

March 14, 2008

**VIA COURIER AND RESS**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, Suite 2700  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2007-0905 – Payment Amounts for Ontario Power  
Generation Inc.'s Prescribed Facilities – Pre-filed Evidence  
Update**

Attached is an update to the pre-filed evidence in Ontario Power Generation Inc.'s application for new payment amounts for OPG's prescribed facilities for the period April 1, 2008 to December 31, 2009.

The update covers the following:

1. actual 2007 financial results and operational data;
2. changes resulting from OPG's 2008-2010 Business Plan approved by OPG's Board of Directors on December 13, 2007; and
3. errors and omissions identified in the original pre-filed evidence.

The update does not include any changes to the requested rate of return on common equity or proposed capital structure.

This update results in a slight change (less than one percent) in the proposed payment amounts. The updated nuclear revenue requirement is \$5,152.5M and the updated regulated hydroelectric revenue requirement is \$1282.8M, an increase of \$44.6M for nuclear and a decrease of \$21.6M for regulated hydroelectric. The updated proposed

payment amounts are \$58.2M/month plus \$41.5/MWh and a rider of \$1.45/MWh for nuclear and \$37.90 per MWh for regulated hydroelectric.

The most significant changes from the November 30, 2007 pre-filed evidence are identified below:

### **Nuclear**

**Reduction in the nuclear payment rider** - The proposed nuclear payment rider is reduced from \$1.63/MWh to \$1.45/MWh. This reduction is primarily due to lower expenditures on the Pickering B refurbishment project and new nuclear development during 2007 than originally projected. The spending on these projects for 2007 was \$22.7M less than the June 2007 projection used to determine the payment rider in the November 2007 filing.

**Increase in nuclear fuel costs** – The 2008-2010 Business Plan includes a \$37.8M increase in nuclear fuel costs over the 2008-2009 period, due primarily to higher forecast prices for new fuel loaded at all stations.

**Decrease in nuclear project capital** – The 2008-2010 Business Plan includes a reduction of \$33.8M in nuclear project capital expenditures over 2008 and 2009. This reduction reflects both reprioritization of projects and a change in the way the project portfolio is managed.

**Decrease in nuclear project OM&A** – Nuclear project OM&A for 2008 decreased from \$187.6M in the November evidence to \$144.6M (a reduction of \$43.0M) which reflects a reprioritization of projects and a change in the way the project portfolio is managed, along with the shifting of some project work from 2008 to 2009.

**Pickering B Refurbishment Project** – OPG has deferred a decision with respect to the Pickering B refurbishment option to no later than early 2009. This delay will allow OPG to assess the results of the Environmental Assessment and Integrated Safety Review processes currently underway, prior to making a decision. As a consequence, forecast project capital expenditures have been deferred, resulting in a reduction of capital expenditures over 2008 and 2009 of \$174.0M.

**Regulatory amendment for new nuclear development** – The LGIC has recently issued an amendment to O. Reg. 53/05 relating to the recovery of costs for new nuclear development. This amendment has been incorporated into the evidence including the required variance and deferral accounts.

**Pre-development costs associated with new nuclear development** – The 2008-2010 Business Plan includes an updated forecast of costs over the test period for pre-development work for new nuclear development. The November 30, 2007 filing was based on the 2007 Business Plan, which included very preliminary estimates of the costs of this work. The revised figures result in a \$65.3M increase in 2008 costs and a \$57.2M increase in the 2009 costs.

**Decrease in Allocation of Corporate Costs** – The amount of corporate and centrally-held costs allocated to the nuclear facilities has decreased by \$77.1M over 2008-2009 primarily as a result of a decrease in forecast centrally-held pension and OPEB expenses.

**Decrease in Depreciation Expense** – Nuclear depreciation expense for 2008-2009 has decreased by \$47.3M in the update reflecting an increase in the estimated service life of Darlington to 2019 from 2017.

### **Regulated Hydroelectric**

**Reduction in production forecast** – OPG's regulated hydroelectric production forecast has decreased by approximately 1.5 TWh over the test period as a result of updated information on water levels and flows.

**Niagara Tunnel Project** – Planned capital expenditures on the project have increased over the 2008 and 2009 period (\$74.9M) to make up for the slower than planned progress by the contractor in 2007. OPG's payments to the contractor are based on tunnel progress. Based on the information provided by the contractor, the in-service date of the tunnel will be delayed from the original project completion schedule of June 2010.

An electronic copy of the updated materials (in text searchable Acrobat format on CD) is provided with this letter. It is also our intention to post electronic copies of this material on OPG's website for public access by March 15, 2008. In addition, a copy of the updated materials will be available to the public at OPG's head office at 700 University Ave., Toronto, Ontario.

Intervenors are being provided with copies of the update materials in either electronic and/or hard copy, consistent with their previously expressed wishes. To facilitate the integration of this update into existing copies of the pre-filed evidence, the update is provided in the form of blue pages with any changes highlighted. New content is provided as white pages. The attached instruction sheet details the required evidence replacement.

