

OPG Revenue Deficiency: Upward & Downward Pressures

Revenue Deficiency

Upward Pressures

Fuel / GRC Costs	\$136
OM&A	\$624
ROE & Cap. Structure	\$418
Ancillary Services	<u>\$58</u>
Total	\$1,236

Revenue Deficiency

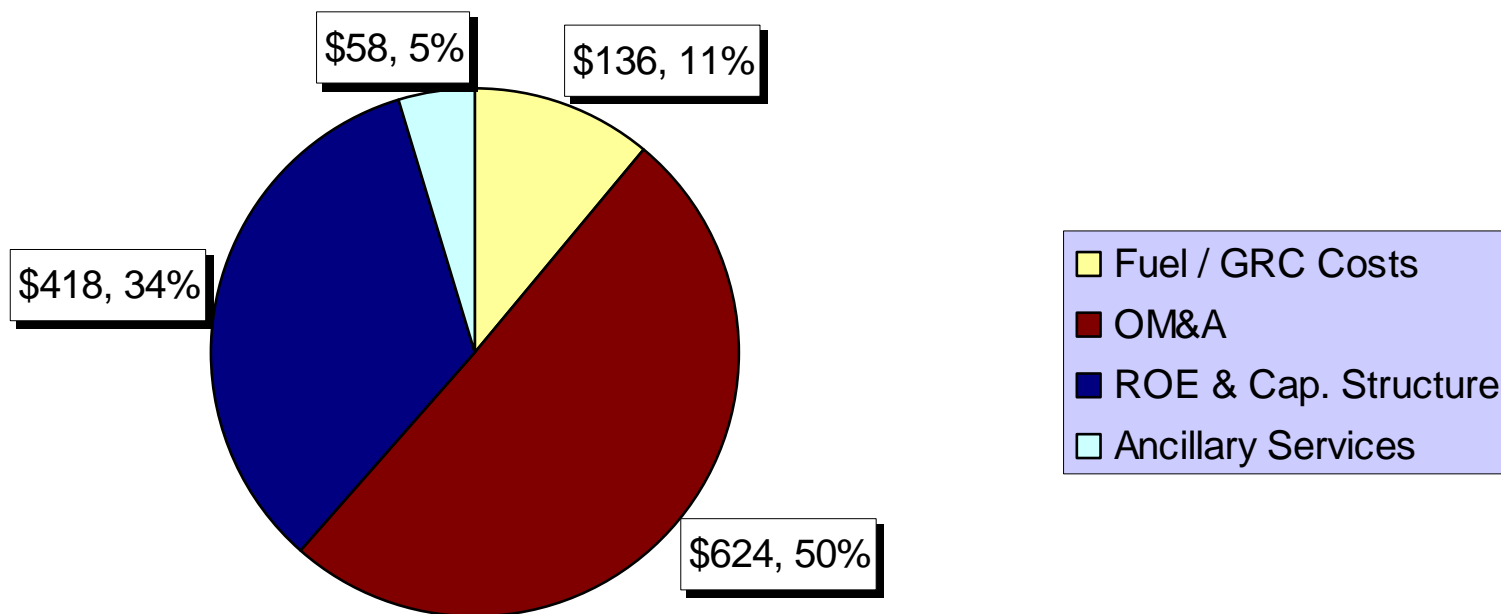
Downward Pressures

Property Tax	-\$22
Capital Tax	-\$28
Interest	-\$101
Current Income Taxes	-\$27
Large Corporate Tax	<u>-\$28</u>
Total	-\$206

Net Revenue Deficiency	\$1,030
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OM&A Accounts for 50% of Upward Pressures and 60% of Net Revenue Deficiency of \$1.03B

