Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

October 14, 2026
Ritchie Murray
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca
Dear Ritchie Murray:

Re: Ontario Energy Board (OEB) Staff Submission on Settlement Proposal
Ontario Power Generation Inc. and DNNP LP
2027-2031 Payment Amounts
OEB File Number: EB-2025-0297

Pursuant to Procedural Order No. 9 please find attached OEB staff's submission in the above referenced proceeding.

Yours truly,

Original Signed By

Thomas Eminowicz
Digitally signed by Thomas Eminowicz
Date: 2026.10.14 12:07:34 -04'00'

Jeffrey Sauer
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Date: 2026.10.14 12:02:10 -04'00'

Thomas Eminowicz
Senior Advisor,
Electricity Supply

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Encl.

cc: All parties in EB-2025-0297

ONTARIO ENERGY BOARD

OEB Staff Submission on Settlement Proposal

Ontario Power Generation Inc. and DNNP LP

2027-2031 Payment Amounts

EB-2025-0297

October 14, 2026

Application Summary

Ontario Power Generation Inc. (OPG) and DNNP LP (collectively, the Applicants) filed an application on December 17, 2025 with the Ontario Energy Board (OEB) under section 78.1 of the *Ontario Energy Board Act, 1998* (OEB Act). The application seeks approval to set payment amounts for the output of OPG's regulated hydroelectric generating facilities and the output of the Applicants' respective nuclear generating facilities. The application covers the January 1, 2027 to December 31, 2031 period.

As part of the application, the Applicants requested to:

- Establish custom frameworks to set the Hydroelectric and Nuclear Payment Amounts
- Adjust OPG's capital structure and establish DNNP LP's capital structure
- Dispose of the December 31, 2024, balances of certain deferral and variance accounts
- Establish new deferral and variance accounts, including new accounts for the Darlington New Nuclear Program facilities
- Establish an annual process to recover debt interest amounts associated with capital costs for refurbishing Pickering B and constructing the Darlington New Nuclear Program facilities

In Procedural Order No. 2, the OEB established the Issues List for the proceeding. In accordance with Procedural Order No. 2, a settlement conference between the Applicants and intervenors[1] (the Parties) commenced June 29, 2026. The following intervenors participated in the settlement conference:

- Association of Major Power Consumers in Ontario ("AMPCO")
- Building Owners and Managers Association Toronto ("BOMA")
- Coalition of Concerned Manufacturers and Businesses of Canada ("CCMBC")
- Consumers Council of Canada ("CCC")
- Energy Probe Research Foundation ("Energy Probe")
- Environmental Defence Canada Inc. ("Environmental Defence")
- Independent Electricity System Operator ("IESO")
- Minogi Corp. ("Minogi")
- Ontario Association of Physical Plant Administrators ("OAPPA")
- Power Workers Union ("PWU")
- Quinte Manufacturers Association ("QMA")

[1] WTFN Investment Holdings LP and Mr. Keith Pinto are approved intervenors but did not participate in the Settlement Conference.

- School Energy Coalition (“SEC”)
- Society of United Professionals (“the Society”)
- Vulnerable Energy Consumers Coalition (“VECC”)

OEB staff attended the settlement conference, but is not a party to the settlement.

The Applicants filed a settlement proposal on October 5, 2026 (the Settlement Proposal). The Settlement Proposal included settlement of all issues except Issues 2 and 40, which were partially settled. The unsettled aspects of these issues are related to one matter (“the Outstanding Issue”): the $170.2 million debit balance in the Capacity Refurbishment Variance Account, related to the Darlington Refurbishment Program (DRP), excluding the D2O Storage Project. This balance resulted from historical variances in the amounts and/or timing of DRP in-service capital additions and certain non-capital project costs relative to forecasts reflected in OEB-approved revenue requirements. The balance also reflects the tax effects of those variances. The Parties proposed that the Outstanding Issue be resolved by a written hearing.

The Parties proposed that the payment amounts order related to the settled issues (and the settled portions of the partially settled issues) be issued separately from any order pursuant to the OEB’s determinations regarding the Outstanding Issue.

The parties proposed that the order related to the settled issues be effective January 1, 2027, while any order related to the Outstanding Issue commence no earlier than July 1, 2027. OEB staff supports both these proposals on the basis that resolving the Outstanding Issue is not a pre-requisite to setting the 2027 base payment amounts or the riders that have been agreed upon in the Settlement Proposal.

