

**Ontario Energy  
Board**

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**BY E-MAIL**

February 3, 2017

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: 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 on the settlement proposal filed 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 on Settlement Proposal**

**February 3, 2017**

## 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 the regulated hydroelectric generating facilities for the period January 1, 2017 to December 31, 2021.

On December 21, 2016, the OEB issued a decision on issues list prioritization. The OEB categorized certain issues as those that would proceed by way of oral hearing and were ineligible for settlement. The remaining issues were categorized into primary issues, which would proceed by way of oral hearing if unsettled, and secondary issues, which would proceed by way of written hearing if unsettled.

As set out in Procedural Order No. 1, issued on August 12, 2016, a settlement conference was held starting on January 9, 2017. OPG, OEB staff and 14 intervenors participated in the settlement conference.

## Settlement Proposal

The settlement proposal arising from the settlement conference, Exhibit O, was filed on January 30, 2017. The settlement proposal represents a partial settlement.

Number	Issue	Settlement Status
3.2	Secondary: Are OPG's proposed costs for the long-term and short-term debt components of its capital structure appropriate?	Partially Settled
6.3	Secondary: Is the forecast of nuclear fuel costs appropriate?	Partially Settled
6.11	Secondary: Are the asset service fee amounts charged to the nuclear business appropriate?	Settled
7.1	Secondary: Are the forecasts of nuclear business non-energy revenues appropriate?	Settled
9.1	Primary: Is the nature or type of costs recorded in the deferral and variance accounts appropriate?	Partially Settled
9.2	Primary: Are the methodologies for recording costs in the deferral and variance accounts appropriate?	Partially Settled
9.3	Secondary: Are the balances for recovery in each of the deferral and variance accounts appropriate?	Partially Settled
9.6	Secondary: Is the proposed continuation of deferral and variance accounts appropriate?	Settled

<b>Number</b>	<b>Issue</b>	<b>Settlement Status</b>
11.2	Secondary: 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?	Settled

OEB staff notes that there have been a number of updates to the evidence in the course of this proceeding. This submission is based on the status of the record as of the filing of OPG's settlement proposal and reflects observations which arise from OEB staff's review of the evidence and the settlement proposal.

Issues 3.2 and 6.3 were partially settled, and issue 6.11 was fully settled. OEB staff has no concerns with the proposed settlement on these issues. OEB staff submits that the methodologies and processes for determining the debt rates, nuclear fuel bundle unit costs and asset service fees are consistent with prior applications.

Issues 7.1 and 11.2 were fully settled. OEB staff has no concerns with the \$12.2 million increase in other revenue proposed by the parties, or the agreement with respect to the tax loss adjustment to hydroelectric payment amounts if the EB-2013-0321 payment amount is to be used to establish base rates for hydroelectric IRM.

The parties settled issue 9.6 regarding the continuation of deferral and variance accounts, and partially settled issues 9.1, 9.2 and 9.3. While the parties were in agreement for most accounts with respect to the type of costs recorded, the methodologies for recording costs and the amounts proposed for disposition, the nuclear part of the Capacity Refurbishment Variance Account, the Nuclear Liability Deferral Account and the Bruce Lease Net Revenues Variance Account were excluded from settlement. OEB staff submits that further examination of the three accounts and issues relating to the accounts is appropriate.

OEB staff submits that the outcomes arising from the OEB's approval of the issues settled and partially settled would adequately reflect the public interest and would contribute to just and reasonable payment amounts for customers.

OEB staff further submits that the explanation and rationale provided by the parties is adequate to support the settlement proposal.

All of which is respectfully submitted