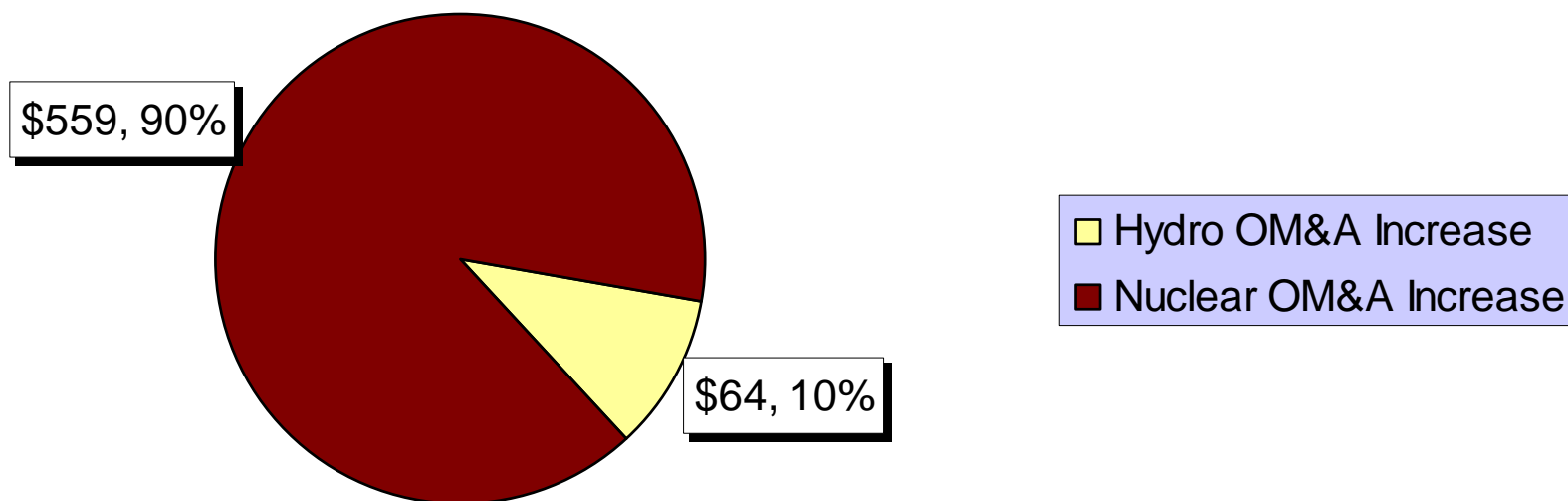
Revenue Deficiency: Upward Pressures (\$1,236M)



Reductions in Interest and Taxes of \$206M results in a Net Deficiency of \$1,030M

