

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, Sched. B

**AND IN THE MATTER OF** an application by Ontario Power Generation Inc. pursuant to section 78.1 of the *Ontario Energy Board Act*, 1998 for an Order or Orders determining payment amounts for the output of certain of its generating facilities.

**BEFORE:** Gordon Kaiser  
Presiding Member & Vice Chair

Cynthia Chaplin  
Member

Bill Rupert  
Member

**CME'S PROPOSED AMENDMENTS TO**  
**DRAFT RATE ORDER**  
November 13, 2008

Ontario Power Generation Inc. ("OPG", or the "Applicant") filed an Application dated November 30, 2007 with the Ontario Energy Board (the "Board") under section 78.1 of the Ontario Energy Board Act; S.O. 1998, c. 15, Sched. B (the "Act") for an order or orders approving the payment amounts for generating facilities prescribed under Ontario Regulation 53/05 ("O. Reg. 53/05"), as amended, for the period from April 1, 2008 through December 31, 2009 (the "test period"). The Board assigned file number EB-2007-0905 to the Application.

On February 7, 2008, the Board heard a Motion by OPG for i) an order declaring OPG's current payment amounts interim, effective April 1, 2008 and ii) an interim order increasing OPG's payment amounts on an interim basis. The Board granted OPG's

request to declare its current payment amounts interim, effective April 1, 2008 and denied its request for an interim increase in payment amounts.

The Board held an oral hearing on OPG's Application and issued a Decision with Reasons on November 3, 2008. The Decision directed OPG to file a draft order including the final revenue requirement and payment amounts for the prescribed nuclear and hydroelectric facilities that reflect the findings made by the Board in its Decision. With respect to the calculation of payment amounts, the Board indicated that OPG should assume that the Independent Electricity System Operator (the "IESO") would start billing the new payment amounts as of December 1, 2008 and that the payment amounts would be adjusted through the use of a payment rider to allow for the recovery of the 21 month revenue requirement over the period December 1, 2008 to December 31, 2009.

The Board directed OPG to revise its calculation of the forecast net revenues related to OPG's lease of the Bruce nuclear facilities to reflect the findings in the Decision and to establish a variance account to capture differences between (i) the forecast cost and revenues related to Bruce that are factored into the test period payment amounts for Pickering and Darlington, and (ii) OPG's actual revenues and costs in respect of Bruce.

The Board also directed OPG to calculate the test period income tax provision, before consideration of any tax loss carry-forwards, consistent with the revenue requirement determined in accordance with the Decision, to establish a benchmark to measure variations in taxes during the test period for the purposes of the approved tax variance account.

The Board directed that the return on a portion of the rate base be limited to the average accretion rate on OPG's nuclear liabilities, which is currently 5.6%. That portion of the rate base that attracts that return is equal to the lesser of: (i) the forecast amount of the average unfunded nuclear liabilities related to the Pickering and Darlington facilities, and (ii) the average unamortized asset retirement costs included in the fixed asset balances for Pickering and Darlington. The Board directed OPG to provide a test period forecast of the average unfunded nuclear liabilities related to Pickering and Darlington for the purposes of this determination.

**The Board therefore orders that:**

1. The test period revenue requirement is \$1,153.4M for the prescribed hydroelectric facilities and \$4,850.9M for the prescribed nuclear facilities, as set out in Appendix A. These revenue requirements shall form the basis of the payment amounts, including the authorized payment riders.
- 1A. The revised calculation of the forecast net revenues related to OPG's lease of the Bruce facilities is set out in Appendix A, Table 7.

~~2. Effective April 1, 2008 and subject to section 3, for the prescribed hydroelectric facilities, the payment amount is \$36.66/MWh, as set out in Appendix B, plus the payment rider set out in section 7.~~

2. Effective April 1, 2008, and subject to the Incentive Mechanism described in paragraph 3 of this Order, for the prescribed hydro-electric facilities, the payment amount is \$36.66/MWh, as set out in Appendix B, plus the implementation payment rider set out in paragraph 7 of this Order of \$2.08/MWh, effective December 1, 2008, for a total amount of \$38.74/MWh for the 13 months between December 1, 2008 and December 31, 2009.

3. a) For the period April 1, 2008 – November 30, 2008, if the total combined output of the prescribed hydroelectric facilities exceeds 1,900 megawatt hours in any hour, the hydroelectric payment amount applies to output from the prescribed facilities up to 1,900 MWh in any hour and production over 1,900 MWh in any hour receives the market price from the IESO-administered energy market determined under the market rules.

b) For the period after December 1, 2008, the hydroelectric payment amount applies to the average hourly net energy production in megawatt hours from the prescribed hydroelectric facilities in any given month (the “hourly volume”) for each hour of that month. Net energy production over the hourly volume that is supplied into the IESO-administered energy market will receive the market price, calculated on a five minute basis. Where net energy production from the regulated hydroelectric facilities that is supplied into the IESO-administered energy market is less than the hourly volume, OPG’s revenues will be adjusted by the difference between the hourly volume and the actual net energy production that is supplied into the IESO-administered energy market at the market price, calculated on a five minute basis.