The Settlement Proposal also includes a draft payment amounts order, with supporting tables, that reflects the settlement. OEB staff has reviewed these appendices and has found no errors or issues. The Applicants have agreed to update this draft order, and the supporting documents, after the OEB issues its Return on Equity parameters for 2027 and before the OEB issues the final payment amounts order.

Except for the PWU, the Society, Environmental Defence, the IESO, and Minogi, all Parties support the entirety of the Settlement Proposal. The PWU and the Society take no position on the proposal. Environmental Defence supports Issues 20, 21, and 22 but takes no position on any other issues. The IESO supports Issues 20 and 22 but takes no position on any other issues. Minogi supports all issues except for those related to DNNP LP, on which it takes no position.

The Settlement Proposal

The Parties "explicitly request that the OEB consider and accept this Settlement Proposal as a package."[2] In OEB staff's view, that is a reasonable request. As the Parties note, "numerous compromises were made by the Parties with respect to various matters to arrive at this Settlement Proposal."[3] OEB staff also notes that 14 intervenors participated in the settlement conference, representing a range of perspectives.

OEB staff supports this Settlement Proposal and commends the Parties for reaching such a substantial agreement that settles numerous complex issues. Moreover, OEB staff is of the view that the Parties have provided sufficient explanation in the Settlement Proposal for why the resolution is appropriate, including citations of the relevant sections of the evidence.

In *Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7*, the Provincial Government sets out certain expectations for OPG related to the refurbishment of existing generating facilities and construction of new facilities, while at the same time stressing the importance of affordability of the energy system. In OEB staff's opinion, this Settlement Proposal has adequately prioritized the government's objectives.[4]

Relative to the Applicants' proposal, the Settlement Proposal would result in a significant reduction to the 2027-2031 revenue requirements, increases to the proposed production forecasts, reductions to the amortization of deferral and variance account balances, and additional consumer protection measures. The Applicants also made reporting commitments for the next payment amounts proceeding related to their cost allocation methodology and accounting standards.

If the Settlement Proposal is approved, a typical residential consumer with a monthly consumption of 750 kWh would see a bill increase of $6.29 (+4%) per month in 2027. This is a reduction of $1.63 per month from the Applicants' proposal.[5] Over the 2027 to 2031 period, assuming the 2027 OEB inflation rate is applied to all years for the hydroelectric payment amounts, the typical residential consumer would see an average annual increase to monthly bills of $2.56 (1.8%).

With respect to payment amounts, the total 2027 Hydroelectric Payment Amount (including the rider for the disposition of deferral and variance account balances)

[2] Settlement Proposal, p.7
[3] *Ibid.*
[4] Exhibit L-A2-Staff-016 and L-A1-CCC-012 part a) (iii) to (v)
[5] Settlement Proposal, Appendix G: Revenue Requirement Work Form, "11. Impact"

decreases to $45.37/MWh (-4%), from the 2026 amount of $47.18/MWh. This is a reduction of $4.85/MWh (10%) from OPG's proposal. The total 2027 OPG and DNNP LP Blended Nuclear Payment Amounts, which include the rider, increases to $200.50/MWh (+62%), from the 2026 amount of $123.76/MWh. This is a reduction of $13.39/MWh (6%) from the Applicants' proposal.

In the tables that follow, OEB staff provides a summary of the financial impacts of the Settlement Proposal relative to the Applicants' proposal.[6] Tables 1-3 illustrate the effect of the proposal on payment amounts and consumer bill impacts. Tables 4-12 and Tables 13-21 show the effect of the proposal on certain elements of the Blended Nuclear (OPG nuclear and DNNP LP) Payment Amounts and OPG Hydroelectric Payment Amounts, respectively.

Payment Amounts and Consumer Bill Impacts

The following three tables show the Settlement Proposal's impact on the payment amounts and the Applicants' presented bill impacts. Table 1 presents the Blended Nuclear Payment Amount. It is a blended payment amount because it captures the revenue requirements and nuclear generation forecasts for both applicants, OPG and DNNP LP. In 2027, both have revenue requirements that must be recovered through the payment amounts. However, DNNP LP will not have a generating unit in service by which to collect payment amounts until the first unit comes into service in 2030. For reference, the current nuclear payment, including applicable riders, is $123.76/MWh.[7] The Settlement Proposal reduces the Blended Nuclear Payment Amounts, including riders, by an average of almost 11% over the term, relative to the Applicants' proposal.

