, 2011 and 2012 tax expense for the regulated facilities is provided at Ex. F4-T2-S1, Table 5.

With respect to payments in lieu of property tax made to the Ontario Electricity Financial Corporation ("OEFC") and payments for municipal property tax[1] related to OPG's regulated operations (including Bruce assets), the projected amounts, based on the 2010 – 2014 business plan, are as follows:

	2010[2]	**2011**	**2012**
Payments in lieu of property tax	$15.2M	$15.8M	$16.3M
Municipal property taxes	$14.8M	$15.8M	$16.3M

[1] Includes water taking charge as discussed in Ex. L-5-019.
[2] As discussed in Ex. L-5-023.

CME Interrogatory #029

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 6.11
Issue: 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?

Interrogatory

Were any amounts recovered from ratepayers for taxes during each of the years 2005 to 2009, inclusive? If so, then what amounts were recovered from ratepayers during each of those years?

Response

The table below sets out the requested information to the extent available.

For the period April 1, 2005 – March 31, 2008, OPG is unable to identify the amount of taxes recovered from ratepayers. Rates for that period were set by the Province of Ontario by Regulation. OPG includes the forecast tax information that was provided to the Province of Ontario on an annual basis for 2005 – 2007 for the purposes of setting these rates. This information is from a document referenced in section 5 (1) of O. Reg. 53/05 and available on the Ontario Energy Board website at: http://www.oeb.gov.on.ca/documents/cases/EB-2006-0064/forecast_facilities_opg_20070213.pdf. The document is reproduced as Attachment 1 to this response.

The amounts for 2008 and 2009 in the table below represent the amounts approved by the OEB in the EB-2007-0905 Payment Amounts Order.

<table>
<tr><th>$M</th><th>Notes</th><th>2005</th><th>2006</th><th>2007</th><th>2008</th><th>2009</th></tr>
<tr><td>Property Tax – Prescribed Assets</td><td>1, 4</td><td>22</td><td>28</td><td>29</td><td rowspan="2">22.8</td><td rowspan="2">30.7</td></tr>
<tr><td>Capital Tax – Prescribed Assets</td><td>1, 4</td><td>30</td><td>33</td><td>36</td></tr>
<tr><td>Income Tax – Prescribed Assets</td><td>1, 5</td><td>18</td><td>20</td><td>22</td><td>nil</td><td>nil</td></tr>
<tr><td>Property Tax – Bruce</td><td>2, 3</td><td>N/A</td><td>N/A</td><td>N/A</td><td>11.4</td><td>15.5</td></tr>
<tr><td>Capital Tax – Bruce</td><td>2, 3</td><td>N/A</td><td>N/A</td><td>N/A</td><td>3.3</td><td>3.6</td></tr>
<tr><td>Income Tax – Bruce</td><td>2, 3</td><td>N/A</td><td>N/A</td><td>N/A</td><td>28.3</td><td>37.7</td></tr>
<tr><td>Large Corporations Tax</td><td>1, 2</td><td>20</td><td>18</td><td>11</td><td>nil</td><td>nil</td></tr>
<tr><td>Total</td><td></td><td>90</td><td>99</td><td>98</td><td>65.8</td><td>87.5</td></tr>
</table>

Notes:

1. Amounts for 2005 – 2007 are annual amounts as provided to the Province of Ontario for the purposes of setting interim rates (Attachment 1, sum of Nuclear and Regulated Hydroelectric amounts for each respective year).

2. Amounts for Bruce were included in Nuclear amounts in the information provided to the Province of Ontario shown in Attachment 1.

3. Amounts for 2009 are per EB-2007-0905, Payment Amounts Order, Appendix A, Table 7, line 5 (Property Tax), line 6 (Capital Tax), and line 9 (Income Tax), column (f). For 2008, the amounts are 3/4 of those found in the above lines in Table 7, column (c) to reflect the adjustment for the period January 1, 2008 – March 31, 2008 (shown as total adjustment to Bruce net revenues on Table 7, line 15, column (c)).

4. Property and capital taxes for prescribed assets were approved by the OEB as a single amount for each of Regulated Hydroelectric and Nuclear. Amounts for 2008 are per EB-2007-0905, Payment Amounts Order, Appendix A, Table 1, line 18, column (c) and Table 2, line 18, column (c). For 2009, the amounts are per Tables 1 and 2, line 18, column (f).