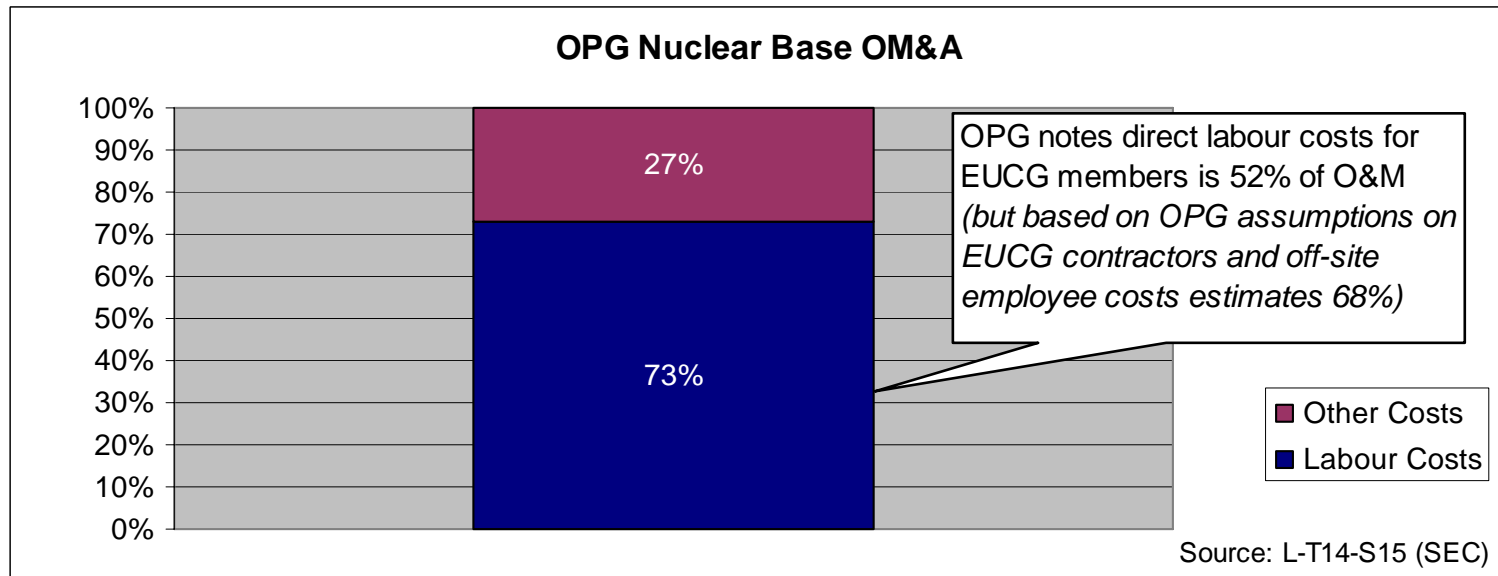
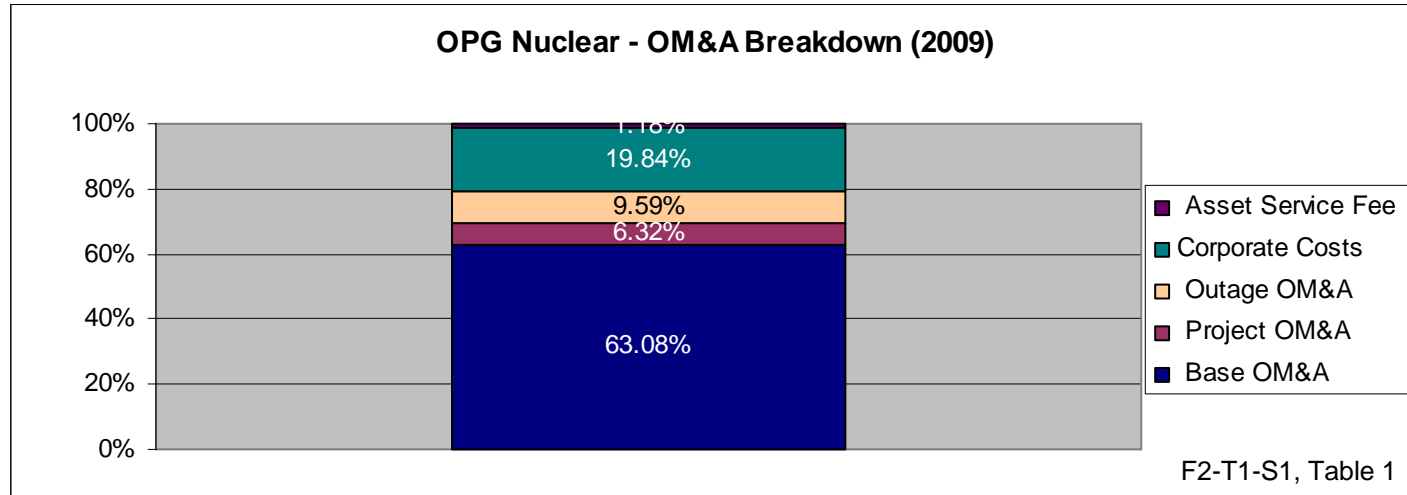
OM&A: Nuclear is 90% of the Increase

Nuclear & Hydro Allocation of OM&A Increase (\$M)

