AMPCO

December 6, 2021

Ms. Christine Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Re: Ontario Power Generation 2022 to 2026 Payment Amounts
AMPCO Submissions on OPG's Draft Payment Amounts Order
Board File No. EB-2020-0290

Dear Ms. Long:

The Ontario Energy Board (OEB) filed its Decision and Order in the above proceeding on November 15, 2021. OPG filed its draft payment amounts order reflecting the OEB's Decision on November 29, 2021.

With respect to rate smoothing, the OEB determined in its Decision that it would like to see a range of alternatives to consider the impact on the rate smoothing guiding principles as approved in the decision in OPG's 2017-2021 Payment Amounts proceeding:[1] [2]

- OPG's preferred rate smoothing option (Alternative B)
- An illustrative example of an alternative that recovers the entire proposed nuclear revenue requirement for the 2022-2026 period absent any rate smoothing for analysis and comparison purposes only (Alternative D)
- An alternative that recovers less revenue requirement in 2022 compared to OPG's preferred option (Alternative A)
- An alternative that recovers more revenue requirement in 2022 compared to OPG's preferred option (Alternative C)
- A ranking of the "best" credit metrics alternative, from OPG's perspective.

OPG's preferred smoothing, Alternative B, defers recovery of $177.3M of nuclear revenue requirement over the IR Term, which OPG estimated would produce an average year-over-year impact on monthly residential customer bills of $0.19 (or 0.17%) during the IR Term.[3]

[1] EB-2020-0290 Decision and Order November 15, 2021 P53-54
[2] EB-2016-0152 Decision and Order December 28, 2017 P155.
[3] Draft Payment Amounts Order Appendix H P9 Chart 3: Smoothing Alternatives – Outcomes s

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Alternative A and Alternative C defers recovery of $271.5M and $83.0M of revenue requirement, respectively. Alternative D is an illustrative example for analysis and comparative purposes only and does not defer recovery of nuclear revenue requirement. All three Alternatives (A, B & C) result in similar average customer bill impacts and, as required by Regulation, result in more stable changes in the WAPA as compared to Illustrative Scenario D.[4]

	Smoothing Alternatives			Illustrative – No Deferrals
Scenario	**A**	**B (OPG Proposal)**	**C**	**D**
2022-2026 Change in WAPA	y1: 3.0% y2: 1.0% y3: 0.8% y4: 0.3% y5: -1.6%	y1: 4.0% y2: 1.0% y3: -0.2% y4: 0.3% y5: -1.6%	y1: 5.0% y2: 1.0% y3: -1.2% y4: 0.3% y5: -1.6%	y1: 5.1% y2: 1.9% y3: -2.5% y4: 0.3% y5: -1.6%
2027-2036 Average Change in WAPA	1.3%	1.2%	1.2%	1.2%
Peak RSDA Balance ($B)	$0.9	$0.8	$0.7	$0.6
2022-2026 Interest on Cumulative Deferral Amounts ($M)	$144	$130	$115	$103
2022-2026 Interest on IR Term Deferral Amounts ($M)	$41	$26	$12	$0
2017-2026 Total Interest ($B)	$0.40	$0.36	$0.32	$0.29
Deferral Amounts (2022-2026) ($M)	$271.5	$177.3	$83.0	None
Interest Cost / Deferred Revenue Ratio	0.5	0.5	0.6	0.6
Lowest Cash Flow from Operations pre Working Capital to Debt Ratio (2022-2026)	11.8%	12.0%	12.3%	12.3%
Lowest Funds from Operations to Debt Ratio (2022-2026)	Below 13%			
Nuclear Payment Amount Transition Impact ($/MWh)	$3.44	$4.00	$4.55	$5.04
Average Annual Bill Impact (2022-2026) in %	0.17%	0.17%	0.17%	0.17%
Average Annual Bill Impact (2022-2026) in $	$0.19	$0.19	$0.19	$0.19
Average Annual Bill Impact (2022-2036) in %	0.21%	0.20%	0.20%	0.19%
Average Annual Bill Impact (2022-2036) in $	$0.24	$0.23	$0.23	$0.22

AMPCO does not support Alternative A because it results in higher interest costs than Alternative B ($144M compared to $130M) and does not enable OPG to meet its financial viability criterion, which is assessed based on at least one of the two credit metrics being within threshold at all times during

[4] Draft Payment Amounts Order Appendix H P10

the 2022-2026 period (i.e., 12.0% for Cash Flow from Operations pre Working Capital to Debt ratio and 13.0% for Funds from Operations to Debt ratio). Alternative A results in 11.8% for Cash Flow from Operations pre Working Capital to Debt ratio which is below the 12.0% threshold.

Both Alternative B and Alternative C are reasonable and have stable changes in the WAPA, however AMPCO prefers Alternative C over Alternative B because it results in lower interest costs ($115M compared to $130M) and slightly better credit metrics (12.3% compared to 12.0% for Cash Flow from Operations pre Working Capital to Debt ratio). On this basis, AMPCO submits the OEB should approve Alternative C.

Best Regards,

Colin Anderson
President

Copy to: Ontario Power Generation Inc.