Table 1: Total Blended Nuclear Payment Amount, including Riders ($/MWh)[8]

	2027	2028	2029	2030	2031
Proposed Nuclear Payment Amount + Rider	213.89	197.46	208.10	201.64	221.79
Settled Nuclear Payment Amount + Rider	**200.50**	**172.66**	**185.30**	**179.04**	**194.54**
Difference	(13.39)	(24.80)	(22.80)	(22.60)	(27.25)

Table 2 presents the Hydroelectric Payment Amounts. For reference, the 2026 payment

[6] Some of the settled amounts in the tables below are subject to change based on the OEB's determinations with respect to the partially settled issues and the update to the rate for Return on Equity for 2027.
[7] EB-2020-0290 established the 2026 base Nuclear Payment Amount at $111.33/MWh with a 2026 rider of $7.58/MWh. EB-2023-0336 established a 2026 Nuclear Payment Amount rider of $4.85/MWh.
[8] Settlement Proposal, Tables 12 and 13. The presented Nuclear Payment Amounts also reflect the

amount, including riders, is $47.18/MWh.[9] The Settlement Proposal reduces the Hydroelectric Payment Amounts, including riders, by an average of 11% in each of the five years, relative to OPG's proposal (assuming the 2027 inflation rate for 2028-2031).

Table 2: Total Hydroelectric Payment Amount, including Riders ($/MWh)[10]

	2027	2028*	2029*	2030*	2031*
Proposed Hydroelectric Payment Amount + Rider	50.22	53.72	57.87	61.77	63.87
Settled Hydroelectric Payment Amount + Rider	**45.37**	**47.19**	**51.77**	**55.17**	**56.37**
Difference	(4.85)	(6.53)	(6.10)	(6.60)	(7.50)

*Hydroelectric Payment Amounts for 2028 to 2031 are illustrative only

Table 3 shows the illustrative residential bill impact due to the Blended Nuclear and Hydroelectric Payment Amounts. The table shows the impact of the Settlement Proposal as compared to the as-filed proposal. The reduced 2027 bill impact is more than 20% lower than what was originally proposed.

Table 3: Illustrative Residential Bill Impact [$ per month][11]

	2027	2028	2029	2030	2031	Average
Applicants' Original Proposal	7.93	2.44	1.33	0.69	4.62	3.40
Settlement Proposal	**6.29**	**0.46**	**1.72**	**0.53**	**3.79**	**2.56**
Difference	(1.64)	(1.98)	0.39	(0.16)	(0.83)	(0.84)

OPG Nuclear and DNNP LP

The Settlement Proposal has resulted in substantial changes to the Blended Nuclear Payment Amount and the rider that results from the disposition of deferral and variance accounts. This section details those changes.

Revenue deficiency is a helpful measure to illustrate the overall impact of the

"shaping" rate mitigation measures, where $350 million of OPG Nuclear Revenue Requirement is deferred from 2027 to 2028 via the Payment Amount Shaping Deferral Account.

[9] The base Hydroelectric Payment Amount has been frozen until this proceeding by Ontario Regulation 53/05 at $43.88/MWh. EB-2020-0290 established a 2026 Hydroelectric Payment Amount rider of $0.69/MWh. EB-2023-0336 established a 2026 Hydroelectric Payment Amount rider of $2.61/MWh.

[10] Settlement Proposal, Table 14 for the Hydroelectric Riders, before and after settlement; Table 24B for the proposed Hydroelectric Payment Amount, and Table 24A for the settled Hydroelectric Payment amount

[11] Settlement Proposal, Table 15

Settlement Proposal for the base payment amount. The deficiency, or in some cases sufficiency, is the amount by which a utility's revenue needs to increase from the current level to earn the revenue requirement.[12] This deficiency considers two aspects: the revenue requirement, in $ million, and the charge determinant by which revenue is collected, in TWh. The revenue requirement in this measure does not consider balances in deferral and variance accounts. For the Applicants, the charge determinant is the production forecast for electricity generation that will be supplied to the IESO system. The following table summarizes the impact of the Settlement Proposal on the nuclear revenue deficiency for the Applicants.