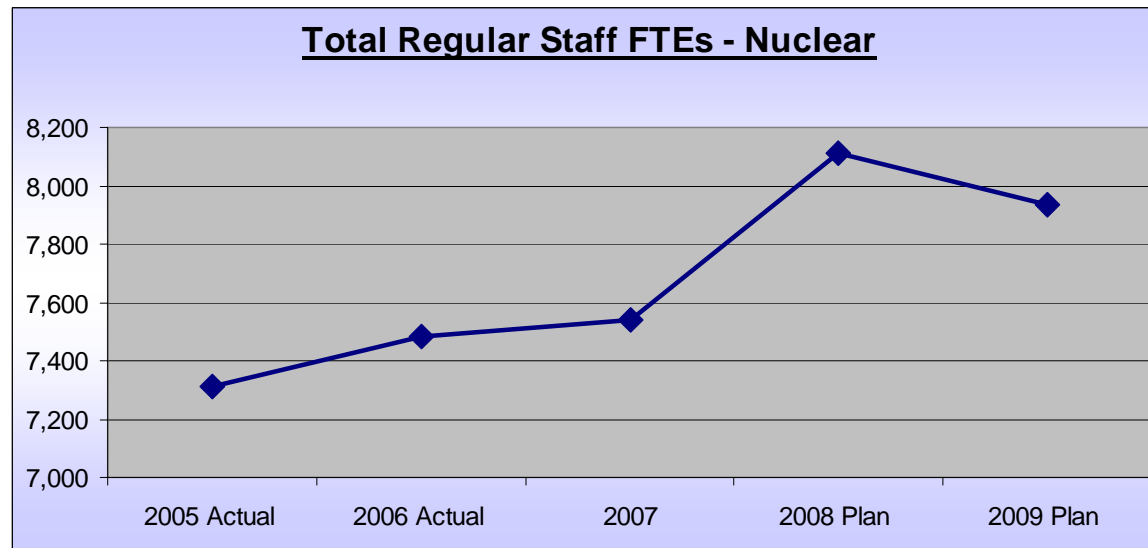
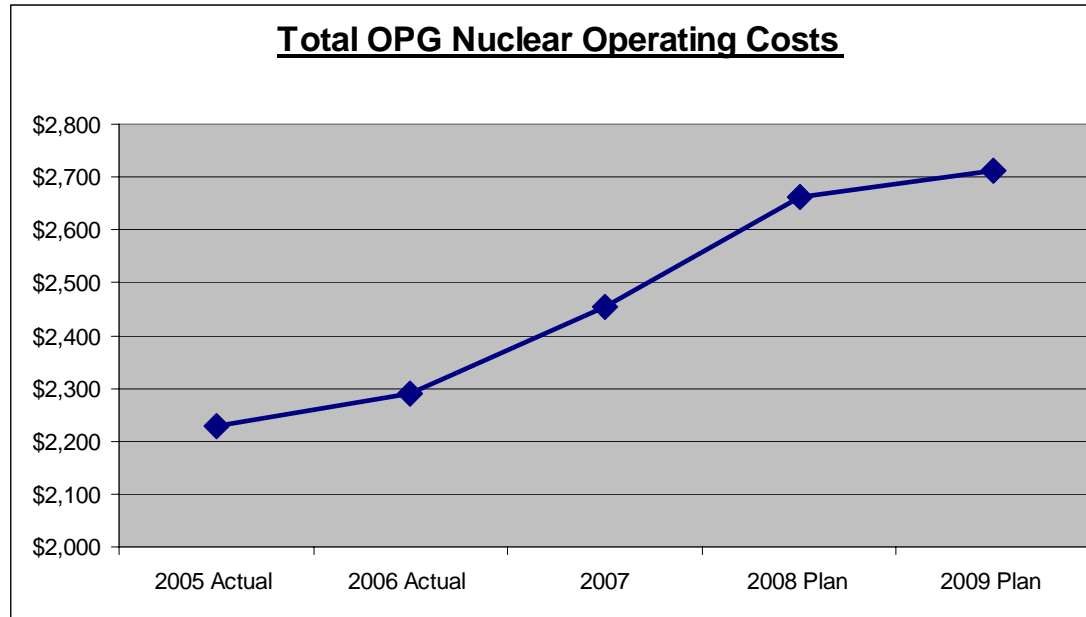


