



December 21, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Re: Ontario Power Generation Deferral & Variance Accounts Application
AMPCO's Interrogatories
Board File No. EB-2012-0002

Dear Ms. Walli:

In accordance with Procedural Order No. 1 dated November 6, 2012, attached please find AMPCO's interrogatories in the above proceeding.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely yours,

(ORIGINAL SIGNED)

Adam White
President
Association of Major Power Consumers in Ontario

Encl.

Copies to: OPG
Intervenors



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Ontario Power Generation Inc. (OPG)
Disposition of deferral and variance accounts &
adoption of USGAAP for regulatory purposes

AMPCO Interrogatories

ISSUE 1: **Is the nature or type of amounts recorded in the deferral and variance accounts appropriate?**

Issue Number: 1

AMPCO Interrogatory #1

Ref: Exhibit H2-2-1 Page 3 Lines 6-14

- a) Please provide additional detail about the site readiness activities described in the referenced section, including the “relocation of certain Darlington facilities”, including specific explanation as to why these are “non-capital costs.”

Issue Number: 1

AMPCO Interrogatory #2

Ref: Exhibit H1-1-1 Page 4 Lines 1-7
 EB-2010-0008 Exhibit H1-1-1 Page 3 Lines 23-31

Preamble: Ancillary services include operating reserve, reactive support/voltage control service, automatic generation control and black start capability. OPG filed these sub-account balances in EB-2010-0008.

- a) Please provide these sub-account balances for 2009 to 2012 for hydro-electric and nuclear.

ISSUE 2: **Are the balances for recovery in each of the deferral and variance accounts appropriate?**

Issue Number: 2

AMPCO Interrogatory #3

Ref: Exhibit H1-1-1 Page 2 Line 28 to Page 3 Line 2

Preamble: The evidence indicates that Tables 2 through 15 (Exhibit H1-1-1) provide supporting calculations showing the derivation of entries into each of the accounts during 2011 and 2012. Projections for 2012 are based on information as of June 30, 2012.

- a) Please recast all applicable tables and related amounts for 2012 to reflect the latest information available.

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Issue Number: 2

AMPCO Interrogatory #4

Ref: Exhibit H2-1-1 Page 2 Line 18 to Page 3 Line

Preamble: OPG indicates that the current approved OFNA Reference Plan is projected to result in higher accounting nuclear liabilities due to:

- Higher construction costs for both DGR, which reflect more detailed engineering and advanced design concepts;
- Higher Used Fuel and L&ILW Storage program costs that reflect current operational experience and assumptions about station end-of-life dates.

- a) Please explain the above two bullets more fully, including by explaining why the OFNA Reference Plan resulted in higher liabilities and the amount of the increase of such liabilities arising from same.

Issue Number: 2

AMPCO Interrogatory #5

Ref #1: Exhibit H2-1-1 Page 3 Lines 12-17

Ref #2: Exhibit H2-1-1 Page 4 Lines 8-13

Preamble: At the first reference, OPG provides the accounting consequences of the current approved ONFA Reference Plan which includes a 2011 year-end net increase to the carrying book value of the ARO and ARC of \$943M at a discount rate of 3.43 per cent. At the second reference, OPG states the lower discount rate reflects the impact of current financial market conditions on long-term bond rates.

- a) Please confirm the derivation of the discount rate of 3.43 per cent, including by providing supporting calculations and inputs.

Issue Number: 2

AMPCO Interrogatory #6

Ref: Exhibit H2-1-2 Page 5 Lines 21-24

Preamble: OPG states that the extended average service life of the Bruce units is projected to increase the fair value of the derivative liability as at December 31, 2012 arising from Supplemental Rent Revenues under the Bruce Net Lease.

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- a) Please produce supporting analysis of the forecasted average service life of the Bruce units.

Issue Number: 2

AMPCO Interrogatory #7

Ref: Exhibit H2-1-2 Page 7 Lines 2-4

Preamble: OPG projects revenues based on waste volume information received from Bruce Power and is projecting those volumes to be higher in 2012 than originally anticipated.

- a) Please provide updated data for actual volumes in 2012.
- b) Please quantify and comment on any variance from the projections for 2012.

Issue Number: 2

AMPCO Interrogatory #8

Ref: Exhibit H2-1-2 Page 10 Lines 10-16

Preamble: OPG indicates that 2012 earnings for the Bruce portion of the nuclear segregated funds are projected to be \$17.7 million above the EB-2010-0008 approved forecasts but that this amount may change before the end of the year.

- a) Please update the amount of the \$17.7 million variance using actual earnings numbers and updated projections to year end for 2012.

Issue Number: 2

AMPCO Interrogatory #9

Ref: Exhibit H2-2-1 Page 2 Lines 10-21 and Page 3 Lines 1-20

- a) Please provide a breakdown showing the contribution of each of the key elements of actual 2011 and projected 2012 planning and preparation work for NND (as described in the referenced section) to the balance of the Nuclear Development Variance Account.

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Issue Number: 2

AMPCO Interrogatory #10

Ref: Exhibit H2-2-1 Page 8 Lines 3-7

Preamble: OPG references a high confidence statement regarding the service lives of pressure tubes based on available research and development results Pickering and Darlington, which was to be presented to the OPG Board of Directors in order to make business decisions on the continued operations of Pickering and the refurbishment of Darlington.

- a) Has this statement been delivered to and considered by the OPG Board of Directors?
- b) If so, what decisions has the OPG Board of Directors made or confirmed as a result regarding the continued operations of Pickering and the refurbishment of Darlington.
- c) Please produce a copy of the statement.

