

November 9, 2016

**VIA RESS, EMAIL AND COURIER**

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

Dear Ms. Walli:

**Re: EB-2016-0152 – Ontario Power Generation Inc. 2017-2021 Payment Amounts - Submission of the Applicant re: Prioritization of the Issues List**

**Overview**

As discussed on page 4 of Procedural Order No. 1 in EB-2016-0152, OPG filed a prioritized draft issues list with its application at Ex. A1-10-1 ("Draft Issues List"). In its decision on the issues list dated September 23, 2016, the OEB made certain amendments and additions to the Draft Issues List ("Final Issues List"). OPG's submissions with respect to prioritization of those additional issues in the Final Issues List are summarized below in Table 1.

**Table 1: Prioritization of Additional Issues**

<b><u>Issue No.</u></b>	<b><u>Issue</u></b>	<b><u>Prioritization</u></b>
2.2	Are the amounts proposed for nuclear rate base for the Darlington Refurbishment Program appropriate?	Primary
4.3	Are the proposed nuclear capital expenditures and/or financial commitments for the Darlington Refurbishment Program reasonable?	Primary
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?	Secondary
9.2	Are the methodologies for recording costs in the deferral and variance accounts appropriate?	Secondary
9.7	Is the rate smoothing deferral account in respect of the nuclear facilities that OPG proposes to establish consistent with O. Reg. 53/05 and appropriate?	Primary
9.8	Should any newly proposed deferral and variance accounts be approved by the OEB?	Secondary

10.2	Is the monitoring and reporting of performance proposed by OPG for the regulated hydroelectric facilities appropriate?	Secondary
10.3	Is the monitoring and reporting of performance proposed by OPG for the nuclear facilities appropriate?	Secondary
10.4	Is the proposed reporting for the Darlington Refurbishment Program appropriate?	Secondary
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?	Secondary
11.4	Does the Custom IR application adequately include expectations for productivity and efficiency gains relative to benchmarks and establish an appropriately structured incentive-based rate framework?	Primary
11.5	Is OPG's proposed mid-term review appropriate?	Secondary
11.7	Is OPG's proposed off-ramp appropriate?	Secondary

For the OEB's reference, attached as Appendix A to this submission is OPG's prioritized Final Issues List.

### **Prioritization and Criteria for Designating Primary Issues**

OPG understands that the OEB, in its cover letter to EB-2011-0286 dated November 11, 2011, embarked on issue prioritization to streamline the regulatory process and enhance efficiency ("Filing Guidelines"). OPG also understands that the OEB wishes to avoid a repeat of EB-2010-0008 where, as the OEB stated, "a number of issues which parties pursued vigorously in cross-examination and argument were not of sufficiently high priority in terms of the dollars or the principle involved." Given the limited cross examination time available for the hearing, OPG's preference is that primary issues be designated for oral hearing on an exceptional basis, so as to increase the prospects for a comprehensive settlement.

OPG believes two criteria emerge from these considerations. First, the issues that are deemed primary should have a material dollar impact on the revenue requirement or the determination of payment amounts, or involve matters of principle that are likely to have significant future application in setting OPG's payment amounts. Second, matters that were fully explored and decided in a previous decision should be designated as secondary issues except where significant new information has emerged that warrants revisiting the issue. Pursuant to the Filing Guidelines, those secondary issues that are unsettled will be decided by the hearing Panel by way of written hearing, and any decision will be based on both the extensive record developed through OPG's written evidence, interrogatory responses, technical conference responses and undertakings, and on the parties' written arguments on that evidence. As a result, the limited cross examination time available for this hearing can be used to explore the more significant primary issues.

### **Issues with Potential Material Financial or Policy Impact**

*2.2 Are the amounts proposed for nuclear rate base for the Darlington Refurbishment Program appropriate?*

*4.3 Are the proposed nuclear capital expenditures and/or financial commitments for the Darlington Refurbishment Program reasonable?*

In Ex. A1-10-1, OPG designated as primary issues those issues related to (i) the amounts proposed for the nuclear rate base and (ii) the proposed nuclear capital expenditures and/or financial commitments. OPG believes that a determination on these issues may have a material

dollar impact on its revenue requirement. In the Final Issues List, the OEB split these issues as between the nuclear facilities and the Darlington Refurbishment Program. OPG submits that the OEB's determination on issues 2.2 and 4.3, relating to the Darlington Refurbishment Program, should be similarly designated as primary issues.

*9.7 Is the rate smoothing deferral account in respect of the nuclear facilities that OPG proposes to establish consistent with O. Reg. 53/05 and appropriate?*

*11.4 Does the Custom IR application adequately include expectations for productivity and efficiency gains relative to benchmarks and establish an appropriately structured incentive-based rate framework?*

In Ex. A1-10-1, OPG prioritized issues relating to the proposal for smoothing nuclear payment amounts (issue 11.6) and establishing incentive regulation for the nuclear facilities (issue 11.3) as primary issues. OPG believes that the OEB's determination in respect of these matters will have significant future application in setting OPG's payment amounts. Issue 9.7 refers to the related deferral and variance account for rate smoothing, and by association to issue 11.6, should be prioritized as a primary issue. As noted in OPG's reply submissions on the issues list, OPG believes that issue 11.4 is closely related to issue 11.3, and as such should be similarly prioritized as a primary issue.