Nuclear OM&A Breakdown

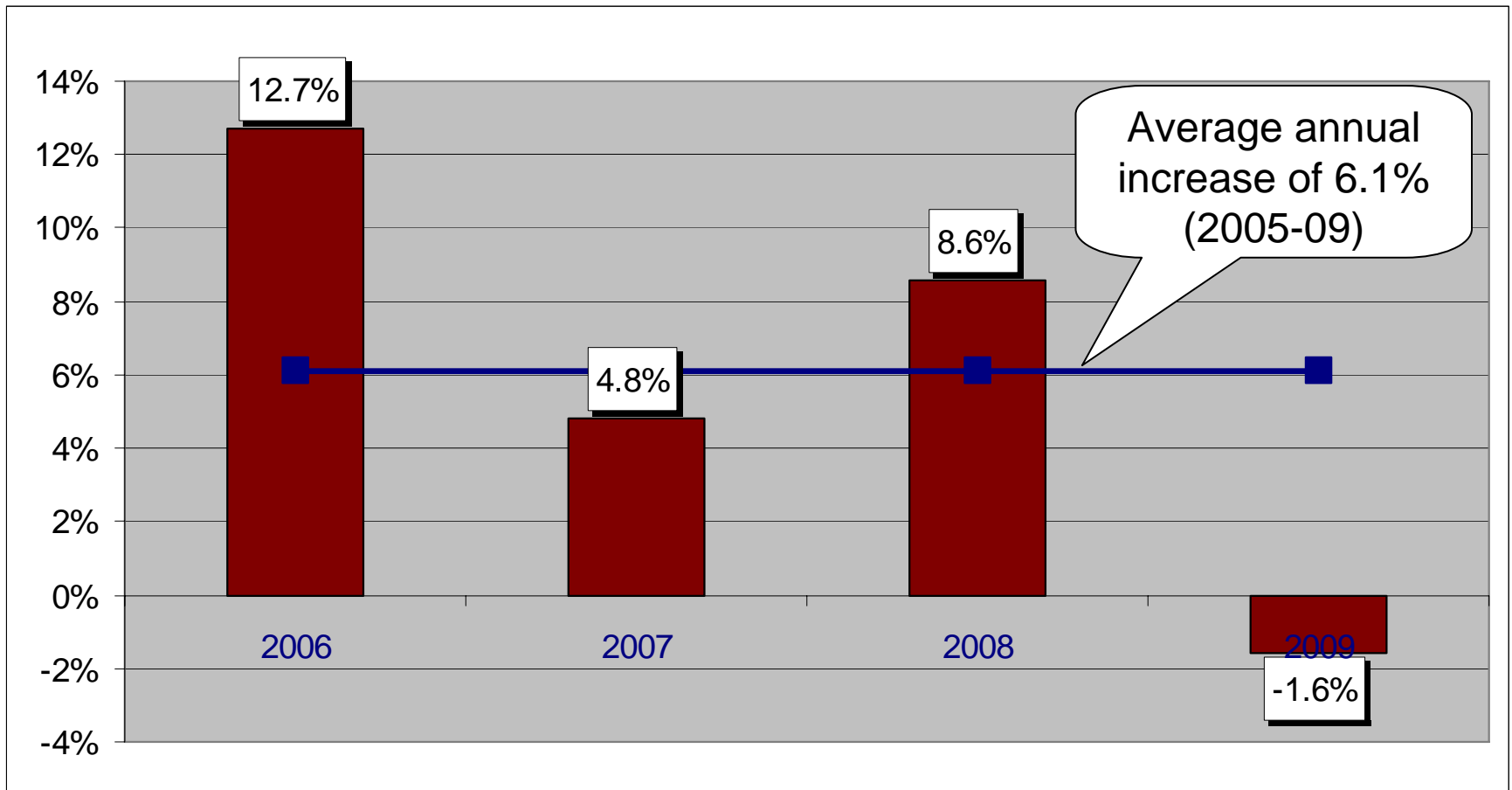
Impact of Labour Costs on Base OM&A



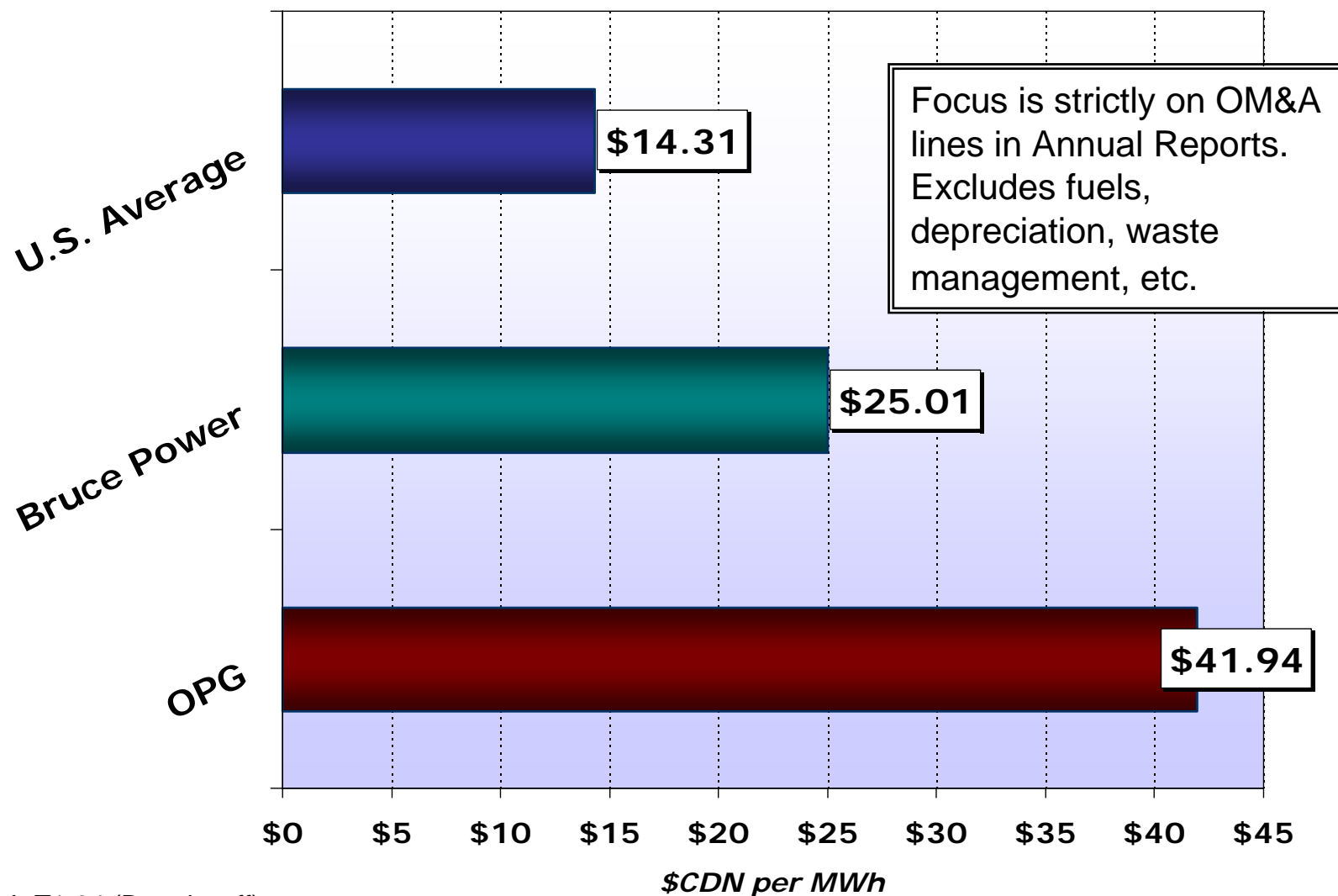
Nuclear Regular FTEs and OM&A Trends



