

Board Staff Interrogatory #001

Ref: Letter of Comment

Issue Number: 1.3

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

Interrogatory

Following publication of the Notice of Application, did OPG receive any letters of comment? If so, please confirm whether a reply was sent from OPG to the author of the letter. If confirmed, please file that reply with the Board. If not confirmed, please explain why a response was not sent and confirm if OPG intends to respond.

Response

OPG did not receive any letters of comment that were addressed to it following the Notice of Application.

OPG was however provided with copies of some letters of comment regarding OPG's Application that were addressed to the OEB. OPG did not respond to any of these letters as they were addressed to the OEB.

CCC Interrogatory #001
(NON-CONFIDENTIAL VERSION)

Ref: Ex. A1-T7-S1

Issue Number: 1.3

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

Interrogatory

On March 29 and April 1, 2010 OPG held two stakeholder information sessions regarding its proposed Application. At that time the proposed payment amounts inclusive of riders was \$36.25/MWh for Hydroelectric and \$62.22/MWh for Nuclear. Please provide the following information:

- a) All correspondence between OPG and its shareholder between April 1, 2010 and May 26, 2010, regarding OPG's Application;
- b) All presentations or reports made to the OPG Board of Directors during that period;
- c) A detailed description of the process OPG followed in terms of revising its budgets that flowed from the initial budgeting process;
- d) A chart explaining the differences between the amounts proposed on April 1 and the budgets now contained in the evidence in support of the Application. Where specifically did OPG make changes?

Response

- a) See Attachment 1. OPG's reply to the letter in Attachment 1 is provided in Attachment 2.
- b) The requested presentations and reports provided to OPG's Board of Directors ("OPG Board") in relation to OPG's payment amounts application are privileged and OPG objects to their production. The requested materials were prepared for the purpose of litigating the payment amounts application. The materials contain a discussion of matters that are related to OPG's strategy for litigating the application including in relation to settlement, issue analysis, regulatory risks and anticipated positions of other parties. Production of these materials, even on a confidential basis, will impact the ability of management to candidly discuss the application with the OPG Board, undermine the OPG Board in carrying out its important governance and oversight roles, and effectively compromise OPG's ability to litigate the application.

1 Further, the requested materials are not relevant to the OEB's determination of just and
2 reasonable payment amounts. The application has been prepared on a cost of service
3 basis and must be considered by the OEB as such. OPG's internal assessment of its
4 application, prospects for settlement etc. as described above can have no impact on the
5 OEB's responsibility to independently assess the application and objectively decide it
6 based on the evidentiary record.
7

8 Even if the requested materials were relevant, and not privileged, their probative value is
9 outweighed by the prejudicial effect on OPG and the regulatory process in general. In
10 order to perform their respective roles of managing and governing OPG, management
11 and directors must be able to speak freely and directors must be fully informed of both
12 the risks and benefits of management proposals. In addition to the prejudice to OPG
13 discussed above, the inevitable impact of production would be to reduce the level of
14 detail in information and analysis presented to the OPG Board and reduce the level of
15 oversight that the directors bring to bear on management's proposals. OPG submits that
16 this result is not a desirable one for the company or Ontario ratepayers.
17

18 c) There have been no changes to OPG's planned budgets between the stakeholder
19 sessions and filing of the application. The information discussed in the stakeholder
20 information sessions and the rate proposal submitted on May 26, 2010 are based on the
21 same assumptions regarding work requirements, work programs, resource requirements,
22 and performance objectives that were included in the business plans approved by OPG's
23 Board at their November 2009 meeting.
24

25 d) The payment amounts discussed during the stakeholder sessions cannot fairly be
26 characterized as proposed. OPG was explicit that these figures were preliminary and
27 subject to confirmation before the submission was finalized. That said, only two factors
28 materially impacted the payment amounts inclusive of riders between the preliminary
29 figures discussed at the stakeholder sessions and the final figures in OPG's application:
30

31 The recovery period for the tax loss variance was extended from 24 to 46 months.
32

33 The period for clearing all other variance account balances was shortened from 24 to 22
34 months due to the change in implementation date from January 1, 2011 to March 1,
35 2011.

