

February 22, 2017

VIA RESS 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 – OPG Rate Smoothing Proposal

To make the increases resulting from its rate application more predictable and to reduce the average year-over-year impact on customer bills arising from its application for payment amounts for the period 2017-2021, OPG has identified a revision to O. Reg. 53/05, which if implemented would modify its rate smoothing proposal. This modified proposal was raised by the OEB and intervenors through the course of the proceeding. OPG has communicated this opportunity to the Minister of Energy (see Attachment A). The Minister has responded favourably (see Attachment B) and is pursuing the required amendments to O. Reg. 53/05.

OPG must await final promulgation of the regulatory change before it can file an amended proposal. Given the imminent start of the hearing in EB-2016-0152 and to facilitate an efficient process, OPG proposes to remove rate smoothing from the scope of Panel 2Aii Application Overview, Nuclear Rate-setting Framework, Business Planning and consider the issue at the end of the hearing through a rate smoothing panel. OPG will file an amended Ex. A1-9-1 which will identify the evidence related to rate smoothing that will be removed from Panel 2Aii and be considered by the rate smoothing panel.

Yours truly,

[Original signed by]

Barbara Reuber

cc: John Beauchamp (OPG) via e-mail
Charles Keizer (Torys) via e-mail
Crawford Smith (Torys) via e-mail

February 17, 2017

The Honourable Glenn Thibeault
Minister of Energy
4th Floor Hearst Block
900 Bay Street
Toronto, Ontario
M7A 2E1

Dear Minister Thibeault,

Ontario Power Generation (OPG) takes great pride in providing the lowest cost electricity in the Province and is committed to maintaining this position as a way to keep customer bills as low as possible. I am writing to propose an amendment to Ontario Regulation 53/05 that will permit OPG to submit to the Ontario Energy Board (OEB) a revised rate smoothing proposal that would significantly reduce the impact of OPG's rate application on customer bills.

As you are aware, OPG is in the midst of applying to the OEB for new payment amounts covering the period 2017 through 2021. This application advances several significant Provincial initiatives. In advancing these initiatives, OPG has been focused on the safe delivery of quality projects while controlling costs. To reduce the impact on customer bills, our rate application already contains a rate smoothing proposal but we believe that more can be done.

Coming out of discussions between OPG, the OEB panel, OEB staff and intervenors, we have identified an opportunity to further reduce the impact of our rate application. OPG's current submission is based on a smoothing of nuclear payment amounts as is required under Ontario Regulation 53/05. We propose that Ontario Regulation 53/05 be changed to smooth the total customer bill impact arising from changes in OPG's combined payments by adjusting the amount that OPG collects over time.

If this step were taken, subject to a final decision from the OEB, this would limit the increase on the average bills to 62 cents a month per year from the currently proposed \$1.05, an average of a 40% reduction in the customer bill impact arising from OPG's application. If the Province is supportive of the implementation of a regulation change, OPG would modify its rate smoothing proposal in this current application to further reduce the impact on customer bills.

I also want to assure you that we understand the concerns of our customers and will look for ways in future rate applications to maintain our position as the low cost energy provider.

There is some urgency to this request given that we are to start the hearing portion of this application in late February. I am happy to answer any questions you may have and look forward to a favourable response

Sincerely,



Jeff Lyash

Ministry of Energy

Office of the Minister

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FEB 21 2017

MC-2017-321

Mr. Jeffrey J. Lyash
President and CEO
Ontario Power Generation
700 University Avenue
Toronto ON M5G 1X6

Dear Mr. Lyash:

Thank you for your letter dated February 17, 2017, outlining Ontario Power Generation's (OPG) suggested changes to *Ontario Regulation 53/05* under the *Electricity Act, 1998*. These proposed changes would help to smooth the recovery of costs associated with OPG capital investments, taking into account the overall impact on customer bills.

According to your letter, OPG's current application would have resulted in an average \$1.05 per month impact on customer bills, on an annual basis for the 2017 to 2021 application period, if accepted by the Ontario Energy Board (OEB). OPG's current proposal would reduce average bill impacts to \$0.62 per month on an annual basis; a 40 per cent reduction relative to OPG's current application. This aligns with the province's objectives of reducing costs for electricity customers in Ontario.

I would ask that you work with the Ministry of Energy staff in order to enable this change on an expedited basis, recognizing the urgency in finding ways to provide relief for customers and the timing of OPG's application. Please ensure that all changes are designed to mitigate cost impacts to electricity customers. I trust the OEB will review this application, in accordance with its objectives to protect the interest of consumers with respect to prices and the adequacy, reliability and quality of electricity service.

Your proposal demonstrates leadership on the part of OPG staff, management and Board of Directors to keep the interests of Ontario ratepayers at the forefront of your corporate mission. I am also pleased to learn that this proposal was a result of the established OEB intervener process, which encourages dialogue and collaboration between all interested parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Thibeault", with a long horizontal flourish extending to the right.

Glenn Thibeault
Minister