Issue Number: 2

AMPCO Interrogatory #11

Ref: Exhibit L-3-1 Page 1 Lines 37-41

Preamble: OPG indicated that it will deliver audited 2012 account balances “prior to the commencement of the oral hearing”.

- a) Please confirm when audited balances will be provided, and specifically confirm whether they will be provided reasonably in advance of the settlement conference for this hearing.

ISSUE 3: Are the proposed rate riders and disposition periods to dispose of the account balances appropriate?

Issue Number: 3

AMPCO Interrogatory #12

Ref: Exhibit H1-2-1 Page 2 Lines 8-11

Preamble: OPG intends to calculate rate riders on the basis of the EB-2010-0008 OEB-approved 2011/2012 test period forecast production, rather than on the basis of a future production forecast, on the grounds that this is not a complete cost of service application with a future test period.

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- a) Why is OPG not using 2011/2012 actual production values to calculate rate riders?
- b) Please provide actual production data for 2011 and 2012 and confirm whether such data has been audited.
- c) Please quantify, summarize and comment on any variance between the 2011/12 actual production values and the EB-2010-0008 OEB-approved 2011/2012 test period forecast production.
- d) Where actual production values are not available, please produce any updated production forecasts that are more recent than the EB-2010-0008 OEB-approved 2011/2012 test period forecast production.
- e) Please quantify, summarize and comment on any variance between such updated forecast and the EB-2010-0008 OEB-approved 2011/2012 test period forecast production.

Issue Number: 3

AMPCO Interrogatory #13

Ref: Exhibit H1-2-1 Page 4 Lines 1-9

Preamble: OPG intends to amortize the balance of the Bruce Lease Net Revenues Variance and Pension and OPEB Cost Variance Accounts over a 48-month period in order to lessen ratepayer impact, but will be amortizing other accounts on a straight line basis over 2 years.

- a) Why is OPG not proposing a similar amortization period (48 months) for all other accounts?
- b) Why is OPG not proposing a similar amortization period for the Nuclear Liability Deferral Account and the Tax Loss Variance - Nuclear Account, both of which also have balances in excess of \$100 million?
- c) Please recast Table 2 (Exhibit H1-2-1) with an amortization period of 48 months for all accounts with a balance greater than \$100 million and provide the rate impacts by customer class.
- d) Please recast Table 1 and Table 2 (Exhibit H1-2-1) with a recovery period of 24 months for all accounts and provide the rate impacts by customer class.

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Issue Number: 3

AMPCO Interrogatory #14

Ref: Exhibit H1-2-1 Page 2 Lines 22-25

- a) Please recast Table 1 assuming OPG does not defer clearance of the Hydroelectric Incentive Mechanism and Hydroelectric Surplus Baseload Generation variance accounts and the hydroelectric portion of the Capacity Refurbishment Variance Account and provide the rate impacts by customer class.

Issue Number: 3

AMPCO Interrogatory #15

Ref: Exhibit H1-2-1 Page 4 Line 28 to Page 5 Line 3

Preamble: OPG provides a formula to calculate its proposed Interim Period Shortfall Riders and discusses the interim period production forecast if for example the implementation date of the new approved rider is March 1, 2013.

- a) Please provide an Interim Period Shortfall Riders calculation based on a March 1, 2013 implementation date and provide references for all inputs.

Issue Number: 3

AMPCO Interrogatory #16

Ref: Exhibit I1-1-2 Page 1 Lines 1-167

- a) Please provide bill impact analysis for all customer classes, with supporting calculations.

ISSUE 5: Is the proposed continuation of other deferral and variance accounts appropriate?

Issue Number: 5

AMPCO Interrogatory #17

Ref: Exhibit H1-1-1 Page 11 Lines 9-12

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Preamble: As a reason for deferring the clearance of the HIM and SBG Accounts, OPG states that the review of the balances in the HIM and SBG Accounts will require the results of analysis that was ordered by the OEB and that OPG is undertaking with respect to the operation of the Sir Adam Beck PGS, how these operations affect SBG and the interaction between SBG and HIM.

a) What is the status and expected completion date of this analysis?

ISSUE 6: Is the request to adopt USGAAP for regulatory accounting, reporting and rate-making purposes appropriate?

Issue Number: 6

AMPCO Interrogatory #18

Ref: EB-2008-0408 Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment, June 13, 2011, Page 33

Preamble: The Board's Report states:

"Issue 4:

The Board requires a utility that adopts USGAAP or an alternate accounting standard other than IFRS, in its first cost of service application following the adoption of the new accounting standard, to:

- demonstrate the eligibility of the utility under the relevant securities legislation to report financial information using that standard;
- include a copy of the authorization to use the standard from the appropriate Canadian securities regulator (if applicable); and
- set out the benefits and potential disadvantages to the utility and its ratepayers of using the alternate accounting standard for rate regulation." [emphasis added]

a) Please summarize the disadvantages to OPG and its ratepayers of using USGAAP.

ISSUE 7: Is OPG's forecast of accounting differences between CGAAP and USGAAP appropriate?

Issue Number: 7

AMPCO Interrogatory #19

Ref #1: Exhibit A3-1-2, Page 5 Lines 12-16

Ref #2: Exhibit H1-1-1 Table 6

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Preamble: Reference #1 states the difference in accounting treatment of LTD costs required as a result of the adoption of USGAAP is projected to produce higher costs during 2012. Variances are recorded in the Impact for USGAAP Deferral Account. The Table in Reference #2 (line7) shows a \$3.2 M projected variance for 2012.

- a) Please provide the derivation and calculation of the \$3.2 M including all inputs and assumptions.
- b) The notes to the Table reference the regulated portion of total OPG LTD benefits costs. Please confirm OPG's allocation methodology of costs between regulated and non-regulated.