Ministry of Energy
and Infrastructure

Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
Fax: 416-327-6754
www.ontario.ca/MEI

Ministère de l'Énergie
et de l'Infrastructure

Bureau du ministre

4^e étage, édifice Hearst
900, rue Bay
Toronto ON M7A 2E1
Tél. : 416 327-6758
Télec. : 416 327-6754
www.ontario.ca/MEI

OFFICE OF THE
PRESIDENT & CEO

MAY 07 2010



Ontario

Filed: 2010-08-12
EB-2010-0008
L-04-001
Attachment 1

MAY - 5 2010

MC-2010-1610

Mr. Tom Mitchell
President and CEO
Ontario Power Generation
700 University Avenue
Toronto ON M5G 1X6

Dear Mr. Mitchell:

I am writing in regard to Ontario Power Generation's (OPG) planned rate application to the Ontario Energy Board.

As you are aware, the Province of Ontario has keenly felt the impact of the recent recession, and this has been reflected in the government's 2010 budget. We are aggressively pursuing internal cost savings to meet our fiscal targets. At the same time we are committed to ensuring government agencies and Crown corporations across the public sector are equally focused on delivering cost savings that are under their control.

Bearing that in mind, I would request OPG carefully reassess the contents of its rate application prior to filing with the Ontario Energy Board. I would like OPG to demonstrate concerted efforts to identify cost saving opportunities and focus your forthcoming rate application on those items that are essential to the safe and reliable operation of your existing assets and projects already under development.

Also, as part of OPG's efforts to mitigate rate pressures and consistent with the government's policy on the introduction of the harmonized sales tax (HST), I would request that OPG commit to returning to ratepayers the full cost reduction impact of input tax credits from items that were previously subject to the Retail Sales Tax (RST).

I am confident that OPG and the Ministry of Energy and Infrastructure can continue working together to provide good value to Ontario electricity customers.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Duguid'.

Brad Duguid
Minister

June 24, 2010

The Honourable Brad Duguid
Minister of Energy and Infrastructure
4th floor, Hearst Block
900 Bay Street
Toronto, Ontario
M7A 2E1

Dear Minister Duguid,

Thank you for your letter of May 5th, 2010 requesting that OPG carefully re-assess the contents of its rate application. I can assure you that OPG shares your desire to see that Ontario electricity consumers are provided with good value and highly reliable service.

Since our last rate decision in 2008 OPG has been focused on finding additional cost efficiencies in its business. This has included a decision to advance the shut down of four coal fired units to October 2010, a one year deferral in filing our rate application with the Ontario Energy Board (OEB), and a much more aggressive approach to business planning. In fact, OPG's business plan for 2010-2014 placed significant emphasis on reducing OM&A expenses compared to the previous year's plan through aggressive target setting, efficiencies and other cost reduction measures. As a result of those efforts, OPG has removed in excess of \$600 million over the period 2010 to 2013.

OPG's rate application is based on the 2010-2014 business plan and therefore reflects a good portion of the \$600 million in savings mentioned above. For example, the application presents OPG's use of benchmarking to support our cost control activities and to drive performance improvement at our nuclear and hydroelectric facilities. In nuclear, an extensive benchmarking effort has led to the development of challenging five-year operational and financial performance targets. Based on initiatives and other cost control measures developed in response to this benchmarking activity, the application includes more than \$200 million in nuclear OM&A cost savings in the rate period of 2011-2012.

OPG's corporate groups have also embarked on significant cost saving initiatives. Here we have been able to hold overall spending levels to an increase of just over one percent per year on average over 2007-2012. One of the key contributors has been our ability to control Information Technology costs. We have been able to reduce our Information Technology costs by achieving lower service provider costs, leveraging existing applications, and increasing the standardization and simplification of our information technology environment.

The rate application also includes expenditures related to the refurbishment of our Darlington generating station and our plans to continue to operate the units at the Pickering B station. Both of these initiatives are important in helping the Government achieve its objective of providing the people of Ontario with a clean, reliable and cost effective supply of electricity.

Your letter specifically references the need to return to ratepayers the savings that result from the introduction of the harmonized sales tax (HST). I can confirm that this is part of OPG's plan. The introduction of the HST produces a small net benefit for OPG, and the rate application includes the savings for ratepayers that are attributed to our regulated assets.

