

UNDERTAKING J3.9

Undertaking

TO PROVIDE THE PROPORTION OF OPG'S REVENUE REQUIREMENT THAT IS PROTECTED BY DEFERRAL ACCOUNTS.

Response

Assuming that deferral and variance accounts are authorized to continue by the OEB as proposed by OPG in this application, OPG estimates that 20 to 30 percent of the proposed test period revenue requirement would be at least in part subject to a deferral or variance account. The main elements of the revenue requirement that would be subject to an account include nuclear liabilities, pension and OPEB costs, ancillary revenues, and Bruce lease net revenues.

As some elements of the revenue requirement are subject to accounts that do not cover all sources of variance from forecast amounts, it is not possible to calculate the percentage of the revenue requirement that is "protected" by an account. For example, variances in the hydroelectric Gross Revenue Charge ("GRC") and water rental costs are subject to the Hydroelectric Water Conditions Account if they are caused by differences in hydroelectric production levels as a result of varying water flows. However, other sources of variances, such as changes in GRC rates or production variances related to unit outages, that may impact these costs are not covered by an account.

In addition, the amounts recorded in deferral and variance accounts are not guaranteed to be recovered as they must still be defended before and approved for recovery by the OEB.