

UNDERTAKING J15.1 ADDENDUM

Undertaking

Respond to the following follow-up questions arising from the response to Undertaking J15.1:

- a) Please provide the rate at which the ARC is depreciated and either describe or refer to the evidence which describes how the ARC depreciation rate is derived.
- b) Please describe how OPG and/or its auditors determine the portion of the ARO that is funded and the portion thereof which is unfunded at a particular point in time.
- c) Please illustrate the determination of the funded and unfunded components of the ARO at December 31, 2007, by reference to OPG's Balance Sheet for the twelve (12) months ending December 31, 2007.

Response

a) An amount of ARC is associated with each of the nuclear stations owned by OPG, including the Bruce facilities. Each of the stations has an estimated end-of-life date for depreciation. The process for assessing nuclear station end-of-life dates is discussed in Ex. F3-T2-S1, section 3.0; L-1-45; L-1-47; L-14-60. Effective January 1, 2008, the nuclear station end-of-life dates, as indicated in Ex. L-1-44, are as follows:

Bruce A – December 31, 2035
Bruce B – December 31, 2014
Darlington – December 31, 2019
Pickering A – December 31, 2021
Pickering B – September 30, 2014

The ARC associated with each station is depreciated on a straight-line basis to the current estimated end-of-life date of that station. There is no separate ARC depreciation rate. The process for establishing and reviewing the "ARC depreciation rate" is inherently the same as the process for establishing and reviewing the end-of-life dates for OPG's nuclear stations for depreciation purposes.

(b) and (c) The unfunded nuclear ARO is defined as the difference, at a given point in time, between the full nuclear ARO liability as recorded on OPG's Balance Sheet and the value of the nuclear segregated funds as recorded on OPG's Balance Sheet.

As at December 31, 2007, OPG's nuclear ARO was \$10,781M (J.1.5). This amount can also be derived from Ex. A2-T1-S1, Appendix A, Note 10 to OPG's 2007 audited financial statements as the sum of the "Liability for nuclear used fuel management" of \$5,938M and the "Liability for nuclear decommissioning and low and intermediate level waste management" of \$4,843M. The amount of nuclear segregated funds as at December 31, 2007 was \$9,263M as per OPG's Balance Sheet found in Ex. A2-T1-S1, Appendix A. The amount of nuclear segregated funds on OPG's Balance Sheet is a function of the value of life-to-date contributions to these funds, plus life-to-date fund earnings, and less life-to-date reimbursements from the funds of eligible expenditures incurred by OPG on nuclear waste

1 and used fuel management and decommissioning activities as provided by the terms of the
2 Ontario Nuclear Funds Agreement.

3
4 As at December 31, 2007, the difference between the ARO of \$10,781M and the amount of
5 nuclear segregated funds of \$9,263M was \$1,518M, which is the unfunded ARO as at
6 December 31, 2007. The funded portion of the ARO is, therefore, \$9,263M as at December
7 31, 2007.

8
9 Note that values from the audited financial statements are year-end values and many of the
10 values for rate base and ARC in OPG's application are average annual values.