The Settlement Proposal reduces the proposed revenue requirements for OPG Nuclear and DNNP LP by $2.0 billion, which is more than a 7% reduction from the proposed $26.3 billion. When also considering the impacts from the production forecast changes, the Settlement Proposal results in a reduction to the combined five-year OPG Nuclear and DNNP LP revenue deficiency of approximately 20%.[13]

Table 4: Settlement Proposal Impact on Combined Nuclear Revenue Deficiency[14]

		2027	2028	2029	2030	2031	Total
Proposed							
OPG Nuclear Revenue Requirement	$M	4,060	4,254	4,674	4,877	5,730	23,594
DNNP LP Revenue Requirement	$M	301	379	405	560	1,042	2,687
Total Nuclear Revenue Requirement	**$M**	**4,361**	**4,633**	**5,078**	**5,437**	**6,772**	**26,281**
Nuclear Production	TWh	18.7	26.7	25.1	27.3	30.9	128.6
Settled							
OPG Nuclear Revenue Requirement	$M	3,857	3,971	4,336	4,465	5,189	21,817
DNNP LP Revenue Requirement	$M	296	364	373	512	963	2,508
Total Nuclear Revenue Requirement	**$M**	**4,153**	**4,335**	**4,709**	**4,977**	**6,152**	**24,325**
Nuclear Production	TWh	19.3	27.6	25.8	28.2	32.0	132.9
Change to Revenue Deficiency							
Revenue Requirement	$M	(208)	(298)	(369)	(460)	(620)	(1,956)
Production Impact	$M	(72)	(97)	(83)	(95)	(111)	(459)
Total	**$M**	**(280)**	**(395)**	**(453)**	**(555)**	**(731)**	**(2,415)**

A consequential impact of the Settlement Proposal was to maintain OPG's capital

[12] Handbook for Utility Rate Applications, October 13, 2016, Appendix 2: Glossary of Terms
[13] Exhibit L-A1-Staff-009: When comparing the combined revenue deficiency on a term over term basis, the deficiency was $10.2 billion.
[14] Table 4 presents information contained in the Draft Payment Amounts Order, Appendix A, Tables 8 to 10 and 14b. Numbers may not add due to rounding.

structure at 45% equity and 55% debt, compared to the proposed 52% equity and 48% debt. Maintaining the 45% equity and 55% debt structure represents material reductions to the nuclear and hydroelectric revenue requirements.

The following tables provide additional details on the Settlement Proposal. Table 55 shows the reductions to rate base for both OPG and DNNP LP. For OPG, the settlement makes reductions to 2027 opening rate base, with further reductions to reflect the tax impacts of the Federal government's clean electricity investments tax credit program and reductions to the forecast in-service additions for the entire term. For DNNP LP, the reductions relate to the same clean electricity tax credits. Table 66 shows the corresponding changes to OPG Nuclear in-service additions.

Table 5: OPG Nuclear and DNNP LP Proposed and Settled Rate Base [$ million][15]

	2027	2028	2029	2030	2031
Proposed OPG Nuclear Rate Base	15,749	16,279	16,218	16,807	23,519
Proposed DNNP LP Rate Base	-	-	2	1,371	6,530
Total Proposed Nuclear Rate Base	**15,749**	**16,279**	**16,220**	**18,178**	**30,049**
Settled OPG Nuclear Rate Base	15,489	15,792	15,634	15,995	21,944
Settled DNNP LP Rate Base	-	-	2	1,237	5,888
Total Settled Nuclear Rate Base	**15,489**	**15,792**	**15,636**	**17,231**	**27,832**
Difference	(260)	(487)	(583)	(947)	(2,217)

Table 6: OPG Nuclear Proposed and Settled In-Service Additions [$ million][16]

	2027	2028	2029	2030	2031	2027-2031 Total
Proposed In-service Additions	1,003	862	1,072	1,479	10,686	15,102
Settled In-Service Additions	664	746	924	1,083	9,754.3	13,172
Difference	(359)	(116)	(148)	(396)	(932)	(1,951)

Table 7 shows the reductions to OM&A. For both OPG and DNNP LP, several programs are excluded from these reductions.[17] The overall reduction is almost 7% from the proposed OM&A costs.