#### **Issues with a Relatively Limited Financial or Policy Impact; or Previously Decided Where Circumstances Have Not Changed**

*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?*

As stated in OPG's reply submissions on issues list, the methodology for recovering nuclear liabilities was established in EB-2007-0905, and upheld by the OEB in EB-2010-0008 and EB-2013-0321. Furthermore, the recovery of nuclear liabilities for the prescribed facilities and the costs OPG incurs for the nuclear liabilities with respect to the Bruce Nuclear Generating Station are as set out in O.Reg. 53/05. Given the extensive review the regulatory treatment of nuclear liabilities has received in the past and the extensive record developed to date on this issue, OPG submits that issue 8.1 should be designated as a secondary issue.

*9.2 Are the methodologies for recording costs in the deferral and variance accounts appropriate?*

Notwithstanding the Rate Smoothing Deferral Account addressed under issue 9.7, OPG submits that issue 9.2 involves established methodological approaches that would not benefit from cross-examination during oral hearing. OPG therefore submits that issue 9.2 should be designated as a secondary issue.

*9.8 Should any newly proposed deferral and variance accounts be approved by the OEB?*

OPG notes that no new deferral and variance accounts have been proposed by parties and only four interrogatories addressed this issue. As such, OPG submits that issue 9.8 should be designated as a secondary issue.

*10.2 Is the monitoring and reporting of performance proposed by OPG for the regulated hydroelectric facilities appropriate?*

*10.3 Is the monitoring and reporting of performance proposed by OPG for the nuclear facilities appropriate?*

*10.4 Is the proposed reporting for the Darlington Refurbishment Program appropriate?*

As stated in OPG's reply submissions on issue list, OPG believes that issues 10.2, 10.3, and 10.4 are captured generally under issue 10.1. As stated in Ex. A1-3-2, the additional measures proposed by OPG in this application are consistent with the RRFE. OPG therefore submits that issues 10.2, 10.3 and 10.4 should be prioritized as secondary issues.

*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?*

OPG has filed an application based on a comprehensive IR framework for its prescribed hydroelectric facilities. The base payment amounts that are the starting point for IR arise from EB-2013-0321. These payment amounts were determined by the OEB to be just and reasonable in that proceeding. The one adjustment made by OPG is derived directly from the payment amounts order. As such, OPG submits that issue 11.2 should be prioritized as a secondary issue.

*11.5 Is OPG's proposed mid-term review appropriate?*

It is not known at this time what the impact, if any, will be on payment amounts or the Rate Smoothing Variance Account as a result of a mid-term review. The consequences of the mid-term review are not at issue in this proceeding. Instead, what is at issue is the parameters of the mid-term review, which OPG believes should be designated as a secondary issue, and appropriately addressed through a written hearing if unsettled.

*11.7 Is OPG's proposed off-ramp appropriate?*

OPG's off ramp proposal is based on OPG's regulated ROE and is entirely consistent with the RRFE. OPG submits that issues 11.7 should be prioritized as a secondary issue.

All of which is respectfully submitted.

[Original signed by]

Barbara Reuber  
Regulatory Affairs  
Ontario Power Generation

Cc: Carlton Mathias (OPG) via email  
Charles Keizer (Torys LLP) via email  
Crawford Smith (Torys LLP) via email  
Intervenors of Record via email

