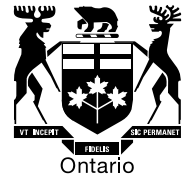


**Ontario Energy
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BY E-MAIL

November 9, 2016

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

Dear Ms. Walli:

**Re: Ontario Power Generation Inc.
2017-2021 Payment Amounts
Ontario Energy Board File Number EB-2016-0152**

In accordance with Procedural Order No. 1, please find attached OEB staff's submission relating to the prioritization of the issues list in the above noted proceeding. OPG and all intervenors have been copied on this filing.

Yours truly,

Original signed by

Violet Binette
Project Advisor, Applications

Attach

ONTARIO POWER GENERATION INC.

2017-2021 PAYMENT AMOUNTS

EB-2016-0152

Ontario Energy Board

Staff Submission -

Prioritization of Issues List

November 9, 2016

INTRODUCTION

Ontario Power Generation Inc. (OPG) filed an application with the Ontario Energy Board (OEB) on May 27, 2016, seeking approval for changes in payment amounts for the output of its nuclear generating facilities and most of its hydroelectric generating facilities. The request seeks approval for nuclear payment amounts to be effective January 1, 2017 and for each following year through to December 31, 2021. The request seeks approval for hydroelectric payment amounts to be effective January 1, 2017 to December 31, 2017 and approval of the formula used to set the hydroelectric payment amount for the period January 1, 2017 to December 31, 2021.

In Procedural Order No. 1, issued on August 12, 2016, the OEB made provision for submissions on the draft issues list at Exh A1-10-1 of the application. The decision on the final issues list (non-prioritized) was issued on September 23, 2016.

The OEB also made provision for submissions on categorizing issues into primary and secondary issues following the filing of interrogatory responses. OEB staff has reviewed the interrogatory responses filed by OPG on October 26, 2016 and November 1, 2016. OEB staff submits that the OEB could consider the issues listed below as secondary issues and, in the event the issues are not settled, proceed by way of written hearing for those issues.

GENERAL

- 1.1 Has OPG responded appropriately to all relevant OEB directions from previous proceedings?

There was only one interrogatory inquiring about compliance, to which OPG replied that it had complied with all OEB directions from previous decisions. OEB staff submits that a written hearing is appropriate.

CAPITAL STRUCTURE AND COST OF CAPITAL

- 3.2 Are OPG's proposed costs for the long-term and short-term debt components of its capital structure appropriate?

Most of the interrogatories regarding the basis for the cost of debt in the test period seek information on the Global Insights Forecast used by OPG. OEB staff submits that the matter can be addressed by way of written hearing.

OPERATING COSTS

6.3 Is the forecast of nuclear fuel costs appropriate?

There were a small number of interrogatories related to fuel bundle pricing, fuel inventory and accounting matters. OEB staff submits that this issue is a secondary issue. However, OEB staff submits that any nuclear fuel cost matters related to production forecast would, by association, allow examination of the costs by way of oral hearing.

6.11 Are the asset service fee amounts charged to the nuclear businesses appropriate?

OEB staff submits that the asset service fee is a secondary issue as amounts for the nuclear business are approximately \$25 million annually, similar to historical amounts, and decline over the test period.

OTHER REVENUES

7.1 Are the forecasts of nuclear business non-energy revenues appropriate?

Based on OEB staff's review of the interrogatories and responses, the main focus for the interrogatories was the methodology for forecasting non-energy revenues and the forecasts themselves, e.g. opportunities for sales of Helium-3 and heavy water. In addition, as the average other revenue in the test period is forecast to be less than \$25 million, OEB staff submits that it is reasonable to consider issue 7.1 as a secondary issue.

NUCLEAR WASTE MANAGEMENT AND DECOMMISSIONING LIABILITIES

8.1 Is the revenue requirement methodology for recovering nuclear liabilities in relation to nuclear waste management and decommissioning costs appropriate? If not, what alternative methodology should be considered?

The revenue requirement methodology for recovery of nuclear liabilities was reviewed in the first cost of service proceeding, EB-2007-0905. OPG has provided the financial impacts of the current approved Ontario Nuclear Funds Agreement Reference Plan. OPG states that it has applied the same methodologies for deriving the financial impacts as were applied in the previous cost of service proceedings. As no parties have indicated that intervenor evidence will be filed on the matter, OEB staff submits that it is

reasonable to consider issue 8.1 as a secondary issue. A written hearing is reasonable for this matter.

DEFERRAL AND VARIANCE ACCOUNTS

- 9.3 Are the balances for recovery in each of the deferral and variance accounts appropriate?
- 9.4 Are the proposed disposition amounts appropriate?
- 9.6 Is the proposed continuation of deferral and variance accounts appropriate?

In the current proceeding, OPG proposes to clear the audited December 31, 2015 balances in all deferral and variance accounts except for the Pension & OPEB Cash Versus Accrual Differential Deferral Account. There was one interrogatory under issue 9.3, one interrogatory under issue 9.4 and no interrogatories under issue 9.6. OEB staff submits that it is reasonable to address the transactions, amortization and interest for any of the deferral and variance accounts, and proposed disposition for the accounts by way of written hearing. However, OEB staff submits that revenue requirement examination of a primary issue with a related deferral and variance account (e.g. pension) would, by association, allow examination of the account by way of oral hearing.

REPORTING AND RECORD KEEPING REQUIREMENTS

- 10.1 Are the proposed reporting and record keeping requirements appropriate?

There were no interrogatories filed under this issue and OEB staff submits that the issue is a secondary issue.

METHODOLOGIES FOR SETTING PAYMENT AMOUNTS

- 11.2 Are the adjustments OPG has made to the regulated hydroelectric payment amounts arising from EB-2013-0321 appropriate for establishing base rates for applying the hydroelectric incentive regulation mechanism?

OEB staff submits that the determination of the base payment amount for applying the hydroelectric incentive regulation mechanism is mechanistic. As such, OEB staff submits that the issue 11.2 is a secondary issue.

All of which is respectfully submitted