[15] Settlement Proposal, Tables 25 and 43
[16] Settlement Proposal, Tables 27 and 28
[17] The exclusions to the OPG reductions are detailed in the Settlement Proposal at p. 45; the DNNP LP exclusions are detailed at p. 57

Table 7: OPG Nuclear and DNNP LP Proposed and Settled OM&A [$ million][18]

	2027	2028	2029	2030	2031	2027-2031 Total
Proposed OPG Nuclear OM&A	1,864	1,756	1,917	1,855	2,151	9,543
Proposed DNNP LP OM&A	77	80	71	120	260	607
Total Proposed Nuclear OM&A	**1,941**	**1,836**	**1,988**	**1,975**	**2,410**	**10,150**
Settled OPG Nuclear OM&A	1,774	1,631	1,787	1,725	2,011	8,928
Settled DNNP LP OM&A	73	76	67	116	252	583
Total Settled Nuclear OM&A	**1,847**	**1,707**	**1,854**	**1,841**	**2,262**	**9,511**
Difference	(94)	(129)	(134)	(134)	(148)	(639)

Table 8 shows the settled amortization amounts for OPG's Nuclear Deferral and Variance Account balances. The table reflects two sets of differences from the proposed amounts. First, $170.2 million is not part of the Settlement Proposal as the matter is not settled. Second, the Parties agreed to $8.2 million in reductions. These reductions relate to the Clarington Campus Deferral Account and the Non-DRP sub-account of the Nuclear Capacity Refurbishment Variance Account. The amounts in Table 88 do not add due to rounding.

Table 8: OPG Nuclear Proposed and Settled Amortization of Deferral and Variance Account Amounts [$ million][19]

	2027	2028	2029	2030	2031	2027-2031 Total
Proposed Amortization	134.5	134.5	134.5	67.7	67.7	538.9
Settled Amortization	**75.0**	**75.0**	**75.0**	**67.7**	**67.7**	**360.4**
Amount Relating to the Un-Settled Issues	56.7	56.7	56.7	0	0	170.2
Difference due to Settlement	(2.8)	(2.8)	(2.8)	0.0	0.0	(8.2)

Table 9 presents the adjustments to the OPG Nuclear and the DNNP LP generation forecasts. The forecast generation is the denominator for the payment amounts. Over the five-year term, the Settlement Proposal has increased the generation forecast by

[18] Settlement Proposal, Tables 1-5 and 7-11
[19] Proposed and Settled Amounts, as per Settlement Proposal, Tables 1-5. Amount Relating to the Un-Settled Issue, as per Exhibit H1-02-01 Table 2, line 5. Difference due to Settlement, as per Settlement Proposal Appendix D, Table 1, calculated. There are no proposed or settled amortization amounts for DNNP LP

4.3 TWh, or more than 3%. The values in the table do not align due to rounding.

Table 9: OPG Nuclear and DNNP LP Proposed and Settled Production Forecast [TWh][20]

	2027	2028	2029	2030	2031	2027-2031 Total
Proposed OPG Nuclear Production Forecast	18.7	26.7	25.1	26.8	28.9	126.2
Proposed DNNP LP Production Forecast	0.0	0.0	0.0	0.5	1.9	2.4
Total Proposed Nuclear Production Forecast	**18.7**	**26.7**	**25.1**	**27.3**	**30.9**	**128.6**
Settled OPG Nuclear Production Forecast	19.3	27.6	25.8	27.7	29.9	130.3
Settled DNNP LP Production Forecast	0.0	0.0	0.0	0.5	2.0	2.5
Total Settled Nuclear Production Forecast	**19.3**	**27.6**	**25.8**	**28.2**	**32.0**	**132.9**
Difference	0.6	0.9	0.7	0.9	1.1	4.3

Finally, the OPG Nuclear rate-setting framework is presented. OPG proposed a five-year cost of service framework with an applied stretch factor, consistent with the current nuclear framework. In this proceeding, OPG proposed that several revenue requirement components be excluded from the stretch factor. The Settlement Proposal added back several of the excluded components, including some OM&A components, fuel costs, and working capital.