## APPENDIX A – OPG PRIORITIZED ISSUES LIST

Issue No.	Issue	Prioritization
<b>1.0</b>	<b>GENERAL</b>	
1.1	Has OPG responded appropriately to all relevant OEB directions from previous proceedings?	Secondary
1.2	Are OPG's economic and business planning assumptions that impact the nuclear facilities appropriate?	Primary
1.3	Is the overall increase in nuclear payment amounts including rate riders reasonable given the overall bill impact on customers?	Primary
<b>2.0</b>	<b>RATE BASE</b>	
2.1	Are the amounts proposed for nuclear rate base (excluding those for the Darlington Refurbishment Program) appropriate?	Primary
2.2	Are the amounts proposed for nuclear rate base for the Darlington Refurbishment Program appropriate?	Primary
<b>3.0</b>	<b>CAPITAL STRUCTURE AND COST OF CAPITAL</b>	
3.1	Are OPG's proposed capital structure and rate of return on equity appropriate?	Primary
3.2	Are OPG's proposed costs for the long-term and short-term debt components of its capital structure appropriate?	Secondary
<b>4.0</b>	<b>CAPITAL PROJECTS</b>	
4.1	Do the costs associated with the nuclear projects that are subject to section 6(2)4 of O. Reg. 53/05 and proposed for recovery meet the requirements of that section?	Primary
4.2	Are the proposed nuclear capital expenditures and/or financial commitments (excluding those for the Darlington Refurbishment Program) reasonable?	Primary
4.3	Are the proposed nuclear capital expenditures and/or financial commitments for the Darlington Refurbishment Program reasonable?	Primary
4.4	Are the proposed test period in-service additions for nuclear projects (excluding those for the Darlington Refurbishment Program) appropriate?	Primary
4.5	Are the proposed test period in-service additions for the Darlington Refurbishment Program appropriate?	Primary
<b>5.0</b>	<b>PRODUCTION FORECASTS</b>	
5.1	Is the proposed nuclear production forecast appropriate?	Primary
<b>6.0</b>	<b>OPERATING COSTS</b>	
6.1	Is the test period Operations, Maintenance and Administration budget for the nuclear facilities (excluding that for the Darlington Refurbishment Program) appropriate?	Primary
6.2	Is the nuclear benchmarking methodology reasonable? Are the benchmarking results and targets flowing from OPG's nuclear benchmarking reasonable?	Primary
6.3	Is the forecast of nuclear fuel costs appropriate?	Secondary
6.4	Is the test period Operations, Maintenance and Administration budget for the Darlington Refurbishment Program appropriate?	Primary
6.5	Are the test period expenditures related to extended operations for Pickering appropriate?	Primary

Issue No.	Issue	Prioritization
6.6	Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?	Primary
6.7	Are the corporate costs allocated to the nuclear businesses appropriate?	Primary
6.8	Are the centrally held costs allocated to the nuclear business appropriate?	Primary
6.9	Is the proposed test period nuclear depreciation expense appropriate?	Secondary
6.10	Are the amounts proposed to be included in the test period nuclear revenue requirement for income and property taxes appropriate?	Secondary
6.11	Are the asset service fee amounts charged to the nuclear businesses appropriate?	Secondary
<b>7.0</b>	<b>OTHER REVENUES</b>	
7.1	Are the forecasts of nuclear business non-energy revenues appropriate?	Secondary
7.2	Are the test period costs related to the Bruce Nuclear Generating Station, and costs and revenues related to the Bruce lease appropriate?	Secondary
<b>8.0</b>	<b>NUCLEAR WASTE MANAGEMENT AND DECOMMISSIONING LIABILITIES</b>	
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?	Secondary
8.2	Is the revenue requirement impact of the nuclear liabilities appropriately determined?	Primary
<b>9.0</b>	<b>DEFERRAL AND VARIANCE ACCOUNTS</b>	
9.1	Is the nature or type of costs recorded in the deferral and variance accounts appropriate?	Secondary
9.2	Are the methodologies for recording costs in the deferral and variance accounts appropriate?	Secondary
9.3	Are the balances for recovery in each of the deferral and variance accounts appropriate?	Secondary
9.4	Are the proposed disposition amounts appropriate?	Secondary
9.5	Is the disposition methodology appropriate?	Secondary
9.6	Is the proposed continuation of deferral and variance accounts appropriate?	Secondary
9.7	Is the rate smoothing deferral account in respect of the nuclear facilities that OPG proposes to establish consistent with O. Reg. 53/05 and appropriate?	Primary
9.8	Should any newly proposed deferral and variance accounts be approved by the OEB?	Secondary
<b>10.0</b>	<b>REPORTING AND RECORD KEEPING REQUIREMENTS</b>	
10.1	Are the proposed reporting and record keeping requirements appropriate?	Secondary
10.2	Is the monitoring and reporting of performance proposed by OPG for the regulated hydroelectric facilities appropriate?	Secondary
10.3	Is the monitoring and reporting of performance proposed by OPG for the nuclear facilities appropriate?	Secondary
10.4	Is the proposed reporting for the Darlington Refurbishment Program appropriate?	Secondary
<b>11.0</b>	<b>METHODOLOGIES FOR SETTING PAYMENT AMOUNTS</b>	

Issue No.	Issue	Prioritization
11.1	Is OPG's approach to incentive rate-setting for establishing the regulated hydroelectric payment amounts appropriate?	Primary
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?	Secondary
11.3	Is OPG's approach to incentive rate-setting for establishing the nuclear payment amounts appropriate?	Primary
11.4	Does the Custom IR application adequately include expectations for productivity and efficiency gains relative to benchmarks and establish an appropriately structured incentive-based rate framework?	Primary
11.5	Is OPG's proposed mid-term review appropriate?	Secondary
11.6	Is OPG's proposal for smoothing nuclear payment amounts consistent with O. Reg. 53/05 and appropriate?	Primary
11.7	Is OPG's proposed off-ramp appropriate?	Secondary
<b>12.0</b>	<b>IMPLEMENTATION</b>	
12.1	Are the effective dates for new payment amounts and riders appropriate?	Primary