Annual Increases in Nuclear Regular Staff Labour Costs



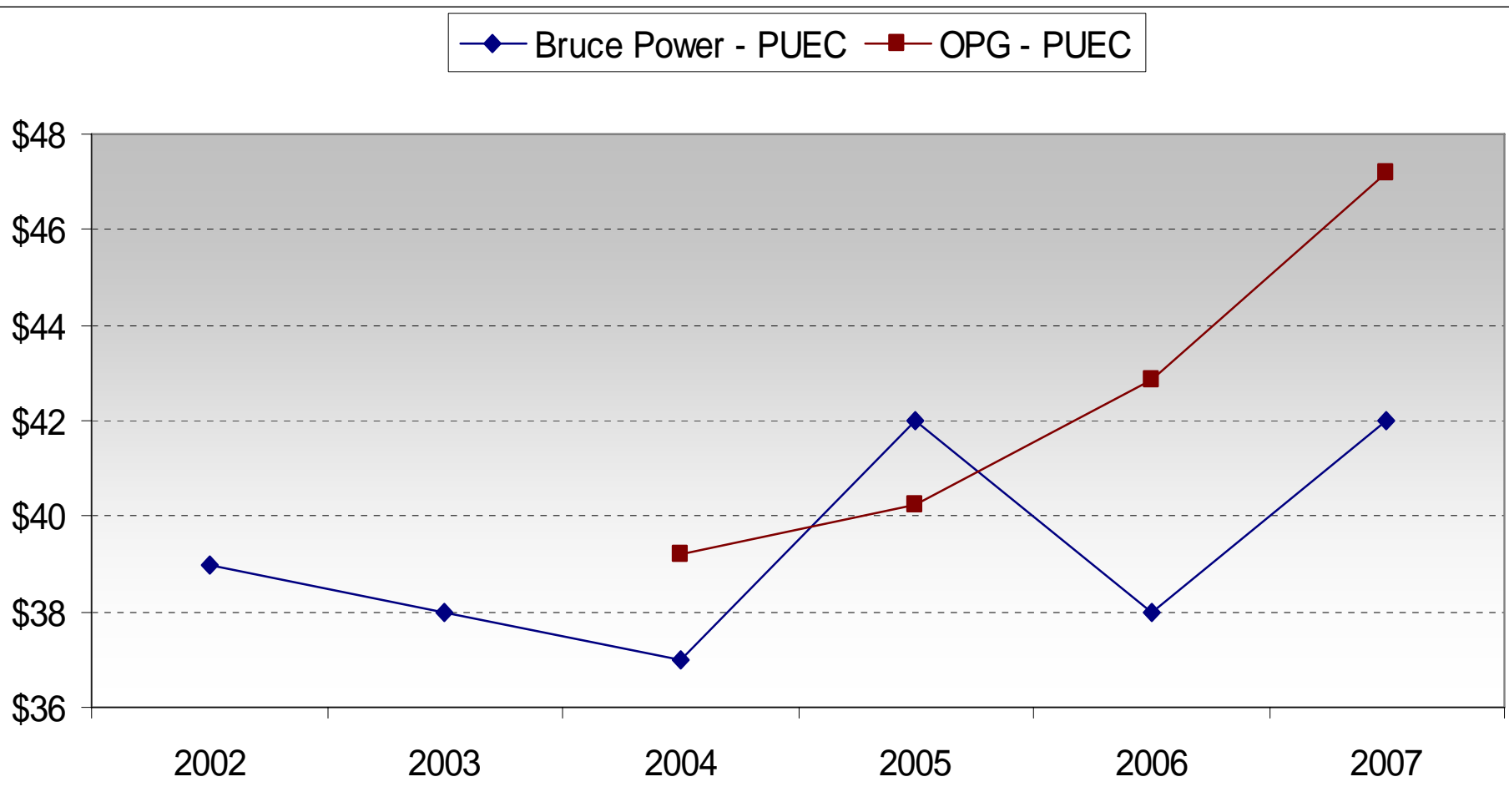
2006 Nuclear OM&A Costs: OPG vs Industry Peers (\$Cdn / MWh)