5. Income tax for prescribed assets was set at Nil as per EB-2007-0905, Payment Amounts Order, Appendix A, Tables 1 and 2, line 23, columns (c) and (f).

Forecast Information (as of Q3/ 2004) for Facilities Prescribed under O. Reg 53/05

- As part of the establishment of a hybrid electricity market, the Government made Ontario Regulation 53/05 (O. Reg. 53/05) in February 2005. The Regulation prescribes Ontario Power Generation Inc.'s (OPG's) nuclear generating facilities, specifically Pickering A, Pickering B and Darlington Generating Stations, and certain hydroelectric generating facilities, specifically Sir Adam Beck I, Sir Adam Beck II, Sir Adam Beck Pump Generating Station, DeCew Falls I, DeCew Falls II and R.H. Saunders, for the purposes of section 78.1 of the *Ontario Energy Board Act, 1998* and establishes payment amounts for the output from the nuclear and regulated hydroelectric facilities.

- OPG provided forecast information to the Government in support of the development of O.Reg. 53/05. The forecast information was developed in Q3 2004 and is summarized in Table 1 below. This information was the basis upon which the Government established the payment amounts in the Regulation.

- The information in Table 1 represents OPG's forecasts as of Q3 2004 and does not represent OPG’s current forecasts. For example, in Q3 2004, OPG planned to return Pickering A Units 2 and 3 to service and production from these units is included in the 2007 nuclear production forecasts in Table 1. In August 2005, OPG’s Board of Directors accepted management’s recommendation not to refurbish Pickering Units 2 and 3 and OPG is placing the units in a safe storage state. As a result, current forecasts of nuclear production are less than the forecasts provided in Table 1. Hydroelectric production forecasts are dependent on forecasts of water levels and outflows which can change with time.

Table 1: Forecast Information (as of Q3/ 2004) for Facilities Prescribed under O. Reg 53/05

	Nuclear			Regulated Hydroelectric		
	2005	2006	2007	2005	2006	2007
Average Rate Base ($M)	2,988	3,200	3,712	4,015	3,967	3,916
Energy Generated - TWh	45.2	50.6	53.0	18.0	18.4	18.7
Costs ($M)						
Fuel /GRC Costs	100	112	128	236	243	249
Station Service Charges	11	11	11	5	5	5
OM&A	1,769	1,805	1,889	76	81	82
Property Tax	22	28	29	0	0	0
Capital Tax	19	22	24	11	11	12
Depreciation	292	343	467	65	65	66
Interest	99	107	123	132	134	131
Current Income Taxes	8	9	11	10	11	11
Large Corporate Tax	13	12	8	7	6	3
Return on Equity at 10%	134	144	167	181	179	176
Required Revenues ($M)	**2,466**	**2,593**	**2,857**	**723**	**734**	**735**
Less:						
Bruce Lease - Earnings in Excess of Costs	85	96	117			
Revenues From:						
Ancillary Services	2	3	3	38	40	41
Other Services	21	23	23			
Net Revenue Requirement ($M)	2,358	2,472	2,714	685	694	694
Forecast Interim Rate at 10% ROE ($/MWh)	**52.2**	**48.9**	**51.2**	**38.1**	**37.7**	**37.1**

Forward looking information used in the development of the interim rates was based on planning information developed in Q3 2004 and should not be used for any other purpose.

CME Interrogatory #030

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 10.2
Issue: Are the balances for recovery in each of the deferral and variance accounts appropriate?

Interrogatory

Please indicate, year by year, the amounts for taxes in each of the years 2005 to 2009, inclusive, that OPG now seeks to recover through the Tax Loss Variance Account?

Response

The Tax Loss Variance Account was established by the OEB in EB-2009-0038 effective April 1, 2008, and as such no entries were made into the account pertaining to the period prior to that date.

