



EB-2018-0243

Ontario Power Generation Inc.

**Application for 2019 Hydroelectric Payment Amount
Adjustment and Recovery of Deferral and Variance
Account Balances effective January 1, 2019**

DECISION AND PAYMENT AMOUNTS ORDER

December 13, 2018

Ontario Power Generation Inc. (OPG) filed an application with the Ontario Energy Board (OEB) on August 9, 2018 under section 78.1 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) seeking approval for an order or orders related to deferral and variance accounts, including disposition of account balances related to its nuclear generating facilities and most of its hydroelectric generating facilities as at December 31, 2017. OPG has also applied to increase the amount it charges for the output of most of its hydroelectric generating facilities effective January 1, 2019 using an OEB-approved formula that is tied to inflation and other factors.

Notice of OPG's application was issued on September 13, 2018. Each of the following parties applied for and were approved as intervenors:

- Association of Major Power Consumers in Ontario
- Canadian Manufacturers & Exporters (CME)
- Consumers Council of Canada
- Energy Probe Research Foundation (Energy Probe)
- Independent Electricity System Operator
- Power Workers' Union
- School Energy Coalition
- Vulnerable Energy Consumers Coalition (VECC)

On November 9, 2018, OPG filed a letter requesting the OEB bifurcate the two requests in this proceeding (i.e. the disposition of OPG's deferral and variance account balances as at December 31, 2017 and the proposed 2019 hydroelectric payment amount adjustment). In Procedural Order No. 2¹, the OEB approved this request.

This Decision addresses the proposed 2019 hydroelectric payment amount adjustment.

The OEB approved OPG's application for a price cap plan to adjust payment amounts for the period from January 1, 2017 to December 31, 2021 for OPG's prescribed hydroelectric assets.² The price cap adjustment calculates the next year's payment amounts as the current approved amounts multiplied by (1 + inflation less expected productivity).

In its original application, OPG estimated a 2019 input price index (IPI) of 1.5%³ to estimate the proposed 2019 hydroelectric payment amounts.⁴

The OEB issued an IPI of 1.5% on November 23, 2018 applicable to electricity distributors on the Price Cap IR option⁵ effective in 2019. For OPG, OEB staff calculated an IPI of 1.4% as directed by the OEB in Procedural Order No. 2. The calculation adjusted the IPI for OPG's labour and non-labour weights. OPG filed updated evidence on November 28, 2018 calculating the 2019 hydroelectric payment amount to be \$42.51/MWh⁶ using an escalation of 1.1%, which reflects the proposed inflation factor value of 1.4% less the approved X-factor value of 0.3%.

Final submissions on the hydroelectric payment amount were filed by OEB staff, CME, Energy Probe and VECC on December 4, 2018 supporting OPG's updated evidence.

1 Issued November 15, 2018

2 EB-2016-0152

3 Exhibit I1/Tab 1/Schedule 1/p. 3/Chart 1

4 *Ibid.*, pp. 2-3

5 <https://www.oeb.ca/industry/applications-oeb/electricity-distribution-rates/2019-electricity-distribution-rate#updates>

6 Down from a proxy of \$42.55/MWh as initially filed

Findings

The OEB approves the adjustments proposed by OPG for charges for the output of its hydroelectric generating facilities.

The inflation less productivity and stretch factor components of the Price Cap IR formula applicable to OPG results in a 1.1% increase to OPG's hydroelectric payment amounts: **1.1% = 1.4% - (0.00% + 0.3%)**.

The OEB finds that the methodology utilized by OPG in this application follows the OEB's Decision and Order in its application for payment amounts for the period from January 1, 2017 to December 31, 2021.⁷

In EB-2013-0231, the OEB established that the new regulated hydroelectric payment applies to the Chats Falls Generating Station portion owned by OPG. The station is 50/50 shared ownership between OPG and Hydro Quebec. This approach to establishing the Chats Falls Generation Station payment has continued with each subsequent decision and is applied in this decision.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Effective January 1, 2019 to December 31, 2019, the payment amount for the regulated hydroelectric facilities is \$42.51/MWh.

The hydroelectric incentive mechanism will continue to operate pursuant to the OEB's approval in EB-2013-0321. As also approved by the OEB in EB-2013-0321, the hydroelectric payment amount will continue to apply to 50% of the output of OPG's Chats Falls Generating Station.

COST AWARDS

The OEB will outline the steps for cost awards in its decision on OPG's proposed disposition of its deferral and variance accounts.

⁷ EB-2016-0152

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Registrar

E-mail: boardsec@oeb.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, December 13, 2018

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary