

EB-2007-0905
Ontario Power Generation Inc.
Payment Amounts for Prescribed Generating Facilities
2008 and 2009 Revenue Requirement

Issues List
(Dated February 7, 2008)

RATE BASE (Exhibit B)

- 1.1 Is the rate base appropriately determined in accordance with regulatory and accounting requirements? *(B1/T1/S1) (B1/T1/S1)*

CAPITAL STRUCTURE AND COST OF CAPITAL (Exhibit C)

- 2.1 What is the appropriate capital structure for OPG's regulated business for the 2008 and 2009 test years? Should the same capital structure be used for both OPG's regulated hydroelectric and nuclear businesses? If not, what capital structure is appropriate for each business? *(C1/T1/S1, C1/T2/S1, C2/T1/S1)*
- 2.2 What is the appropriate return on equity (ROE) for OPG's regulated business for the 2008 and 2009 test years? Should the ROE be the same for both OPG's regulated hydroelectric and nuclear businesses? If not, what is the appropriate ROE for each business? *(C1/T1/S1, C1/T2/S1, C2/T1/S1)*
- 2.3 Is it appropriate to establish a formula for an adjustment mechanism? Is the formula proposed appropriate? *(C1/T1/S1, C1/T2/S1, C2/T1/S1)*
- 2.4 Are OPG's proposed costs for its long-term and short-term debt components of its capital structure appropriate? *(C1/T1/S2, C1/T1/S3, C1/T2/S2, C1/T2/S3)*
- 2.5 What are the implications of the deferral and variance accounts on OPG's financial risk? How should the implications be considered when determining the appropriate return on equity?

CAPITAL PROJECTS (Exhibit D)

- 3.1 Are the costs and financial commitments OPG is seeking to recover under section 6(2)⁴¹ incurred to increase the output of, refurbish or add operating capacity to a prescribed facility? *(D1/T1/S1 and D2/T1/S1)*

¹ All section references are to O.Reg. 53/05.

- 3.2 If so, are the costs and financial commitments within project budgets approved for that purpose by the board of directors of OPG?
- 3.3 If the costs and financial commitments are not within project budgets approved by the board of directors of OPG, are the costs and financial commitments prudent?
- 3.4 In section 6(2)4, what is a “firm financial commitment” and a “pre-engineering commitment”?
- 3.5 Is the additional capital spending (beyond the levels being recovered under section 6(2)4)) appropriate?
- 3.6 Will OPG's accounting policies result in capitalization of an appropriate amount of costs incurred in 2008 and 2009 with respect to the construction or acquisition of capital assets? (A2T2S1)

PRODUCTION FORECASTS (Exhibit E)

- 4.1 Is the methodology used by OPG to generate the proposed hydroelectric and nuclear business production forecasts appropriate?
- 4.2 Has the methodology been appropriately applied to create the production forecasts?

OPERATING COSTS (Exhibit F)

- 5.1 Are the Operation, Maintenance and Administration (“OM&A”) budgets for the prescribed hydroelectric and nuclear business appropriate? (F1/T1/S1, F2/T1/S1)
- 5.2 Are the proposed depreciation rates and resulting expense appropriate? (B1T1S1)
- 5.3 Are the 2008 and 2009 human resource related costs (wages, salaries, benefits, incentive payments, FTEs and pension costs) appropriate? (F3/T4/S1)
- 5.4 Are the corporate costs allocated to the regulated hydroelectric and nuclear businesses appropriate? (F3/T1/S1, F3/T1/S2, F4/T1/S1)
- 5.5 Are the asset service fee amounts charged to the regulated hydroelectric and nuclear businesses appropriate? (F3/T3/S1, F3/T3/S2, F4/T1/S1)

- 5.6 Are the amounts proposed to be included in 2008 and 2009 revenue requirements for other operating cost items appropriate? (*F3/T2/S1, F3/T2/S2, F4/T1/S1*)
- 5.7 Is the forecast of nuclear fuel costs appropriate? (*F2/T5/S1, F2/T5/S2*)
- 5.8 Is the methodology for deriving the nuclear outage OM&A budget and the forecast of outage OM&A costs appropriate? (*F2/T4/S1, F2/T4/S2*)
- 5.9 Are the OM&A purchased services costs appropriate in the context of the OM&A budgets for the regulated facilities? (*F2/T6/S1, F3/T5/S1, F3/T5/S2*).