OPG notes that only a portion of the Tax Loss Variance Account pertains to taxes. The entries in the account represent the difference between the revenue requirement reduction inappropriately imposed by the OEB in EB-2007-0905 and the amount of mitigation that is available in the form of regulatory tax losses for the period from April 1, 2005 – March 31, 2008. The non-tax portion for 2008 – 2009 is $168.7M (Ex. H1-T1-S1, page 7), which represents the revenue requirement reduction of 22 per cent of the revenue deficiency ordered by the OEB in EB-2007-0905.

The tax portion consists of:

- The recovery of foregone regulatory income taxes (grossed-up, as discussed in Ex. L-1-144) that were inappropriately excluded in the calculation of the approved revenue requirement in EB-2007-0905 less the reduction in these taxes (grossed-up, as discussed in Ex. L-1-144) resulting from the carry-forward of recalculated regulatory tax losses.

- The additional regulatory income taxes (grossed up, as discussed in Ex. L-1-144) that would have arisen had the revenue requirement not been inappropriately reduced by $168.7M discussed above.

The amount of taxes for each of the years 2008 and 2009 pertaining to item #1 above is computed as follows:

April 1, 2008 – December 31, 2008: $33.1M (A)
(Foregone taxes + associated gross-up = $54.7M per Ex. L-1-117, Table 1, Note 2, line 2. $54.7M less 9/21 x $50.3M (Ex. H1-T1-S1, page 7 for recalculated tax losses) = $33.1M.)

January 1, 2009 – December 31, 2009: $12.6M (B)
(Foregone taxes + associated gross-up = $41.3M per Ex. L-1-117, Table 1, Note 2, line 2. $41.3M less 12/21 x $50.3M (Ex. H1-T1-S1, page 7 for recalculated tax losses) = $12.6M.)

The amount of taxes for each of the years 2008 and 2009 pertaining to item #2 above is as follows:

April 1, 2008 – December 31, 2008: $33.2M (A)
(Ex. L-1-117, Table 1, Note 2, line 4)

January 1, 2009 – December 31, 2009: $43.3M (B)
(Ex. L-1-117, Table 1, Note 2, line 4)

Therefore, the total amount of taxes that OPG seeks to recovery for 2008 and 2009 through the operation of the Tax Loss Variance Account is as follows:

April 1, 2008 – December 31, 2008: $66.3M (Sum of (A))

January 1, 2009 – December 31, 2009: $55.9M (Sum of (B))

CME Interrogatory #031

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 10.2
Issue: Are the balances for recovery in each of the deferral and variance accounts appropriate?

Interrogatory

For each of the years 2005 to 2009, inclusive, please indicate, year by year, what further amounts for taxes, if any, OPG has either already recovered or now seeks to recover through the Bruce Lease Net Revenues Variance Account for taxes related to Bruce revenues and expenses.

Response

The Bruce Lease Net Revenues Variance Account was established by the OEB in EB-2007-0905 effective April 1, 2008, and as such no entries were made into the account prior to that date.

The requested information is provided in the table below. The amounts recovered for April 1, 2008 – December 31, 2009 are the forecast amounts reflected in the EB-2007-0905 Payment Amounts Order ("PAO"), Appendix A, Table 7, lines 5 (property tax), 6 (capital tax) and 9 (income tax)[1]. The corresponding actual amounts are provided in Ex. H1-T1-S1, Table 10a, lines 5, 6 and 12, respectively. The difference between the amounts forecast in the payment amounts and the actual amounts for taxes is a credit to ratepayers of ($133.5M), included as part of the balance of the Bruce Lease Net Revenue Variance Account.

Bruce Tax Item ($M)	Annual 2008 per PAO	2008 Apr-Dec per PAO[2]	2008 Apr-Dec Actual	2008 Apr-Dec Variance	2009 per PAO	2009 Actual	2009 Variance
Property	15.2	11.4	12.1	(0.7)	15.5	12.9	2.6
Capital	4.4	3.3	2.7	0.6	3.6	3.4	0.2
Income	37.7	28.3	(70.1)	98.4	37.7	5.3	32.4
Total		43.0	(55.3)	**98.3**	56.8	21.6	**35.2**

[1] Differences between forecast and actual nuclear production impact what is actually recovered from customers, and therefore affect the amount recorded in the Bruce Lease Net Revenue Variance Account. This impact is not considered in this response as the production adjustment is calculated on the total variance, not for individual revenue or cost item differences.
[2] Represents a pro-ration by 9/12 of annual 2008 amounts per Payment Amounts Order.