I also want to advise that OPG is examining the potential to reschedule a planned 2008 fall outage at Pickering A into 2009. If OPG proceeds, this would allow for the rescheduling, beyond the test period, of a planned 2009 outage at Pickering A. If these outages are rescheduled, OPG expects that test period production would be increased and test period costs would be reduced resulting in a material reduction in the proposed payment amounts. There are, however, other factors that may prevent OPG from rescheduling, including the requirement to obtain CNSC approval. OPG will provide additional information on this matter as it becomes available.

A listing of updated pages from the pre-filed evidence is attached. Please contact Barbara Reuber (416-592-5419) or me if you have any questions with respect to this update.

Yours truly,



*for:*

Andrew Barrett

# Attachment

## EB-2007-0905 – OPG Payments for Prescribed Assets Evidence Update Instructions

Exhibit Number	Updates <sup>1</sup>	Revisions appear on:
Ex. A1-2-1	update pages 1 to 4	pages 2, 3
Ex. A1-2-2	update pages 1 to 4	pages 1 to 3
Ex. A1-3-1	update pages 7 to 11 and Tables 1 to 3	pages 7 to 10 and Tables 1 to 3
Ex. A1-4-2	update pages 5, 6, 11 to 36	pages 5, 11 to 17, 19 to 21, 24, 25
Ex. A1-4-3	update pages 9 to 24	pages 9, 10, 12, 13, 17, 22 to 24
Ex. A1-6-1	update Appendix B	
Ex. A1-11-1	update Appendices A, B and C	Appendix A page 1, Appendix B page 1 and Appendix C page 2
Ex. A2-1-1	update pages 1 to 10, insert new Appendix A	pages 1 to 10
Ex. A2-2-1	update pages 1 to 4	pages 1, 3
Ex. A2-3-1	update pages 1 to 3, Attachment A	pages 2, 3
Ex. B1-1-1	update pages 1 to 8 and Tables 1, 2	pages 1, 2, 4 to 8 and Tables 1, 2
Ex. B2-1-1	update Tables 1, 2	Tables 1, 2
Ex. B2-2-1	update Table 1	Table 1
Ex. B2-3-1	update Tables 1, 2	Table 1, 2
Ex. B2-4-1	update Table 1	Table 1
Ex. B2-5-1	update Tables 1, 2	Tables 1, 2
Ex. B2-6-1	update Table 1	Table 1
Ex. B3-1-1	update Tables 1, 2	Tables 1, 2
Ex. B3-2-1	update Table 1	Table 1
Ex. B3-3-1	update Tables 1, 2	Tables 1, 2
Ex. B3-4-1	update Table 1	Table 1
Ex. B3-5-1	update Tables 1, 2	Tables 1, 2
Ex. B3-6-1	update Table 1	Table 1
Ex. B4-1-1	update pages 3, 4, 11, 12, 15 to 18	pages 3, 11, 16 to 18
Ex. C1-1-1	update pages 1 to 4	pages 2, 3
Ex. C1-1-2	update pages 1 to 5 and Table 1	pages 2 to 5 and Table 1
Ex. C1-1-3	update page 3 and Table 1	page 3 and Table 1
Ex. C1-2-1	update pages 1 to 6 and Tables 1 to 6	pages 1 to 6 and Tables 1 to 6
Ex. C1-2-2	update pages 1 to 12 and Tables 1 to 9	pages 1, 3 to 11 and Tables 1 to 9
Ex. C1-2-3	update pages 1 to 4 and Table 1	pages 1 to 4 and Table 1
Ex. D1-1-1	update pages 1 to 10 and Tables 1, 2	pages 1 to 4 and Tables 1, 2
Ex. D1-1-2	update pages 1, 2, Attachment B, C & D and Tables 1 to 3, insert new Attachments G & H	page 2, Attachments B, C & D and Tables 1 to 3
Ex. D2-1-1	update pages 1 to 14 and Tables 1 to 3	pages 1 to 5, 9 to 13 and Tables 1 to 3
Ex. D2-1-2	update pages 1 to 33 and Tables 1 to 4	pages 1 to 33 and Tables 1 to 4
Ex. D2-1-3	update pages 3 to 11	pages 4 to 11
Ex. D3-1-1	update Tables 1, 2	Tables 1, 2
Ex. D3-1-2	update pages 1 to 4 and Tables 1 to 3	pages 1 to 4 and Tables 1 to 3
Ex. E1-1-1	update Table 1	Table 1
Ex. E1-1-2	update pages 1 to 6 and Table 1	pages 1 to 4 and Table 1
Ex. E2-1-1	update pages 1, 2, 7, 8, 11 to 28 and Table 1	pages 1, 7, 12 to 14, 17, 18, 21 and Table 1
Ex. E2-1-2	update pages 1 to 10, Appendix C – Attachments 1 to 3 and Tables 1, 2	pages 1 to 8, Appendix C - Attachments 1 to 3 only pages with 2007 Outage Summary Reports and Tables 1, 2
Ex. F1-1-1	update Table 1	Table 1
Ex. F1-2-1	update pages 1 to 18 and Tables 1, 2	pages 2, 3, 5, 6, 8 to 10 and Tables 1, 2
Ex. F1-2-2	update pages 1 to 11 and Tables 1 to 3	pages 1 to 6, 8 and Tables 1 to 3
Ex. F1-3-1	update pages 1, 2 and Table 1	page 2 and Table 1
Ex. F1-3-2	update pages 1 to 4 and Tables 1, 2	pages 1 to 3 and Tables 1, 2
Ex. F1-3-3	update page 1 and Tables 2, 3	page 1 and Tables 2, 3
Ex. F1-4-1	update Table 1	Table 1
Ex. F1-4-2	update pages 1 to 3 and Table 1	pages 1, 2 and Table 1

<sup>1</sup> Not all pages have revisions but have been included for convenience.