The proposal excluded $9.0 billion of revenue requirement from the stretch factor.[21] The components added to the scope of the stretch factor are approximately 14% of the proposed exclusions. OEB staff notes that the capital-related revenue requirement associated with the Darlington generating units returned to service after their refurbishment remain excluded. Capital and OM&A related revenue requirement that is associated with the Pickering Refurbishment Program are also excluded, as is the concurrent cost recovery component.

[20] Settlement Proposal, Table 34 (OPG Nuclear) and Table 46 (DNNP LP)
[21] L-A1-Staff-294, Attachment 1, Table 1

Table 10: Proposed and Settled OPG Nuclear Rate-Setting Framework[22]

	Proposed	Settled
Framework	Custom Incentive Rate-Setting	Same
Rate-Setting Mechanism	Individual annual revenue requirements with stretch factor reductions, and individual annual production forecasts	Same
Stretch Factor Scope	Base OM&A, Project OM&A (excluding Operations and Project Support), Outage OM&A, Pickering Cyclical Maintenance OM&A, Allocation of Corporate Support Costs, Asset Service Fees, Nuclear Operations and Support Services Capital Related Revenue Requirement	Proposed scope **With the addition of**: Operations and Project Support OM&A, Allocation of Centrally Held Costs, Nuclear Fuel Costs, Working Capital-Related Revenue Requirement, Property Tax, and Other Revenues
Stretch Factor	0.3%, each year	**0.6%,** each year

The Stretch Factor increased from 0.3% to 0.6% for an impact of $77.1 million. Not all values in Table 11 align due to rounding.

Table 11: Settlement Proposal Impact to Stretch Factor Amounts [$ million][23]

	2028	2029	2030	2031	2027-2031 Total
Proposed Reduction	7.0	14.6	22.5	31.7	75.8
Settled Reduction	**13.9**	**29.3**	**45.4**	**64.2**	**152.8**
Difference due to Settlement	7.0	14.7	22.9	32.5	77.0

Finally, the Parties have agreed to a general revenue requirement reduction.

Table 12: General OPG Nuclear Revenue Requirement Reduction [$ million][24]

	2027	2028	2029	2030	2031	2027-2031 Total
General Reduction	35.4	35.4	35.4	35.4	50.4	192.0

[22] Settlement Proposal, Table 17
[23] Settlement Proposal, Table 18
[24] Settlement Proposal, Section 2, Part F

OPG Hydroelectric

Table 13 below shows the change in revenue deficiency for OPG Hydroelectric as a result of the Settlement Proposal. As explained in the preceding section, revenue deficiency is a helpful measure since it combines the impacts of both revenue requirement and generation forecast changes. Because the Settlement Proposal accepts the OPG's proposed incentive rate-setting framework, only 2027 is shown.

The Settlement Proposal reduces the proposed OPG Hydroelectric 2027 revenue requirement by $125 million, which is more than 7% of the proposed $1.7 billion. Together with the increase to the production forecast, these adjustments reduce the 2027 revenue deficiency by almost 60% compared to OPG's application (i.e., $99 million versus $244 million). The revenue deficiency is calculated such that it only considers factors affecting the base payment amount. This means that it does not consider the balances of deferral and variance accounts and their disposition that will result in payment amount riders.

Table 13: Settlement Proposal Impact on OPG Hydroelectric Revenue Deficiency[25]

		2027
Proposed Revenue Requirement	$M	1,668
Proposed Hydroelectric Production	TWh	32.5
Settled Revenue Requirement	$M	1,544
Settled Hydroelectric Production	TWh	32.9
Change to Revenue Requirement	$M	(125)
Production Impact on Revenue Deficiency	$M	(20)
Total Change to Revenue Deficiency	**$M**	**(145)**

The tables below highlight the impact of the Settlement Proposal on certain elements of the OPG Hydroelectric Payment Amounts. Table 14 shows the reduction to OPG's 2027 revenue requirement. Reductions to 2028-2031 are illustrative assuming the 2027 inflation factor and illustrative reductions to the 2028-2031 revenue requirements. Table 15 and Table 16 show the reductions to rate base and in-service additions. The parties agreed to reduce the opening hydroelectric rate base for 2027 by $59.5 million, along with reductions to in-service additions of 11% per year during the 2027-2031 period.