CME Interrogatory #032
(NON-CONFIDENTIAL VERSION)

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 6.11
Issue: 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?

Interrogatory

For the years 2005 to 2009, inclusive, does the total amount for taxes in each year that OPG has either recovered or now seeks to recover from ratepayers exceed the amount for taxes actually paid by OPG, the corporation, to the Province of Ontario? If so, then what is the amount of the excess for each year and cumulatively?

Response

OPG makes payments in lieu of income, capital and property tax to the Ontario Electricity Financial Corporation ("OEFC") and property tax payments to municipalities. The table below sets out the comparison between these amounts paid for 2005 – 2009, as per Ex. L-5-027, and the amount of taxes OPG has either recovered or seeks to recover from ratepayers for those years (as per Ex. L-5-029, Ex. L-5-030 and Ex. L-5-031), to the extent information is available.

The requested comparison is not meaningful because:

- As noted in Ex. L-5-023 and Ex. L-5-027, information for income and capital taxes paid is only available for OPG as a whole, and not regulated operations separately. Therefore, the amounts paid for income and capital taxes relate to OPG's total operations while the amounts recovered relate to regulated operations (including Bruce assets) only.

- As noted in Ex. L-5-029, for the period April 1, 2005 – March 31, 2008, OPG is unable to identify the amount of taxes, if any, recovered from ratepayers through the interim rates set by the Province of Ontario. The information regarding amounts recovered for the years 2005 – 2007 presented below is based on amounts OPG submitted to the Province for the purposes of setting interim rates.

- The calculation of regulatory income and capital taxes involves the application of regulatory principles, whereas amounts paid by OPG do not.

$M	**2005**	**2006**	**2007**	**2008**	**2009**
OEFC – Income and Capital Taxes	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
OEFC – Property Tax	12.3	13.8	13.6	14.7	14.5
Municipalities – Property Tax	12.5	12.8	13.3	14.1	14.1
Total Tax Paid (A)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Payment Amounts	90.0	99.0	98.0	65.8	87.5
Tax Loss Variance Account	N/A	N/A	N/A	66.3	55.9
Bruce Variance Account	N/A	N/A	N/A	(98.3)	(35.2)
Total Tax Recovered/Recoverable (B)	**90.0**	**99.0**	**98.0**	**33.8**	**108.2**
Difference = (B) – (A)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Cumulative Difference (A > B)					[redacted]

As per the table above, there is no cumulative excess, as defined in the question.

CME Interrogatory #033

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 6.11
Issue: 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?

Interrogatory

Did the payment amounts that OPG received from ratepayers in 2010 include any amount for taxes? If so, then what is that amount?

Response

Yes, the payment amounts received in 2010 include amounts for capital and property taxes for the prescribed facilities, and capital, property and income taxes related to the Bruce facilities.

The table below sets out the requested information.

$M	Notes	2010
Property and Capital Tax – Prescribed Assets	1	30.6
Income Tax – Prescribed Assets	2	nil
Property Tax – Bruce	3	15.4
Capital Tax – Bruce	3	3.9
Income Tax – Bruce	3	37.7
Total		**87.6**

Notes:

1. Amount is calculated as 12/21 of property and capital tax amounts approved by the OEB as part of OPG's revenue requirement in EB-2007-0905 (all references are to EB-2007-0905, Payment Amounts Order, Appendix A):

	$M
Total Regulated Hydroelectric (Table 1, line 18, col. (i))	15.2
Total Nuclear (Table 2, line 18, col. (i))	38.3
Total for the period April 1, 2008 – December 31, 2009	**53.5**
Amount for 2010: 12/21 x $53.5M	**30.6**

2. Income tax for prescribed assets was set at Nil as per EB-2007-0905, Payment Amounts Order, Appendix A, Tables 1 and 2, line 23, columns (i).

