

November 6, 2012

The Society of Energy Professionals
2239 Yonge Street
Toronto, ON M4S 2C7

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON
M4P 1E4

Attn: Ms. Kirsten Walli, Board Secretary
By electronic filing and email

Re: EB-2012-0002 – OPG Deferral and Variance Account/USGAAP Application – SEP Comments

Dear Ms. Walli,

Attached are the Society of Energy Professionals' comments regarding this application.

Sincerely,

Society of Energy Professionals

Ontario Energy Board**In the matter of the Application of Ontario Power Generation
with respect to its deferral and variance accounts and adoption of USGAAP
Board File No. EB-2012-0002****Comments on behalf of The Society of Energy Professionals**

The Society of Energy Professionals has represented professional engineers, scientists, supervisors and other professionals at OPG and other Ontario Hydro successor companies since the energy sector was restructured in 1999. Prior to 1999, the Society represented professional employees and supervisors at Ontario Hydro. Currently, the Society represents more than 3000 professional employees and supervisors at OPG.

The Society has reviewed OPG's application and has the following comments with respect to its main components:

Transition to USGAAP

The Society supports the adoption USGAAP for the reasons stated in OPG's application: smaller financial impact than IFRS, greater rate stability, reduced regulatory costs, and better financial information. This is consistent with reasons given by the OEB in other recent applications, e.g. Hydro One in EB-2011-0268.

Established Deferral and Variance Accounts

The OEB established a number of deferral and variance accounts for OPG's regulated facilities in its original decision and payment order in EB-2007-0905. They include accounts for which OPG is seeking to clear balances in this application: Hydroelectric Water Conditions, Ancillary Services, Nuclear Liability, Nuclear Development, Capacity Refurbishment, Nuclear Fuel Costs, Income and Other Taxes, Bruce Lease, and Interim Period Shortfalls. Subsequently, the OEB established the Tax Loss Variance Account in EB-2009-0038, and the Over/Under Recovery variance Account in EB-2009-0174. These accounts were all reviewed and continued in the OEB's decision in EB-2010-0008. Combined these accounts contribute approximately \$915 million of the \$1.3 billion in 2012 year-end balances projected by OPG (ref. H1-1-1 Table 1). It appears that OPG has applied OEB approved methodologies for making entries into these accounts. Therefore, the Society believes the account balances and requested rate riders related to them should be approved.

New Deferral and Variance Accounts

A number of deferral and variance accounts were established by the OEB in EB-2010-0008, EB-2011-0090, and EB-2011-0432. These accounts have not yet had their operation reviewed in an OEB proceeding.

OPG is not seeking recovery for the Hydroelectric Incentive Mechanism and Surplus Baseload Generation accounts established in EB-2010-0008, and proposes to defer the review of these accounts, along with the Hydroelectric Capacity Refurbishment Account, to a future application. The Society agrees these accounts merit a more thorough review in the context of a full payments amounts application.

The Pension and OPEB cost variance account was established by the OEB in EB-2011-0090. This account is only intended to clear the difference between the pre-filed forecast in EB-2010-0008 and actual costs. At the time of the initial update in October 2010, the projected difference for the test period was \$264.2 million, or 207.7 million after tax impacts. In this application, OPG is projecting 2012 year end balances of \$349.8 million (16.7 for Hydro, 333.1 for Nuclear). Further, OPG is seeking to clear these balances over four years, and continue this account until the next full payment amounts application in order to allow new variances arising in 2013 and 2014 to be captured. The projection provided by OPG for 2013 on Chart 2 of Exhibit H2-1-3 shows that significant new additions are expected to this account. The Society wishes to remind the OEB and others that pensions and OPEB are not merely a financial account but represent a contractual obligation made by OPG to its represented employees and pensioners. Therefore, given the proven recent history of material volatility in pension/OPEB liabilities, the Society believes that the OEB should revisit its decision from EB-2007-0905 and allow for a permanent variance account to capture changes in discount rates. Such an account would be symmetrical and could be expected to provide returns to customers as interest rates increase from their current historical lows.

The USGAAP Deferral amount was established in EB-2011-0432. OPG is projecting a 2012 year-end balance of \$59.3 million. As noted above, the Society supports the transition to USGAAP accounting, and believes that OPG has provided sufficient justification of the related financial impacts.

Rate Impacts

The Society recognizes that the forecast 1.5% impact on customer bills of the proposed rate riders is significant (ref. Ex. I1-1-2). The Society believes that OPG has also demonstrated sensitivity to this impact by amortizing the two largest balances for Pensions/OPEB and Bruce Lease variances over a four year period. However tempting it may be to consider further mitigation by amortizing balances over an even longer period, the Society would caution against this since other significant increases can be anticipated to impact OPG regulated rates due to major projects, e.g. the upcoming in-service of the Niagara Tunnel Project, and later, the Darlington Refurbishment Project.