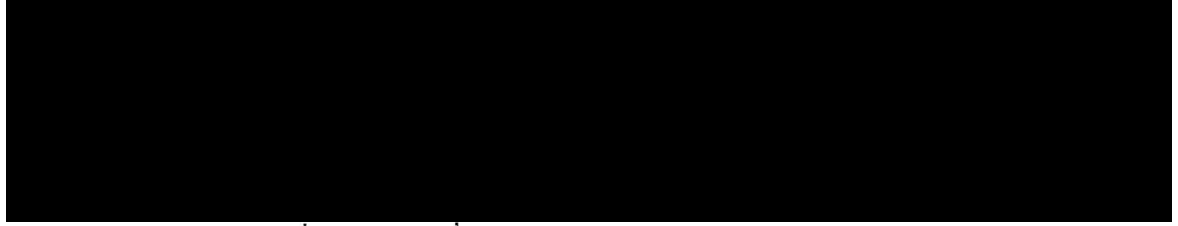
As you know, in response to the building public concern over electricity prices, OPG determined in mid-April that it would defer the filing of its application to allow us to consider alternatives that would further reduce the impact on customers. As a result of the work that we have done since then, I can assure you that OPG's revised rate application fully meets the requirements of your May 5th letter.

OPG's revised application extends the period over which we would recover some costs relating to our last OEB decision. This extension reduces the average increase in rates to approximately 6.2% from the previously indicated 9.6%. Given that our last rate increase was awarded in 2008, this new increase is equivalent to about 2% per year over the 2008-2011 period. In terms of consumer impact, a 6.2% increase would result in an estimated increase of \$1.86 per month on the bill of a typical residential consumer.

As you may know, at its meeting of May 20, 2010, OPG's Board of Directors approved OPG's revised rate application and on May 26, 2010 the application was filed with the OEB. Under separate cover, OPG's Board Chair has submitted a revised 2010-2014 Business Plan that reflects the new proposed rates to you and to the Minister of Finance for concurrence, as per our Memorandum of Agreement.

The Honourable Brad Duguid

Page 3
Filed: 2010-08-12
EB-2010-0008
L-04-001
Attachment 2



Please let me know if you require any additional information.

A handwritten signature in black ink, appearing to read 'Tom Mitchell'.

Tom Mitchell
President & Chief Executive Officer

cc. David Lindsay, Deputy Minister, Ministry of Energy and Infrastructure

CCC Interrogatory #002

Ref: Ex. A1-T4-S1, page 5

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 evidences states that The Memorandum of Agreement between OPG and its shareholder provides for the shareholder to direct OPG to undertake special initiatives. Please provide a list of any directives made since the last payments case and indicate to what extent those directives have impacted the proposed payment amounts.

Response

All directives from OPG's shareholder are listed on OPG's website (<http://www.opg.com/about/governance/open/directives.asp>). There have been three directives since the last payment amounts case but they all deal with thermal generation and therefore have no impact on prescribed operations or the proposed payment amounts.

CCC Interrogatory #003

Ref: Ex.

Issue Number: 1.3

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

Interrogatory

On April 15, 2010 Andrew Barrett sent an e-mail to OPG stakeholders indicating that OPG was looking for ways to "further lessen the impact of our request on ratepayers". Please explain how this objective to reduce impacts on ratepayers fits into OPG's overall business planning process.

Response

Customer cost impacts are a key consideration in OPG's business planning process. In recent planning cycles it has increased in importance as a driver. For example, as can be seen in Ex. A2-T2-S1, the introduction to OPG's 2009 Business Planning Instructions begins with a description of the economic environment and the challenges facing OPG's customers. See also response to the interrogatory in Ex. L-04-001, Attachment 2, paragraph 2.

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.

1 **Response**

2
3 a) With respect to the regulated facilities, nuclear refurbishments and Pickering B Continued
4 Operations have been and continue to be the subject of discussions with the OPA, Hydro
5 One and Ministry of Energy and Infrastructure ("MEI").

6
7 b) No.