3. As shown in Ex. L-5-031, amounts for Bruce taxes are calculated as 12/21 of amounts approved as part of OPG's revenue requirement in EB-2007-0905:

	$M
Property Tax for full year 2008	15.2
Property Tax for full year 2009	15.5
Less: Q1 2008 (1/4 x $15.2M)	3.8
Total April 1, 2008 – December 31, 2009	26.9
Amount for 2010: 12/21 x $26.9M	**15.4**
Capital Tax for full year 2008	4.4
Capital Tax for full year 2009	3.6
Less: Q1 2008 (1/4 x $4.4M)	1.1
Total April 1, 2008 – December 31, 2009	6.9
Amount for 2010: 12/21 x $6.9M	**3.9**
Income Tax for full year 2008	37.7
Income Tax for full year 2009	37.7
Less: Q1 2008 (1/4 x $37.7M)	9.4
Total April 1, 2008 – December 31, 2009	66.0
Amount for 2010: 12/21 x $66.0M	**37.7**

CME Interrogatory #034

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 10.2
Issue: Are the balances for recovery in each of the deferral and variance accounts appropriate?

Interrogatory

What amount is OPG now seeking to recover from ratepayers for taxes in 2010 through the operation of the Tax Loss Variance Account?

Response

OPG is seeking to recover $98.6M as the tax component of the Tax Loss Variance Account entry in 2010. This amount represents a 12-month proration of the 21-month amounts for 2008 – 2009 of $66M of foregone tax and $106.5M of tax on both the foregone tax of $66M and the mitigation amount of $168.7M (these amounts are found in Ex. H1-T1-S1, page 7). The calculation is therefore: ($66M + $106.5M) * 12 / 21 = $98.6M.

The calculation of the total Tax Loss Variance Account entry for 2010 is also discussed in Ex. L-1-145.

CME Interrogatory #035

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 10.2
Issue: Are the balances for recovery in each of the deferral and variance accounts appropriate?

Interrogatory

What amount is OPG now seeking to recover from ratepayers for taxes in 2010 through the operation of the Bruce Lease Net Revenues Variance Account?

Response

The requested information is provided in the table below. The amounts recovered for 2010 are based on the forecast amounts for April 1, 2008 – December 31, 2009 reflected in the EB-2007-0905 Payment Amounts Order ("PAO"), Appendix A, Table 7, line 5 (property tax), line 6 (capital tax) and line 9 (income tax)[1]. These forecast amounts for the 21-month test period are prorated over 12 months to determine the 2010 Bruce tax expense reflected in current payment amounts. The corresponding actual amounts forecast for 2010 are provided in Ex. H1-T1-S1, Table 10a, lines 5, 6 and 12, respectively. The difference between the amounts forecast in the payment amounts and the current 2010 forecast amounts for taxes is a credit to ratepayers of ($4.2M). This credit is included as part of the 2010 forecast additions to the Bruce Lease Net Revenue Variance Account.

Bruce Tax Item ($M)	Annual 2008 per PAO	2008 Apr-Dec per PAO[2]	Annual 2009 per PAO	2010 Prorated	2010 Forecast	2010 Variance
Property	15.2	11.4	15.5	15.4	13.1	2.3
Capital	4.4	3.3	3.6	3.9	1.1	2.8
Income	37.7	28.3	37.7	37.7	38.6	(0.9)
Total		43.0	56.8	57.0	52.8	4.2

[1] Differences between forecast and actual nuclear production impact that is actually recovered from customers, and therefore affect the amount recorded in the Bruce Lease Net Revenue Variance Account. This impact is not considered in this response as the production adjustment is calculated on the total variance, not for individual revenue or cost item differences.

[2] Represents a pro-ration by 9/12 of annual 2008 amounts per Payment Amounts Order.

CME Interrogatory #036

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 6.11
Issue: 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?

Interrogatory

For the test period 2011 and 2012, what amount in the test period Revenue Requirement in each year does OPG seek to recover from ratepayers for taxes?