Attachment

Exhibit Number	Updates	Revisions appear on:
Ex. F1-5-1	update pages 1, 2	pages 1, 2
Ex. F2-1-1	update Table 1	Table 1
Ex. F2-2-1	update pages 1, 2, 17 to 54 and Tables 1 to 12	pages 1, 17 to 29, 35 to 38, 40 to 44, 47 to 49, 54 and Tables 1 to 12
Ex. F2-2-2	update pages 1 to 12 and Tables 1 to 11	pages 1 to 12 and Tables 1 to 11
Ex. F2-3-1	update pages 1 to 5 and Tables 1, 2	pages 1 to 5 and Tables 1, 2
Ex. F2-3-2	update pages 1 to 4 and Tables 1a, 1b	pages 1, 2 and Tables 1a, 1b
Ex. F2-3-3	update pages 1 to 13 and Tables 1 to 4	pages 1 to 13 and Tables 1 to 4
Ex. F2-4-1	update pages 1, 2, 7, 8 and Tables 1, 3 to 10	pages 1, 7, 8 and Tables 1, 3 to 10
Ex. F2-4-2	update pages 3 to 10 and Tables 1a, 1b	pages 4 to 7 and Tables 1a, 1b
Ex. F2-5-1	update pages 3 to 9 and Tables 1, 2	pages 3, 5, 6, 7, 8 and Tables 1, 2
Ex. F2-5-2	update pages 1 to 4 and Table 1	pages 1, 2 and Table 1
Ex. F2-6-1	update pages 1 to 4	pages 1, 2, 4
Ex. F3-1-1	update pages 3 to 31 and Tables 1 to 13	pages 3 to 9, 11, 12, 15 to 17, 23, 28 and Tables 1 to 13
Ex. F3-1-2	update pages 1 to 10 and Tables 1, 2	pages 1 to 4, 6 to 10 and Tables 1, 2
Ex. F3-2-1	update pages 3 to 18, Tables 1 to 9 and insert new Appendix B	pages 3 to 6, 8 to 14, 16, 18 and Tables 1 to 9
Ex. F3-2-2	update pages 1 to 6 and Tables 1, 2	pages 1-6 and Tables 1, 2
Ex. F3-3-1	update pages 1 to 7 and Tables 1, 2	pages 2 to 7 and Tables 1, 2
Ex. F3-3-2	update pages 1 to 3 and Tables 1, 2	pages 1, 2 and Tables 1, 2
Ex. F3-4-1	update pages 3 to 8, 11 to 14, 19 to 32, 37, 38	pages 4, 5, 8, 12 to 14, 19, 21, 22, 24 to 30, 37
Ex. F3-5-1	update pages 1, 2	page 1
Ex. F3-5-2	update pages 1, 2	page 1, 2
Ex. G1-1-1	update pages 9 to 15 and Table 1	pages 9, 13, 15 and Table 1
Ex. G1-1-2	update pages 1, 2 and Table 1	pages 1, 2 and Table 1
Ex. G2-1-1	update pages 3 to 11 and Table 1	pages 3, 6 to 8 and Table 1
Ex. G2-1-2	update pages 1 to 4 and Table 1	pages 1 to 4 and Table 1
Ex. G2-2-1	update pages 1 to 15 and Tables 1 to 5	pages 2, 4, 6 to 8, 11 to 14 and Tables 1 to 5
Ex. H1-1-1	update pages 5 to 10	pages 6, 7, 9
Ex. I1-1-1	update pages 11 to 17	pages 11, 12, 15 to 17
Ex. I1-2-1	update pages 1 to 6	pages 1 to 3, 5, 6
Ex. J1-1-1	update pages 1, 2, 5 to 19 and Tables 1 to 11	pages 1, 2, 5 to 8, 12, 14 to 18 and Tables 1 to 11
Ex. J1-2-1	update pages 1 to 5 and Tables 1 to 3	pages 1, 4 and Tables 1 to 3
Ex. J1-3-1	update pages 1 to 19	pages 2, 7 to 11, 13, 15 to 18
Ex. K1-1-1	update Tables 1 to 3	Tables 1 to 3
Ex. K1-1-2	update page 1	page 1
Ex. K1-1-3	update page 1 and Table 1	page 1 and Table 1
Ex. K1-1-4	update page 1	page 1
Ex. K1-2-1	update page 1 and Table 1	page 1 and Table 1
Ex. K1-3-1	update page 1 and Table 1	page 1 and Table 1