8
9 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

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

3
4 c) CME understands that the "Electricity" line in the bill that a residential consumer receives
5 includes a number of items including, for example, LDC conservation costs;
6 hydroelectricity costs; costs associated with wind and solar projects, including renewable
7 energy standard offer program ("RESOP") contracts and wind and hydro negotiated
8 contracts; Fee in Tariff ("FIT") contracts; and the costs for electricity generated by
9 Nuclear, gas-combined heat and power, and gas-combined cycle facilities. CME
10 understands that the "Delivery" line in the bill includes transmission and distribution
11 charges. CME understands that "Regulatory" costs include a number of items, and
12 "Taxes" include GST, prior to July 1, 2010, and HST, after July 1, 2010.

13
14 i) Please provide a complete list of all items included in the electricity bills to consumers
15 for each of the five categories of charges cited above, namely "Electricity", "Delivery",
16 "Regulatory", "Debt Retirement" and "Taxes".

17
18 d) Please elaborate upon the description of the Global Adjustment Mechanism ("GAM")
19 provided at Exhibit F4, Tab 4, Schedule 1, pages 3 and 4, and provide a complete list of
20 its component parts.

21
22 e) Please indicate where, within the five categories of costs described above, namely,
23 Electricity, Delivery, Regulatory, Debt Retirement and Taxes, the components of the
24 GAM are to be found, and indicate whether the format of bills charged to general service
25 and large volume customers displays the components of GAM in a manner that is
26 different from its presentation in the bills to residential consumers.

27
28
29 **Response**

30
31 a) OPG does not believe that this information is relevant to determination of payment
32 amounts for the prescribed facilities. In any event, OPG does not have the information
33 requested.

34
35 b) See response to Part a) above.

36
37 c) See response to Part a) above.

38
39 d) The referenced pages in Ex. F4-T4-S1 explain how the Global Adjustment impacts
40 OPG's payment amount. As such, OPG does not understand what further elaboration
41 that it could usefully provide. The components of the Global Adjustment are discussed
42 by:

43 i) the IESO at http://www.ieso.ca/imoweb/b100/b100_GA.asp.

44 ii) the references provided there.

45 iii) the Ontario Power Authority at:

1 http://www.powerauthority.on.ca/Storage/117/16478_09_Annual_Report_Mar_25rev
2 [- final.pdf](#) (see pages 49 and 50).
3

4 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

1 payments for nuclear generation in December 2014 will depend on the outcome of this
2 proceeding and the results of future payment amounts applications covering that period.
3
4 c) and d)
5 Please see response to the interrogatory in Ex. L-7-004 regarding projections of future
6 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

Witness Panel: Deferral and Variance Accounts, Payment Amounts and Regulatory Treatments

* Assumes OPG's requested payment amounts	1
**Assumes that Bruce 1,2 return to service at the end of 2011 as indicated in the	2
IESO's most recent 18 Month Outlook.	3

4

5

6

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?

Witness Panel: Deferral and Variance Accounts, Payment Amounts and Regulatory Treatments

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.

- 1 c) Please see the response to Interrogatory L-04-001. The decision to reduce the consumer
- 2 impact of the Application was taken by OPG. The OPG Board of Directors did not
- 3 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 through 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 #038

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

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 *Toronto Star* article of May 26, 2010, referenced in CME Interrogatory No. 10, suggests that an OPG spokesperson indicated that OPG would not be seeking increases in rates to cover taxes related to previous years. Please clarify what the OPG spokesperson told the reporter about OPG's plan to recover taxes related to prior years, and indicate whether OPG is, in fact, not seeking to recover any portion of taxes it has calculated related to prior years.

Response

OPG is unable to clarify what the OPG spokesperson told the reporter in question, as OPG does not have a record of the conversation. OPG's Application as filed with the OEB is its formal proposal and is the basis of this proceeding.

OPG confirms that, as part of the Tax Loss Variance Account, it is seeking to recover taxes that pertain to the 2008 – 2010 period.

OPG's proposal with respect to the Tax Loss Variance Account and the impact of prior period regulatory tax losses are discussed in OPG's pre-filed evidence in Ex. H1-T1-S1, section 4.3 and further clarified in interrogatory responses Ex. L-1-117, Ex. L-1-144 and Ex. L-5-030.

Energy Probe Interrogatory #027

Ref: Ex. A1-T3-S2 – Drivers of Revenue Deficiency

Issue Number: 1.3

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

Interrogatory

Page 2 of the exhibit refers to “prior period tax losses to eliminate any income tax obligations as a mitigation measure”.