OTHER REVENUES (Exhibit G)

- 6.1 Are the proposals for the treatment of revenues from Segregated Mode of Operation, water transactions and congestion Management Settlement Credits appropriate? (*G1/T1/S1*)
- 6.2 Are the forecasts of ancillary services revenues appropriate? (*G1/T1/S1*)
- 6.3 Are the forecasts of revenues from Heavy Water and tritium sales and services, radioisotope and nuclear inspection and maintenance services appropriate? (*G2/T1/S1*)
- 6.4 Are there revenues and related costs other than those included in the application, that OPG earns or incurs from the prescribed assets that should be included in the application?
- 6.5 Are OPG's forecasts of costs related to the Bruce Nuclear Generating Station, and costs and revenues related to the Bruce lease, accurate?

NUCLEAR WASTE MANAGEMENT AND DECOMMISSIONING (Exhibit H)

- 7.1 The proposed rate base includes the estimated net book value of OPG's nuclear fixed assets, which in turn includes amounts related to OPG's obligations to decommission the nuclear plants and manage nuclear waste. Do the amounts fall within the parameters of O. Reg 53/05? The proposed revenue requirement includes depreciation of those nuclear fixed asset costs and a return on rate base. Is this method of recovering nuclear fixed asset removal and nuclear waste management costs appropriate? Or should alternative recovery mechanisms be considered? [*H1/T1/S2*]

DESIGN OF PAYMENT AMOUNTS (Exhibit I)

- 8.1 Are OPG's suggested changes to the hydroelectric incentive payment system appropriate? (I1/T1/S1)
- 8.2 Is the fixed payment of 25% of revenue requirement an appropriate design for the nuclear facilities? (I1/T2/S1)

DEFERRAL AND VARIANCE ACCOUNTS (Exhibit J)

Forecast Variance Account Section 5(1)

- 9.1 Are the costs and the revenues recorded in the variance account established under section 5(1) (the "forecast variance account") due to deviations from the forecasts set out in "Forecast Information for Facilities Prescribed under Ontario Regulation 53/05"²? Were the costs incurred and the revenues earned or foregone on or after April 1, 2005?
- 9.2 Do the costs and revenues recorded in the forecast variance account conform to the requirements of section 5(1)?
- 9.3 Were the revenues recorded in the forecast variance account earned or foregone; were the costs prudently incurred; and were the revenues and costs accurately recorded as required by section 6(2)1?

Pickering Deferral Account Section 5(4)

- 9.4 Are all of the non-capital costs recorded in deferral account established under section 5(4) incurred after January 1, 2005, and associated with either the planned return to service of all of the units at the Pickering A Nuclear Generating Station or units the board of directors of OPG determined should be placed in safe storage?

Nuclear Liability Deferral Account section 5.1(1)

- 9.5 Are the revenue requirement impacts of any change in OPG's nuclear decommissioning liability, arising from an approved reference plan approved after April 1, 2005, accurately recorded in the nuclear liability deferral account established under subsection 5.1(1), as required by section 6(2)7?

² This document is posted and available on the Ontario Energy Board's website: www.oeb.gov.on.ca.

Recovery Methods for Existing Variance and Deferral Account Balances

- 9.6 Are OPG's proposed recovery methods including periods of recovery for the deferral and variance account balances consistent with the requirements of O. Reg. 53/05 sections 6(2)1, 6(2)3 and 6(2)7 and otherwise appropriate? *(J1/T2/S1)*

2008-2009 Deferral and Variance Accounts

- 9.7 What deferral and variance accounts, other than those mandated by Reg. 53/05, should be established for 2008 and 2009?

DETERMINATION OF PAYMENT AMOUNTS (Exhibit K)

- 10.1 Are regulatory income and capital taxes appropriately determined in accordance with regulatory and tax legislation requirements? *(K1/T1/S2)*
- 10.2 Is the proposed treatment of OPG's loss carry forwards for the regulated business appropriate? *(K1/T1/S2)*
- 10.3 Are OPG's methods for removing Q1 2008 costs, revenues and production appropriate? *(K1/T1/S1)*