



ONTARIO POWER GENERATION INC.
2011-2012 PAYMENT AMOUNTS
DRAFT PAYMENT AMOUNTS ORDER

EB-2010-0008

Board Staff Submission

March 28, 2011

Introduction

Ontario Power Generation Inc. (“OPG” or the “Applicant”) filed an application, dated May 26, 2010, with the Ontario Energy Board under section 78.1 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B (the “Act”) seeking approval for increases in payment amounts for the output of certain of its generating facilities, to be effective March 1, 2011.

On March 10, 2011, the Board issued its Decision with Reasons on OPG’s application for 2011-2012 payment amounts. The following are Board staff’s comments regarding the Draft Payment Amounts Order filed by OPG on March 21, 2011.

Impact Assessment

OPG has provided a consumer impact assessment in Table 8 of the Draft Payment Amounts Order. The analysis states that the impact on a typical residential consumer, consuming 800 kWh monthly, is a decrease of \$0.03, or a decrease of 0.03% on the monthly bill.

Board staff has no concerns with the analysis provided, but submits that the analysis should also include the percent change in payment amounts from the current payment amounts, for reference.

Deferral and Variance Account Descriptions

OPG has provided descriptions of each deferral and variance account in Appendix F of the Draft Payment Amounts Order. Board staff notes that the descriptions have been updated with respect to those approved in the previous case, EB-2007-0905. Board staff agrees with the majority of the updated descriptions, but provides comments on the following:

Ancillary Services Net Revenue Variance Account – Hydroelectric

Staff submits that the approved forecast amount of \$77.8 million should be included in the description of the account, to be consistent with the previous payment amounts order.

Income and Other Taxes Variance Account

Staff submits the references to “capital tax” in the first and third bullets in the description of the account should be removed since capital tax was eliminated effective on or after July 1, 2010 in accordance with the *Ontario Taxation Act (2007)*, and given that the test period revenue requirement does not include a provision for capital tax.

Staff acknowledges that the reference to “capital tax” in the fourth bullet should remain since a tax reassessment of a year previously subject to capital tax could occur in the future.

In addition, staff submits that the approved income tax provision amounts of \$60.9 million for 2011 and \$91.1 million for 2012, as calculated in Appendix A, Tables 6 and 7 respectively of the Draft Payment Amounts Order, should be included in the description of the account for reference.

Tax Loss Variance Account

A description of the purpose of the account has not been provided. Staff submits that the description of the account should include the following, for clarity:

The Board in the motion proceeding, EB-2009-0038, established the Tax Loss Variance Account. The Tax Loss Variance Account recorded any variance between the tax loss mitigation amount which underpinned the rate order for the prior test period and the tax loss amount resulting from the reanalysis of the prior period tax returns based on the Board’s directions in the Payments Decision (EB-2007-0905) as to the re-calculation of those tax losses. OPG shall record only interest and amortization in the Tax Loss Variance Account based on the approved recovery period.

Ancillary Services Net Revenue Variance Account – Nuclear

Staff submits that the approved forecast amount of \$5.9 million should be included in the description of the account, to be consistent with the previous payment amounts order.

Capacity Refurbishment Variance Account

The previous payment amounts order included reference to section 6(2)4 of O. Reg. 53/05, but OPG has not included the reference in the proposed description. Staff

submits that a reference to section 6(2)4 of O. Reg. 53/05 should be included in the description of the account for clarity.

Interest

Staff submits that the following revision should be made to the description of interest on page 9 of Appendix F for added clarity: “Unless otherwise provided in this payment amounts order...” should be replaced with “Except for the Nuclear Liability Deferral Account...”

All of which is respectfully submitted