

1 **UNDERTAKING J14.3**

2
3 **Undertaking**

4
5 Provide reconciliation of Q1 2008 financial statements to regulatory earnings before tax.
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8 **Response**

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10 The reconciliation of Q1 2008 regulatory earnings before tax of \$74.9M for the
11 prescribed facilities presented at Ex. F4-T2-S1, Table 7, line 1, column (d) to OPG's
12 consolidated financial statements for the first quarter of 2008 is presented in Attachment
13 1, Tables 1 and 1a.
14

15 OPG's consolidated financial statements and Management's Discussion and Analysis for
16 the first quarter of 2008 can be found at http://www.opg.com/investor/pdf/Q1_08all.pdf.

Numbers may not add due to rounding.

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J14.3

Attachment 1

Table 1
Regulatory Earnings Before Tax - Reconciliation to Q1 2008 OPG Financial Statements (\$M)
Three Months Ending March 31, 2008

Line No.	Description	Note	Regulated Hydroelectric Q1 2008	Nuclear Q1 2008	Total Q1 2008
			(a)	(b)	(c)
1	Accounting EBIT (includes rounding)	1	85.8	(59.0)	26.8
2	Deduct: Accounting EBIT for Bruce Assets	2	0.0	(14.6)	(14.6)
3	Accounting EBIT for Prescribed Assets (line 1 - line 2)		85.8	(44.4)	41.4
Accounting Expenses/Revenues not Included in Regulatory EBIT					
4	Add: Accretion on Nuclear Fixed Asset Removal and Nuclear Waste Management Liabilities for Prescribed Assets	3	0.0	77.8	77.8
5	Deduct: Earnings/(Losses) on Nuclear Fixed Asset Removal and Nuclear Waste Management Funds for Prescribed Assets	3	0.0	(29.0)	(29.0)
Differences Between Accounting and Regulatory Treatment					
(1) HYDROELECTRIC PRODUCTION ABOVE 1900 MW/Hr:					
6	Deduct: Revenue at Market Prices Included in Accounting	4	41.0	0.0	41.0
7	Add: Revenue at Regulated Hydroelectric Payment Amount	5	26.4	0.0	26.4
(2) CAPITAL TAXES:					
8	Add: Accounting Capital Taxes on Prescribed Assets	6	2.8	1.9	4.7
9	Deduct: Regulatory Capital Taxes on Prescribed Assets	7	2.2	2.0	4.2
(3) UNREALIZED EXCHANGE RATE ADJUSTMENTS:					
10	Add: (Gains)/Losses Included in Accounting EBIT	8	0.0	(1.9)	(1.9)
11	Regulatory EBIT (lines 3+4-5-6+7+8-9+10)		71.8	60.4	132.2
Cost Related to Deemed Debt					
12	Deduct: Cost of Deemed Debt for Prescribed Assets	9	27.1	30.2	57.3
13	Regulatory EBT for Prescribed Assets (line 11 - line 12)	10	44.7	30.2	74.9

See Ex. J14.3, Table 1a for notes.

Table 1a
 Regulatory Earnings Before Tax - Reconciliation to Q1 2008 OPG Financial Statements
Notes to Ex. J14.3, Table 1

Notes:

- Accounting Earnings Before Income Tax ("EBIT") as reflected in Note 16 to OPG's consolidated financial statements for Q1 2008 for Regulated Nuclear and Regulated Hydroelectric segments.

- Accounting EBIT for Bruce Assets is included in the Regulated Nuclear segment in Note 16 to OPG's consolidated financial statements for Q1 2008. This amount is removed, as regulatory earnings before tax pertain to prescribed assets only.

The amount for Bruce Assets is computed as follows (\$M):

Q1 2008 Bruce Earnings (Losses) per Ex. H1-T1-S1, Table 10a, line 14	(33.3)
Add: Q1 2008 Income Tax per Ex. H1-T1-S1, Table 10a, line 12	(0.1)
Add: Q1 2008 Interest per Ex. H1-T1-S1, Table 10a, line 11	4.8
Q1 2008 Bruce EBIT per Ex. H1-T1-S1, Table 10a	(28.6)
Add: Q1 2008 Bruce amounts recorded in the Nuclear Liability Deferral Account impacting	14.0
Bruce Assets' EBIT included in Q1 2008 EBIT for Regulated Nuclear segment	(14.6)

- Accretion on Nuclear Fixed Asset Removal and Nuclear Waste Management Liabilities and Earnings/(Losses) on Nuclear Fixed Asset Removal and Nuclear Waste Management Funds as reflected in the Regulated Nuclear segment in Note 16 to OPG's consolidated financial statement for Q1 2008, adjusted for the amount pertaining to Bruce Assets as follows (\$M):

	Accretion Expense	Nuclear Fund Earnings (Losses)
Per Q1 2008 financial statements, Note 16	132.5	(50.8)
Less: Nuclear Fund Earnings (Losses) for Bruce Assets per Ex. H1-T1-S1, Table 10a, Line 4	-	(21.8)
Less: Accretion Expense for Bruce Assets per Ex. H1-T1-S1, Table 10a, line 7	66.7	-
Add: Accretion Expense for Bruce Assets recorded in the Nuclear Liability Deferral Account during Q1 2008	12.0	-
Amount for Prescribed Assets	77.8	(29.0)

- Revenue at Market Prices for Q1 2008 as reflected on page 16 in Management's Discussion and Analysis accompanying OPG's Q1 2008 consolidated financial statements.
- Revenue at Regulated Hydroelectric Payment Amount is computed as total hourly production over 1900 MWh x \$33.00/MWh for Q1 2008.
- Capital Tax on Prescribed Assets included in Accounting EBIT for Q1 2008 is based on an allocation of accounting capital taxes to prescribed assets, as determined on a corporate basis. Accounting capital taxes are replaced by a regulatory calculation of capital taxes in determining regulatory EBT.
- Capital Tax for regulatory purposes for OPG's prescribed assets for the full year 2008 is determined in Ex. F4-T2-S1, Tables 2 and 4 at \$8.7M and \$7.8M for Regulated Hydroelectric and Nuclear, respectively. The amounts for Q1 2008 represent 1/4 of these full-year amounts.
- OPG recognizes certain unrealized exchange rate (gains)/losses in Accounting EBIT for derivatives related to some of its future purchase obligations. For regulatory purposes, any such gains/losses are reflected in the cost of actual purchases as they are received.
- Interest cost of deemed debt for Q1 2008 for Regulated Hydroelectric and Nuclear as per Ex. C1-T1-S1, Table 7a, Note 9, line 8, columns (a) and (d), respectively, based on the deemed capital structure and interest rates applicable prior to April 1, 2008.
- Regulatory EBT for Q1 2008 used to determine regulatory income taxes at Ex. F4-T2-S1, Table 7.