Source: L-T1-34 (Board staff)

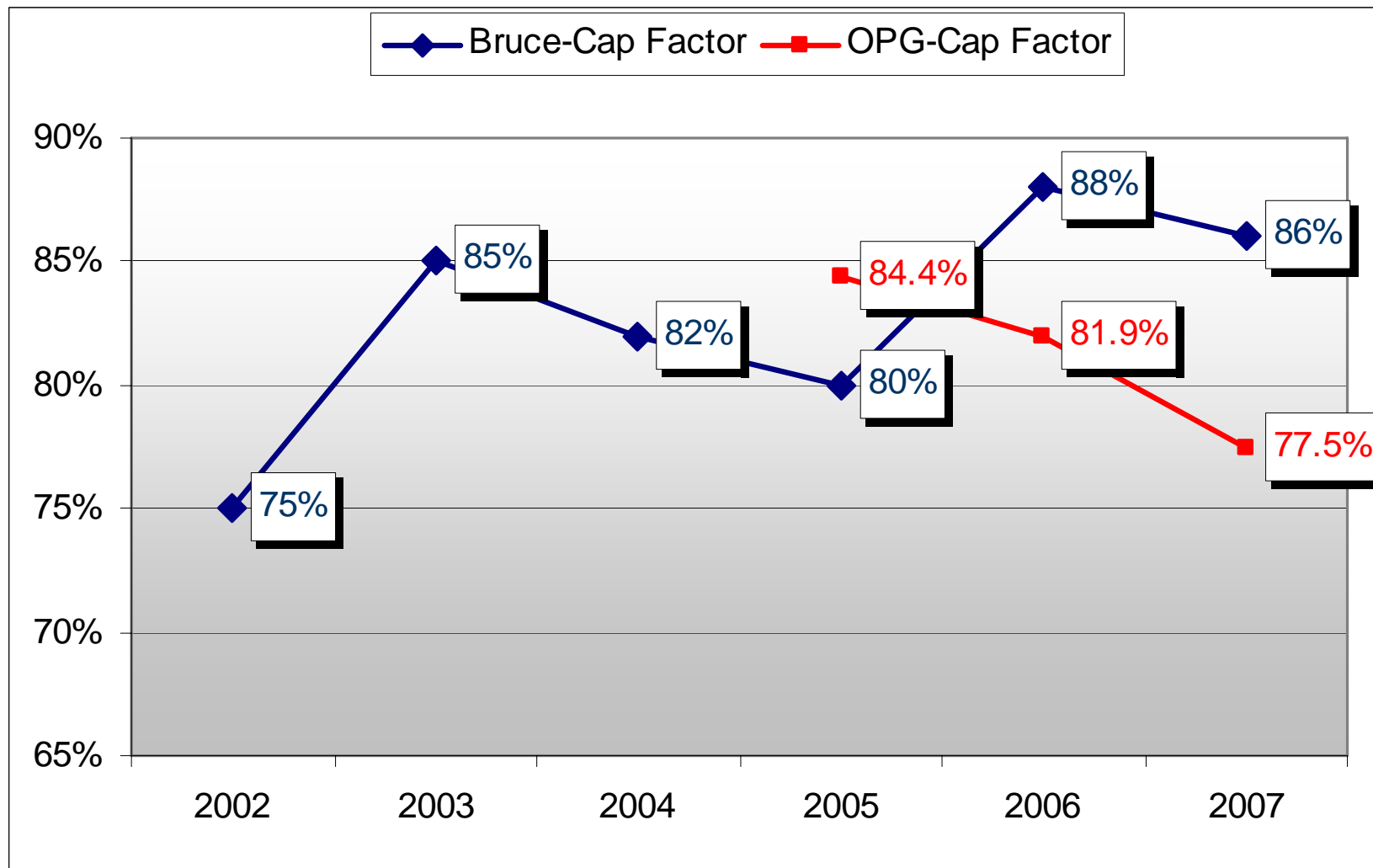
Source: US Nuclear Energy Institute (NEI) for U.S. Average OM&A. The average exchange rate for 2006 from the Bank of Canada was used to convert to Cdn \$'s.