~~4. Effective April 1, 2008, for the prescribed nuclear facilities, the payment amount is \$52.98/MWh, as set out in Appendix C, plus the payment riders set out in sections 5 and 6.~~

4. Effective April 1, 2008, for the prescribed nuclear facilities, the payment amount is \$52.98/MWh, as set out in Appendix C, plus the nuclear deferral/variance account payment rider set out in paragraph 5 of this Order in the amount of \$2/MWh effective December 1, 2008, and the two nuclear implementation payment riders of \$2.15/MWh and \$1.23/MWh respectively, set out in paragraph 6 of this Order, for a total nuclear amount of \$58.36/MWh for the 13 months between December 1, 2008 and December 31, 2009.

~~5. Effective April 1, 2008, for the prescribed nuclear facilities, the nuclear payment rider A for the amortization of approved variance and deferral account balances is \$2.00/MWh, as set out in Appendix D.~~

5. Effective April 1, 2008, for the prescribed nuclear facilities, the nuclear deferral/variance account payment rider A for the amortization of approved variance and deferral account balances is \$2.00/MWh, as set out in Appendix D.
6. ~~Effective December 1, 2008, for the prescribed nuclear facilities, the nuclear payment rider B is \$2.15/MWh and the nuclear payment rider C is \$1.23/MWh, as set out in Appendix E. Nuclear payment rider B provides for the recovery of the difference between interim payment amounts and \$52.98/MWh for the period April 1, 2008 to November 30, 2008. Nuclear payment rider C provides for the recovery of nuclear payment rider A for the period April 1, 2008 to November 30, 2008.~~
6. Effective December 1, 2008, for the prescribed nuclear facilities, the nuclear implementation payment rider B is \$2.15/MWh and the nuclear implementation payment rider C is \$1.23/MWh as set out in Appendix E. Nuclear implementation payment rider B provides for the recovery of the difference between interim payment amounts and the \$52.98/MWh for the period April 1, 2008 to November 30, 2008. Nuclear implementation payment rider C provides for the recovery of nuclear payment rider A for the period April 1, 2008 to November 30, 2008.
7. ~~Effective December 1, 2008, for the prescribed hydroelectric facilities, the hydroelectric payment rider is \$2.08/MWh, as set out in Appendix E. The hydroelectric payment rider provides for the recovery of the difference between interim payment amounts and \$36.66/MWh for the period April 1, 2008 to November 30, 2008. This payment rider will be applied to the hourly volumes as set out in section 3 b).~~
7. Effective December 1, 2008, for the prescribed hydroelectric facilities, the hydroelectric implementation payment rider is \$2.08/MWh, as set out in Appendix E. The hydroelectric implementation payment rider provides for the recovery of the difference between interim payment amounts and \$36.66/MWh for the period April 1, 2008 to November 30, 2008. This implementation payment rider will be applied to the hourly volumes as set out in section 3 b).
- 7A. The Typical Residential Customer bill impact of the payment amounts determined by the Board for the prescribed hydroelectric facilities of \$36.66/MWh effective April 1, 2008 and of \$52.98/MWh for the prescribed nuclear facilities effective April 1, 2008, excluding the deferral/variance account and implementation riders effective December 1, 2008, is 2.05% as shown in Appendix A, Table 6. The Typical Residential Customer bill impact of the combined payment amounts and the deferral/variance and implementation riders effective December 1, 2008, is \_\_\_\_\_ % as shown in Appendix A, Table 6a for the 13 months between December 1, 2008 and December 31, 2009.

8. The IESO shall make payments to OPG in accordance with this order as of December 1, 2008. The IESO shall collect the difference between the interim payment amounts and the approved payment amounts from each wholesale customer based on that customer's historical actual load consumption for the period between April 1, 2008 and November 30, 2008.
9. OPG shall recover the balances in the following variance and deferral accounts in accordance with Appendix F:
  - Hydroelectric Water Conditions Variance Account
  - Ancillary Services Net Revenue Variance Account
  - Transmission Outages and Restrictions Variance Account
  - Pickering A Return to Service Deferral Account
  - Nuclear Liability Deferral Account, Transition
  - Nuclear Development Deferral Account, Transition
10. OPG shall maintain the following variance and deferral accounts in accordance with Appendix F:
  - Hydroelectric Water Conditions Variance Account
  - Ancillary Services Net Revenue Variance Account
  - Pickering A Return to Service Deferral Account
  - Nuclear Liability Deferral Account
  - Nuclear Development Variance Account
11. OPG shall establish the following variance and deferral accounts in accordance with Appendix F:
  - Capacity Refurbishment Variance Account
  - Nuclear Fuel Cost Variance Account
  - Income and Other Taxes Variance Account
  - Bruce Lease Net Revenues Variance Account
- 11A. OPG shall calculate the income tax provision resulting from the revenue requirement described in paragraph 1 of this Order by (a deadline date to be established by the Board) with the amount thereof being without prejudice to the rights of interested parties to question the appropriateness of OPG's benchmark income tax provision in a subsequent proceeding. Once approved by the Board, the benchmark income tax provision shall be used to calculate any variations in taxes recorded in the Income and Other Taxes Variance Account.

DATED at Toronto \_\_\_\_\_, 2008

ONTARIO ENERGY BOARD

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Kirsten Walli  
Board Secretary