- a) Does OPG have any more prior period tax losses that it can bring forward to continue mitigating rate increases should the Board direct that mitigation is necessary?
- b) If yes, please describe the tax losses available and what impact bringing them forward for the test years would have on the proposed payment amounts.
- c) If no, what other means does OPG have to mitigate the payment amounts?

Response

- a) No.
- b) Not applicable.
- c) In its application, OPG has proposed extending the amortization period for the Tax Loss Variance Account to 46 months to lessen the impact on consumers of the recovery of the balance in this account. OPG is proposing no other mitigation measures.

GEC Interrogatory #006

Ref: Ex. D4-T1-S1

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 any projections of which OPG is aware of average consumer rates for electricity in Ontario.

Response

OPG does not have any projections of average consumer electricity rates in Ontario.

PWU Interrogatory #003

Ref: A news release from Ontario Power Generation posted on May 26, 2010 states:

[Toronto]: Ontario Power Generation (OPG) is proceeding with a lower rate application to the Ontario Energy Board (OEB).

The proposal, if accepted by the OEB, would result in an increase to the average residential bill of about \$1.86 per month. OPG delayed filing its application last month so that it could find a way to lower its requested rate by more than 30 per cent.

"We wanted to do more to reduce the impact of our request on ratepayers" said Tom Mitchell, OPG's President and CEO. "Last year, we found \$90 million of internal savings and deferred out application. This year, we sharpened our pencils to shave our current rate application while still allowing OPG to produce safe, clean, reliable, low-cost electricity for Ontario."

Issue Number: 1.3

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

Interrogatory

- a) What are the dollar impacts on the total revenue requirements of the reductions in the proposed payment amounts for 2011 and 2012 from those contemplated at the time of OPG's stakeholder consultations?
- b) Please identify all proposals/projects in OPG's 2011 and 2012 payment amounts application that were impacted by the reductions in payment amounts.
- c) For each proposal/project identified in b) above, please describe how it was impacted by the reductions (e.g. amount of budget cut relative to original budget, deferral to future year, cancellation) and the impact of the reductions (e.g. risks, asset life expectancy, impact on NPV).
- d) Please describe in detail the process that OPG went through in arriving at the reductions in the proposed payment amounts from those contemplated at the time of the stakeholder consultations.

Response

a) and d)

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

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Exhibit L
Tab 11
Schedule 003
Page 2 of 2

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

PWU Interrogatory #012

Ref: A news release from Ontario Power Generation posted on May 26, 2010 states:

[Toronto]: Ontario Power Generation (OPG) is proceeding with a lower rate application to the Ontario Energy Board (OEB).

The proposal, if accepted by the OEB, would result in an increase to the average residential bill of about \$1.86 per month. OPG delayed filing its application last month so that it could find a way to lower its requested rate by more than 30 per cent.

"We wanted to do more to reduce the impact of our request on ratepayers" said Tom Mitchell, OPG's President and CEO. "Last year, we found \$90 million of internal savings and deferred out application. This year, we sharpened our pencils to shave our current rate application while still allowing OPG to produce safe, clean, reliable, low-cost electricity for Ontario."

Issue Number: 1.3

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

Interrogatory

- a) How much per cent lower are OPG's proposed hydroelectric payment amounts for 2011 and 2012 compared to the hydroelectric payment amounts contemplated at the time of OPG's stakeholder consultations on March 29 and April 1, 2010?
- b) What are the dollar impacts on the hydroelectric revenue requirements of the reductions in the proposed payment amounts for 2011 and 2012 from those contemplated at the time of OPG's stakeholder consultations?

Response

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

PWU Interrogatory #018

Ref: (a): A news release from Ontario Power Generation posted on May 26, 2010 states:

[Toronto): Ontario Power Generation (OPG) is proceeding with a lower rate application to the Ontario Energy Board (OEB).

The proposal, if accepted by the OEB, would result in an increase to the average residential bill of about \$1.86 per month. OPG delayed filing its application last month so that it could find a way to lower its requested rate by more than 30 per cent.

"We wanted to do more to reduce the impact of our request on ratepayers" said Tom Mitchell, OPG's President and CEO. "Last year, we found \$90 million of internal savings and deferred out application. This year, we sharpened our pencils to shave our current rate application while still allowing OPG to produce safe, clean, reliable, low-cost electricity for Ontario."

