

**Ontario Energy
Board**

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BY E-MAIL

March 21, 2018

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 the Decision on Draft Payment Amounts Order and Procedural Order No. 10 issued on March 12, 2018, please find attached OEB staff's submission on the re-filed draft payment amounts order. 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
Re-filed Draft Payment Amounts Order**

March 21, 2018

INTRODUCTION

Ontario Power Generation Inc. (OPG) filed an application with the Ontario Energy Board (OEB) on May 27, 2016 under section 78.1 of the *Ontario Energy Board Act, 1998*, seeking approval for changes in payment amounts for the output of its nuclear generating facilities and most of its hydroelectric generating facilities. The request sought approval for nuclear payment amounts to be effective January 1, 2017 and for each following year through to December 31, 2021. The request sought approval for hydroelectric payment amounts to be effective January 1, 2017 to December 31, 2017 and approval of the hydroelectric payment amount setting formula for the period January 1, 2017 to December 31, 2021.

The OEB issued the Decision and Order on OPG's application for 2017-2021 payment amounts on December 28, 2017. OPG filed the Draft Payment Amounts Order (DPAO) on January 17, 2018, and filed a response to submissions of parties on the DPAO on February 5, 2018.

On March 12, 2018, the OEB issued its Decision on Draft Payment Amounts Order and Procedural Order No. 10 (Decision on DPAO). The OEB directed OPG to re-file the DPAO and appendices to reflect the OEB's findings on capital in-service additions and on weighted average payment amount (WAPA) smoothing.

In accordance with the Decision on DPAO, OPG re-filed the DPAO and appendices on March 19, 2018. The following are OEB staff's comments regarding the re-filing.

1. REVENUE REQUIREMENT

OEB staff has reviewed the revisions related to the implementation of the 10% reduction in nuclear operations and support services in-service capital additions. OEB staff has no concerns.

The Decision on DPAO directed OPG to re-file the DPAO and appendices. OEB staff notes that the original DPAO filed on January 17, 2018 included Appendix J, the Revenue Requirement Work Form (RRWF). The same RRWF was filed with OPG's reply on February 5, 2018. OEB staff submits that OPG should file an updated RRWF to reflect the Decision on DPAO. While the OEB may or may not include the updated RRWF with its final payment amounts order, the RRWF that reflects the Decision on DPAO should be filed to complete the record of this proceeding.

2. PAYMENT AMOUNT SMOOTHING

OEB staff has reviewed the revisions related to the implementation of WAPA smoothing findings set out in the Decision on DPAO. OEB staff has no concerns.

3. DEFERRAL AND VARIANCE ACCOUNTS

OEB staff has reviewed the revisions related to deferral and variance accounts and notes that Appendix G has not been fully revised. At page 1 of Appendix G, it states that the approved deferral and variance account balances will be amortized on a straight-line basis over the period from January 1, 2019 to December 31, 2021. The Decision on DPAO directed amortization of 15% over the period March 1, 2018 to December 31, 2018, 50% in 2019 and 35% in 2020. At page 1 of Appendix G, the hydroelectric payment rider listed is based on a straight-line recovery over three years. Similarly, at page 2, the nuclear payment rider listed is based on straight-line recovery over three years.

OEB staff submits that the use of a rider nomenclature consistent with previous payment amount orders would have enduring value for tracking purposes. For example, effective March 1, 2018 to December 31, 2018, for the regulated hydroelectric facilities, the hydroelectric payment rider (Hydroelectric Payment Rider 2018-A) is \$0.52/MWh.

4. PAYMENT AMOUNTS ORDER

OPG has filed a proposed "Order" section with its DPAO that includes a nuclear rate base order. OEB staff submits that there is no requirement for an order related to nuclear rate base in the payment amounts order. Previous payment amounts orders have not included such an order.

All of which is respectfully submitted