

April 12, 2013

**VIA COURIER and RESS**

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

Dear Ms. Walli:

**Re: EB-2012-0002 - Ontario Power Generation Inc.'s Response to  
Comments on the Draft Payment Amounts Order**

Ontario Power Generation ("OPG") has reviewed the submissions of Board Staff and CME on the April 1, 2013 draft Payment Amounts Order in EB-2012-0002.

OPG agrees with many but not all of the submissions made by these two parties. OPG's specific responses are set out in the section below. In addition, in an effort to be helpful to the Board, OPG has attached a revised draft Payment Amounts Order.

Where OPG agrees with a comment by the parties, the suggested change is incorporated in the attached revised draft. Where OPG agrees with the comment but not the proposed wording from the parties, it has included revised wording. Finally, where OPG does not agree with a comment for the reasons explained below, it has made no change to the revised draft.

OPG has provided both clean and track changes versions of the Revised Draft Payment Amounts Order.

**OPG's Specific Comments – Submission of Board Staff**

**Appendix B - Clearance of Deferral and Variance Accounts**

Board Staff submits that, at page 1 of Appendix B of the Draft Payment Amounts Order, the references to amounts approved incorrectly include amounts deferred for consideration in future proceedings. OPG agrees these references are incorrect for the reasons stated by Board Staff. To address this issue, OPG has

revised the first paragraph of page 1 to remove references to Appendix A, Tables 1 and 2, and amended the amount shown for the Capacity Refurbishment Variance Account in the table shown on page 1 of Appendix B to remove the amount deferred.

Board Staff submits that the order should include statements setting out the amounts reviewed, adjusted, settled, recovered in 2013 and 2014, and unrecovered, and provided suggested wording. OPG agrees that statements to this effect would add clarity to the order. Accordingly, it has incorporated the Board Staff's suggested paragraph in the revised draft order with one important modification. OPG's modification clarifies that the 2012 balances, adjusted for negotiated reductions, are approved for recovery by the Board, rather than simply reviewed as in Board Staff's suggested wording.

In addition, to improve the clarity of the revised draft, OPG has made some minor corrections to numbers to address rounding issues, provided a breakdown of the changes into negotiated reductions in accumulated interest and other adjustments and advancements, and changed the reference from "unrecovered balance" to "balance remaining" to be consistent with the column headings in the Appendix A tables and the tables in the Settlement Agreement. OPG has also removed Staff's proposed description of a portion of the Nuclear Liability Deferral account a being "added back" at the end of 2014, and instead has included a reference to the pages in the Settlement Agreement where this adjustment is described.

Also, in order to provide a source for numbers referenced in Board Staff's proposed additional paragraph, OPG has combined Tables B-1 and B-2 into a single table. The revised table includes a new row showing total Hydroelectric and Nuclear amounts and a new column showing the balance remaining at December 31, 2014.

## **Deferral and Variance Account Descriptions**

### Monthly Reference Amounts

Board Staff submitted that monthly reference dollar amounts should be stated in the account descriptions.

OPG notes that Board Staff made a similar submission in its comments on the Draft Payment Amounts Order in EB-2010-0008.

OPG did not agree with this submission in EB-2010-0008 and does not agree with it now. In EB-2010-0008, OPG submitted that the account descriptions should be generic and enduring. Inclusion of the reference amounts as proposed by Board Staff works against this objective. OPG further submits that all of the reference

figures can be found in the tables of the EB-2010-0008 Payment Amounts Order or in the hearing record and should not be included in the account descriptions as such inclusion would be redundant and unnecessary, and provide no additional clarity.

OPG notes that the Board did not require inclusion of reference amounts in account descriptions in the final EB-2010-0008 Payment Amounts Order. OPG submits that the Board's current practice with respect to OPG's account descriptions should continue and therefore the reference amounts should not be included in the EB-2012-0002 Payment Amounts Order for the reasons noted above.

#### Hydroelectric Water Conditions Variance Account

Board Staff proposed certain wording changes to the description of this account.

OPG submits that Staff's proposed changes would introduce confusion as to whether account entries are based on differences between forecast and actual production, which is not the intent of the account, or between forecast production and imputed actual production from actual flows, which is the intent of the account.

OPG has provided suggested wording in the revised draft payment Amounts Order which avoids the confusion that would arise if Board Staff's wording was used.

#### **Interest**

Board Staff submits that the following sentence, which appears at pages 11 and 12 of Appendix B, should be revised to include "not", to be consistent with the Settlement Agreement: "Effective January 1, 2013, OPG shall **not** record interest on the balances of the Nuclear Liability Deferral Account, the Pension and OPEB Cost Variance Account, the Bruce Lease Net Revenues Variance Account and the Pickering Life Extension [Depreciation] Variance Account as set out in the preceding section of this Appendix B."

OPG does not agree with this proposed change and submits that the sentence is correct as originally written as it refers the reader to the individual account descriptions which state that, in the case of the Nuclear Liabilities Deferral Account no interest will be applied and in the case of the other accounts mentioned that no interest will be applied during 2013 and 2014, consistent with the Settlement Agreement.

While OPG submits that the suggested change is not required, should the Board decide otherwise, OPG has provided suggested wording in the revised draft payment Amounts Order which address its concern stated above.

**OPG's Specific Comments – Submission by CME**

CME submitted that approvals in Appendix B are duplicative of approvals already recited in the body of the formal order.

OPG does not agree with this comment. As a result, it has made no changes to the Draft Payment Amounts Order. OPG submits that the draft order is in the same form as the previous two payment amount orders and that no change from that form is required.

CME also submitted that a paragraph 14 be added to the formal order to deal with interest. OPG submits that such an addition is unnecessary and would deviate from the form of the previous two payment amount orders.

If there are any questions with respect to the response, please contact me at (416) 592-3326.

Best regards,

[Original signed by]

Colin Anderson  
Director, Ontario Regulatory Affairs,  
Ontario Power Generation

Encl.

C. Carlton Mathias OPG (email)  
Charles Keizer Torys LLP (email)  
EB-2012-0002 Intervenors (email)