UNDERTAKING J10.13

Undertaking

To provide appropriate depreciation expenses resulting from the overstatement for 2008 and for 2009, as referenced in Board Staff interrogatory No.2.

Response

The actual annual nuclear depreciation expense for 2008 and 2009 resulting from the actual nuclear net plant amounts of $2,765.9M and $2,655.8M, respectively as referenced at Ex. L-01-002 (lower part of the chart on page 2, columns (3) and (6)) is as follows:

- $293.4M for 2008 per Ex. F4-T1-S2, Table 2, Col. (e), sum of lines 1-4.
- $313.0M for 2009 per Ex. F4-T1-S2, Table 2, Col. (c), sum of lines 8-11.

The annual forecast nuclear depreciation expense underpinning the payment amounts established by the OEB in EB-2007-0905 was $289.1M for 2008 and $309.6M for 2009. Therefore, the actual nuclear depreciation amounts for 2008 and 2009 are higher by $4.3M and $3.4M, respectively, than those underpinning the OEB-approved nuclear payment amounts and OPG under-recovered nuclear depreciation expense in 2008 and 2009.

Over or under-variances in net plant amounts do not translate directly into over or under-variances in depreciation expense. For example, an under-variance in net plant can result from a lower than forecast aggregate amount of in-service additions during the test period. However, if the portion of actual in-service additions pertaining to assets with shorter service lives is greater than the forecast, the resulting actual depreciation expense could in fact be higher than the forecast.