

ONTARIO ENERGY BOARD

**Ontario Power Generation Inc.
Application for payment amounts for the period from January
1, 2017 to December 31, 2021**

Submission on Draft Rate Order
Of the
Vulnerable Energy Consumers Coalition
(VECC)

26 January 2018

**Ben Segel-Brown, Counsel for
Vulnerable Energy Consumers Coalition**

Public Interest Advocacy Centre:
1 Nicholas Street, Suite 1204
Ottawa, ON K1N 7B7
613-562-4002
piac@piac.ca

Direct:
bsegel-brown@piac.ca
613-864-6322

1.0 Introduction

1.0 VECC submission on the Draft Rate Order (DRO) is with respect to two issue:

- a) variations as between the Board's Order showing the revenue requirement and OPG's DRO values; and
- b) the proration of the approved 2017 revenue requirement.

2.0 Variations in the Revenue Requirement

2.0 In its Decision and Order (Decision) the Board references the following table¹:

Table 4: Proposed Nuclear Revenue Requirement

\$million	2017	2018	2019	2020	2021
<u>Expenses</u>					
OM&A ¹					
Nuclear Fuel	218.2	219.9	232.1	224.4	209.1
Depreciation	367.0	395.0	400.3	541.2	316.7
Property Tax	14.6	14.9	15.3	15.7	17.0
Income Tax	(6.7)	(18.4)	(18.4)	59.2	(5.0)
<u>Cost of Capital</u>					
Short-term Debt					
Long-term Debt	76.8	73.6	71.2	163.3	173.7
Return on Equity	133.5	136.0	133.7	308.1	328.6
Adjustment for lesser of UNL or ARC ²	25.9	22.1	18.3	14.5	12.4
Other Revenue	31.7	22.0	22.7	22.2	22.9
Bruce Net Revenue	(16.9)	(17.1)	(27.4)	(23.8)	(38.1)
Revenue Requirement	3,161.3	3,190.6	3,283.4	3,798.8	3,418.4
Stretch Factor Reduction Amount		5.0	10.2	15.3	20.6
Deferred Revenue Requirement	251.0	162.0	(38.0)	488.0	142.0
Smoothed Revenue Requirement	2,910.3	3,028.6	3,321.4	3,310.8	3,276.4
Deferral and Variance Accounts	108.9	108.9			

Source: Exh N3-1-1 page 14 and Attachment 3

Note 1: Operations, Maintenance and Administration Costs

Note 2: UNL - unfunded nuclear liability, ARC - asset retirement cost

2.1 The revenue requirement shown in the Decision of \$3,161.3 differs from the Revenue Requirement Before Stretch Factor used by OPG and shown as \$3,149.4 in the table below²:

¹ Board Decision and Order OPG EB-2016-0152, December 28, 2017 p. 8

² Draft Payments Order January 17, 2018, Appendix A, Table 1

Table 1
2017 Summary of Nuclear Revenue Requirement and Deferral Account Amortization Amounts (\$M)

Line No.	Description	Note	OPG Proposed (a)	OEB Adjustment (b)	OEB Approved (c)
			Note 1		
	Rate Base				
1	Net Fixed Assets	2	2,916.4	(209.5)	2,706.9
2	Working Capital		700.5	0.0	700.5
3	Cash Working Capital		11.0	0.0	11.0
4	Total Rate Base		3,627.9	(209.5)	3,418.4
	Capitalization				
5	Short-term Debt	3	10.9	(0.5)	10.4
6	Long-Term Debt	3	1,572.1	19.8	1,591.9
7	Common Equity	3	1,520.9	(209.9)	1,311.0
8	Adjustment for Lesser of UNL or ARC	4	524.0	(18.9)	505.1
9	Total Capital		3,627.9	(209.5)	3,418.4
	Cost of Capital				
10	Short-term Debt	3	0.9	(0.0)	0.8
11	Long-Term Debt	3	76.8	1.0	77.8
12	Return on Equity	3	133.5	(18.4)	115.1
13	Adjustment for Lesser of UNL or ARC	4a	25.9	(0.9)	25.0
14	Total Cost of Capital		237.1	(18.4)	218.7
	Expenses:				
15	OM&A	5	2,343.9	(101.6)	2,242.2
16	Fuel	6	214.9	(9.8)	205.2
17	Depreciation & Amortization	7	367.0	(23.8)	343.2
18	Property Tax		14.6	0.0	14.6
19	Total Expenses		2,940.4	(135.2)	2,805.2
	Less:				
	Other Revenues				
20	Bruce Lease Revenues Net of Direct Costs	8	(16.9)	11.6	(5.3)
21	Ancillary and Other Revenue		37.8	0.0	37.8
22	Total Other Revenues		20.9	11.6	32.5
23	Income Tax	9	(7.3)	(11.1)	(18.4)
24	Revenue Requirement Before Stretch Factor (line 14 + line 19 - line 22 + line 23)		3,149.4	(176.4)	2,973.0
25	Cumulative Nuclear Stretch Dollars	10	0.0	0.0	0.0
26	Revenue Requirement Net of Stretch Factor (line 24 - line 25)		3,149.4	(176.4)	2,973.0
27	Amortization of Deferral & Variance Account Amounts	11	108.9	(108.9)	0.0
28	Revenue Requirement Net of Stretch Factor Plus Deferral & Variance Account Amounts (line 26 + line 27)		3,258.3	(285.3)	2,973.0

- 2.2 The differences are relatively small and we assume arose out of adjustments made during the course of discover and the hearing. In our submission it would be helpful and more transparent if OPG were to provide a table showing the step from the table reference by the Board in its Order and Table 1 used by OPG in the DRO.

3.0 Implementation and Effective Date

3.1 The Board clearly made the effective date of OPG to be June 1, 2017.³ Throughout the Decision the Board carefully distinguishes between the terms “implementation date” and “effective date.” The difference in the two concepts is highlighted in the Decision:⁴

As noted in section 12, Implementation, the OEB has decided that the effective date for payment amounts will be June 1, 2017. The final implementation date will be subject to the completion of the payment amount order process set out below in the Order section. However, for efficiency, the draft payment amounts order shall include the following implementation date scenarios

- *March 1, 2018*
- *April 1, 2018*
- *May 1, 2018*

3.2 Furthermore Section 12 of the Decision goes on at length discussing the Intervenors argument for a later effective date. The Board concludes in its findings that “*OPG should have known that it would take more than seven months for the OEB to consider the application, render a decision and finalize a payment amounts order.*”⁵ The OEB decided that a June 1, 2017 effective date balanced the revenue requirements of OPG with the rate certainty expected by ratepayers.⁶ This leaves no doubt as to the forfeiture of forgone revenue for the period prior to the effective date of June 1, 2017.

3.3 In their submission the School Energy Coalition (SEC) has calculated a reduction for the proration of the 2017 revenue requirement to affect a June 1 effective date. While we cannot verify the calculation, it appears reasonable. In any event we agree with its underlying premise that the approved production forecast should be used to calculate the appropriate proration of the 2017 revenue requirement. We also agree with SEC that OPG should provide a presentation of the calculation of the proration for the Board’s approval in the final rate order.

4.0 Costs

4.0 VECC respectfully submits that it has acted responsibly and efficiently during the course of this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

³ Board Order, *Op. cit.*, p 2.

⁴ *Ibid*, p. 155.

⁵ *Ibid* p. 158.

⁶ *Ibid* p. 159.