

**UNDERTAKING J15.5**

**Undertaking**

To file document entitled, "Forecast Information (as of Q3 2004) for Facilities Prescribed under Ontario Regulation 53/05", as found on the OEB website

**Response**

The document is attached.

# Forecast Information (as of Q3/ 2004) for Facilities Prescribed under O. Reg 53/05

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- As part of the establishment of a hybrid electricity market, the Government made Ontario Regulation 53/05 (O. Reg. 53/05) in February 2005. The Regulation prescribes Ontario Power Generation Inc.'s (OPG's) nuclear generating facilities, specifically Pickering A, Pickering B and Darlington Generating Stations, and certain hydroelectric generating facilities, specifically Sir Adam Beck I, Sir Adam Beck II, Sir Adam Beck Pump Generating Station, DeCew Falls I, DeCew Falls II and R.H. Saunders, for the purposes of section 78.1 of the *Ontario Energy Board Act, 1998* and establishes payment amounts for the output from the nuclear and regulated hydroelectric facilities.
- OPG provided forecast information to the Government in support of the development of O.Reg. 53/05. The forecast information was developed in Q3 2004 and is summarized in Table 1 below. This information was the basis upon which the Government established the payment amounts in the Regulation.
- The information in Table 1 represents OPG's forecasts as of Q3 2004 and does not represent OPG's current forecasts. For example, in Q3 2004, OPG planned to return Pickering A Units 2 and 3 to service and production from these units is included in the 2007 nuclear production forecasts in Table 1. In August 2005, OPG's Board of Directors accepted management's recommendation not to refurbish Pickering Units 2 and 3 and OPG is placing the units in a safe storage state. As a result, current forecasts of nuclear production are less than the forecasts provided in Table 1. Hydroelectric production forecasts are dependent on forecasts of water levels and outflows which can change with time.

# Table 1: Forecast Information (as of Q3/ 2004) for Facilities Prescribed under O. Reg 53/05

	Nuclear			Regulated Hydroelectric		
	2005	2006	2007	2005	2006	2007
<b>Average Rate Base (\$M)</b>	2,988	3,200	3,712	4,015	3,967	3,916
<b>Energy Generated - TWh</b>	45.2	50.6	53.0	18.0	18.4	18.7
<b>Costs (\$M)</b>						
Fuel /GRC Costs	100	112	128	236	243	249
Station Service Charges	11	11	11	5	5	5
OM&A	1,769	1,805	1,889	76	81	82
Property Tax	22	28	29	0	0	0
Capital Tax	19	22	24	11	11	12
Depreciation	292	343	467	65	65	66
Interest	99	107	123	132	134	131
Current Income Taxes	8	9	11	10	11	11
Large Corporate Tax	13	12	8	7	6	3
Return on Equity at 10%	134	144	167	181	179	176
<b>Required Revenues (\$M)</b>	<b>2,466</b>	<b>2,593</b>	<b>2,857</b>	<b>723</b>	<b>734</b>	<b>735</b>
Less:						
Bruce Lease - Earnings in Excess of Costs	85	96	117			
Revenues From:						
Ancillary Services	2	3	3	38	40	41
Other Services	21	23	23			
Net Revenue Requirement (\$M)	2,358	2,472	2,714	685	694	694
<b>Forecast Interim Rate at 10% ROE (\$/MWh)</b>	<b>52.2</b>	<b>48.9</b>	<b>51.2</b>	<b>38.1</b>	<b>37.7</b>	<b>37.1</b>

Forward looking information used in the development of the interim rates was based on planning information developed in Q3 2004 and should not be used for any other purpose.