Issue Number: 1.3

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

Interrogatory

- a) How much per cent lower are OPG's proposed nuclear payment amounts for 2011 and 2012 compared to the nuclear payment amounts contemplated at the time of OPG's stakeholder consultations on March 29 and April 1, 2010?
- b) What are the dollar impacts on the nuclear revenue requirements of the reductions in the proposed payment amounts for 2011 and 2012 from those contemplated at the time of OPG's stakeholder consultations?

Response

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

SEC Interrogatory #001

Ref: Ex. A1-T3-S2, Drivers of the Deficiency

Issue Number: 1.3

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

Interrogatory

- a) P. 3. Please confirm that the total deficiency in Charts 1 and 2 is \$260.8 million, and that it implies an overall increase in rates of 3.9%.
- b) P. 3. Please confirm that, after adjusting for the removal of mitigation and the return to normal levels of taxation, there is a sufficiency of \$119.8 million in the test period, and that it implies an overall decrease rates of 1.8%.
- c) P. 3. Please disaggregate the components of the driver "changes in cost of capital" into the major sub-components.

Response

- a) OPG is able to confirm that the total deficiency is \$260.8M which implies an overall increase in average rates of 3.9 per cent.
- b) OPG is able to confirm that removal of the suggested items would result in a sufficiency of \$119.8M which implies an overall decrease in average rates of 1.8 per cent. However, OPG does not believe that the suggested adjustments are appropriate.
- c) The components of the driver "Changes in Cost of Capital" for each of Regulated Hydroelectric and Nuclear are shown in the table below.

\$ Millions	Hydro	Nuclear
Changes in deemed Financing Costs	(17.3)	51.7
Changes in Return on Equity	36.3	39.7
	19.0	91.4

Changes in deemed financing costs:

- Declines for hydro due to lower interest rates and a slightly lower rate base.
- Increases for nuclear due to higher rate base.
- Rate base increase results from higher ARO due to Darlington refurbishment, and inclusion of CWIP in rate base

Witness Panel: Deferral and Variance Accounts, Payment Amounts and Regulatory Treatments

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Exhibit L
Tab 12
Schedule 001
Page 2 of 2

- 1 Changes in return on equity:
- 2 • Increases for hydro due to higher rate.
- 3 • Increases for nuclear due to higher rate and increased rate base (as noted above).

SEC Interrogatory #002

Ref: Ex. A1-T4-S1, Attachment 2 - Memorandum of Agreement

Issue Number: 1.3

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

Interrogatory

- a) P. 2. Please provide copies of any Unanimous Shareholder Agreements or Declarations referred to in para. B2 that are or are expected to be in effect in the test period.
- b) P. 2. Please provide a copy of the most recent 3-5 year performance targets referred to in para. C1.
- c) P. 3. Please provide a copy of the most recent benchmarking data used in compliance with para. C1.
- d) P. 3. Please provide a copy of the most recent 3-5 year investment plan for new projects referred to in para. C3.
- e) P. 3. Please provide a copy of the last four "major developments" reports referred to in each of para. E1 and E2.
- f) P. 4. Please provide copies of the last two quarterly and last six monthly "financial reports and briefings on OPG's operational and financial performance against plan" referred to in para. E7.

Response

- a) All directives from OPG's shareholder are listed on OPG's website at <http://www.opg.com/about/governance/open/directives.asp>.

b)-f)

OPG does not communicate with its shareholder or provide information to it in a manner that specifically tracks the sections and paragraphs of the Memorandum of Agreement. The shareholder does not require this of OPG.

The requested information (part b) – part f)) is conveyed to the shareholder through the annual business plans which receive ministerial concurrence. The business plans for the regulated operations are filed at Ex. F1-T1-S1, Attachment 1 and Ex. F2-T1-S1, Attachment 1.

1 OPG declines to provide the requested monthly/quarterly reports since the information
2 that would be relevant to this proceeding is already contained in OPG's Application or in
3 its published financial reports and because this material contains significant information
4 relating to its non-regulated operations. For the majority of this information, it would not
5 be possible to redact the information provided to show only information relevant to the
6 prescribed facilities. In addition, OPG is of the position that communication of information
7 between its shareholder and OPG is not relevant to the determination of the payments
8 amounts.