Production Unit Energy Cost (PUEC)



"Nuclear PUEC is used to measure the cost effectiveness of OPG's nuclear generating assets. It is a measure of the cost of producing a unit of electricity." (Source: OPG 2005 Year-End Earnings Report)

Capacity/Capability Factor



Appendix (sources for slide 1)

Nuclear: Drivers of Revenue Deficiency

Nuclear - Drivers of Revenue Deficiency									
	Interim Rates	Updated Submission	Change	Increased ROE	Capital Structure	Nuclear Liabilities	Amort of deferred Nuc Liab	Other Factors	Total Change
Average Rate Base (\$M)									
Fuel / GRC Costs	\$202	\$330	\$128					\$128	\$128
OM&A	\$3,240	\$3,799	\$559					\$559	\$559
Property Tax	\$47	\$25	-\$22					-\$22	-\$22
Capital Tax	\$38	\$14	-\$24					-\$24	-\$24
Depreciation	\$653	\$654	\$1			\$79	\$116	-\$194	\$1
Interest	\$195	\$152	-\$43		-\$46	\$24		-\$21	-\$43
Current Income Taxes	\$12		-\$12			-\$137		\$124	-\$12
Large Corporate Tax	\$19		-\$19					-\$19	-\$19
Return on Equity	\$197	\$369	\$172	\$151	\$80	\$17		-\$76	\$172
Required Revenues (\$M)	\$4,604	\$5,342	\$739	\$151	\$34	-\$17	\$116	\$454	\$739
<i>less excess earnings from:</i>									
Bruce Lease	-\$211	-\$121	\$90	\$48	\$11	\$98		-\$67	\$90
Ancillary and Other Services	-\$24	-\$68	-\$44					-\$44	-\$44
Required Revenues less Excess Earnings (\$M)	\$4,368	\$5,153	\$785	\$200	\$45	\$82	\$116	\$342	\$785

Source: L-3-49 (CCC)

Reg Hydro: Drivers of Revenue Deficiency

Hydroelectric - Drivers of Revenue Deficiency							
	Interim Rates	Updated Submission	Change	Increased ROE	Capital Structure	Other Factors	Total Change
Average Rate Base (\$M)							
Fuel / GRC Costs	\$416	\$424	\$8			\$8	\$8
OM&A	\$136	\$201	\$64			\$64	\$64
Property Tax							
Capital Tax	\$19	\$15	-\$4			-\$4	-\$4
Depreciation	\$112	\$111	-\$1			-\$1	-\$1
Interest	\$227	\$169	-\$58		-\$51	-\$7	-\$58
Current Income Taxes	\$15		-\$15			-\$15	-\$15
Large Corporate Tax	\$9		-\$9			-\$9	-\$9
Return on Equity	\$163	\$409	\$246	\$168	\$89	-\$11	\$246
Required Revenues (\$M)	\$1,097	\$1,329	\$232	\$168	\$38	\$26	\$232
<i>less excess earnings from: Ancillary and Other Services</i>	<i>-\$59</i>	<i>-\$47</i>	<i>\$13</i>			<i>\$13</i>	<i>\$13</i>
Required Revenues less Excess Earnings (\$M)	\$1,038	\$1,282	\$244	\$168	\$38	\$38	\$244