Response

The tax amounts for the 24-month test period for the prescribed assets included in the revenue requirement are as follows (all references are to Ex. I1-T1-S1, Table 1):

	$M
Regulated Hydroelectric Property Taxes (line 18, col. (c))	0.0
Nuclear Property Taxes (line 18, col. (f))[1]	32.6
Regulated Hydroelectric Income Tax (line 23, col. (c))	57.9
Nuclear Income Tax (line 23, col. (f))	129.8
Total Taxes for prescribed assets for 24 months 2011 – 2012	**220.3**

The tax amounts for the 24-month test period 2011 – 2012 for the Bruce assets included in the revenue requirement are as follows (all references are to Ex. G2-T2-S1, Table 5):

	$M
Bruce Property Taxes (line 2, col. (e) + col. (f))	27.7
Bruce Current Income Tax (line 10, col. (e) + col. (f))	8.6
Bruce Future Income Tax (line 11, col. (e) + col. (f))	74.5
Total Taxes for Bruce assets for 24 months 2011 – 2012	**110.8**

The combined amount of taxes for prescribed and Bruce assets included in the 24-month revenue requirement for is therefore $331.1M ($220.3M + $110.8M).

[1] Includes a water taking charge as discussed in Ex. F4-T2-S1, section 10.5, and Ex. L-5-019.

CME Interrogatory #037

Ref: Ex. F4-T2-S1, Attachment 3
Ex. G2-T2-S1
Ex. H1-T2-S1

Issue Number: 10.2
Issue: Are the balances for recovery in each of the deferral and variance accounts appropriate?

Interrogatory

If in any year the amount of taxes OPG, the corporation, actually pays to Ontario is exceeded by the amount of taxes OPG has either already collected during that year or proposes to collect from ratepayers later through the operation of the Tax Loss Variance Account and/or the Bruce Lease Net Revenues Variance Account, then please explain how the recovery from ratepayers of amounts for taxes that exceed the actual amounts paid by the corporation will be recorded in OPG's corporate financial statements. Will the excess amounts operate to produce an incremental return on equity?

Response

OPG makes payments in lieu of income, capital and property tax to the Ontario Electricity Financial Corporation ("OEFC") and property tax payment to municipalities.

The amount of actual taxes OPG pays and the amount of taxes that OPG recovers from ratepayers is not a meaningful comparison for the purposes of determining accounting treatment in OPG's financial statements. The taxes paid by OPG are recorded either as a reduction to a liability on the balance sheet or an increase in an expense on the income statement. The amount recovered from ratepayers forms part of OPG's revenues and, in the case of variance account recovery, is also recorded as amortization expense of regulatory balances on OPG's income statement. The accounting for taxes paid and amounts recovered through rates is, therefore, not related.

The difference between tax amounts paid by OPG and amounts recovered for taxes from ratepayers is not a determinant of return on equity, and hence the "excess" referenced in the question does not operate to produce an incremental return on equity.

CME Interrogatory #039

Ref: Ex. C2-T1-S1

Issue Number: 8.1
Issue: Have any regulatory or other bodies issued position or policy papers, or made decisions, with respect to Asset Retirement Obligations that the Board should consider in determining whether to retain the existing methodology or adopt a new or modified methodology?

Interrogatory

The Board's decision in OPG's first payment case was released on November 3, 2008. In April 2009, the National Energy Board ("NEB") released a report containing recommendations pertaining to financial issues related to pipeline abandonment. In that report, at page 32, the NEB adopted, as key principles and considerations, the principle that funds for abandonment costs should be collected and set aside in a transparent manner and that funds for abandonment costs should not be collected as part of depreciation and should be a separate element of cost of service. The NEB provided guidance for setting aside funds and established an action plan for implementing its recommendations. In a report dated May 2009, the NEB directed utilities that it regulates to comply with the steps set out in the Framework and Action Plan contained in the Board's April 2009 Report. Having regard to these developments at the NEB, please provide the following information:

a) What, if anything, is OPG doing to monitor the NEB's development of a transparent method for recovering abandonment costs as a separate element of the cost of service?

b) What is the status of responses by the utilities the NEB regulates related to the implementation of the NEB's recommendations for the collection and setting aside of funds related to pipeline abandonment costs as a separate element of cost of service?

Response

a) OPG is monitoring the submissions and pronouncements posted by the National Energy Board ("NEB") on its website pertaining to the NEB's Land Matters Consultation Initiative Stream 3, Pipeline Abandonment – Financial Issues (RH-2-2008).

b) See Ex. L-01-128. Pipelines must submit proposals regarding the level of abandonment costs by May 2011.