[25] Settlement Proposal, Appendix G, Sheet '8. Revenue_Def_Suff'

Table 14: OPG Hydroelectric Proposed and Settled Revenue Requirement [$ million][26]

	2027	2028*	2029*	2030*	2031*	2027-2031 Total
Proposed Hydroelectric Revenue Requirement	1,668	1,782	1,917	2,006	2,074	9,446
Settled Hydroelectric Revenue Requirement	**1,544**	**1,616**	**1,779**	**1,843**	**1,880**	**8,661**
Difference	(125)	(166)	(138)	(163)	(194)	(785)

*Hydroelectric Revenue Requirements for 2028 to 2031 are illustrative only

Table 15: OPG Hydroelectric Proposed and Settled Rate Base [$ million][27]

	2027	2028	2029	2030	2031
Proposed Hydroelectric Rate Base	9,135	9,687	10,814	11,471	12,007
Settled Hydroelectric Rate Base	**9,008**	**9,419**	**10,351**	**10,853**	**11,283**
Difference	(127)	(268)	(464)	(618)	(725)

[26] Settlement Proposal, Table 22A (proposed) and Table 22 (settled)
[27] Settlement Proposal, Table 30

Table 16: OPG Hydroelectric Proposed and Settled In-Service Additions [$ million][28]

	Reference	2027	2028	2029	2030	2031
Proposed Regulated Hydroelectric Projects	Ex. D1-1-2, Table 4	841.5	1,104.7	1,115.5	938.5	627.1
Settlement Adjusted Regulated Hydroelectric Projects		**710.1**	**920.2**	**928.8**	**794.5**	**531.4**
Difference		(131.5)	(184.5)	(186.7)	(143.9)	(95.7)
Proposed Corporate Support Services Projects Entering Regulated Hydroelectric Rate Base	Ex. D3-1-2, Table 4	1.5	1.5	1.5	1.5	1.5
Settlement Adjusted Corporate Support Services Projects Entering Regulated Hydroelectric Rate Base		**1.3**	**1.3**	**1.3**	**1.3**	**1.3**
Difference		(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Total Reduction to In-Service Additions		(131.6)	(184.7)	(186.8)	(144.1)	(95.9)

As mentioned in the preceding section, the Settlement Proposal maintained OPG's current capital structure at 45% equity and 55% debt, as opposed to OPG's proposed structure of 52% equity and 48% debt. This change represents material reductions to the nuclear and hydroelectric revenue requirements.

Table 17 shows the adjustments to the hydroelectric production forecast. OPG's proposed payment amount framework maintained the 2027 production forecast for the purposes of calculating 2028-2031 payment amounts. The parties agreed to (i) increase the 2027 production forecast by 0.45 TWh, and (ii) reflect expected year over year increases to production through a new Production Growth Factor (also see Table 19). The effective increase to OPG's five-year hydroelectric production forecast is 3.85 TWh (+2.4%).

[28] Settlement Proposal, Table 31

Table 17: OPG Hydroelectric Proposed and Settled Production Forecast [TWh][29]

	2027	2028	2029	2030	2031	2027-2031 Total
Proposed Regulated Hydroelectric Production Forecast	32.5	32.5	32.5	32.5	32.5	162.5
Settlement Adjusted Regulated Hydroelectric Production Forecast	**32.9**	**33.2**	**33.4**	**33.4**	**33.4**	**166.3**
Difference	0.4	0.7	0.9	0.9	0.9	3.8

Table 18 shows the change to the disposition of accumulated balances in deferral and variance accounts. In the Settlement Proposal, the Parties agreed to defer 50% of the Hydroelectric Surplus Baseload Generation Variance Account balance to a future recovery. While the balance in the Hydroelectric sub-account to the Capacity Refurbishment Variance Account has also been reduced by $2.5 million, no recovery was sought for this account in this proceeding. As a result, the difference shown in Table 18 only reflects the 50% deferral of the Surplus Baseload Generation Variance Account balance.

Table 18: OPG Hydroelectric Proposed and Settled Amortization of Deferral and Variance Account Amounts [$ million][30]

	2027	2028	2029	2030	2031	2027-2031 Total
Proposed OPG Hydroelectric Amortization of DVA Amounts	(37.9)	(37.9)	(37.9)	0.0	0.0	(113.8)
Settled OPG Hydroelectric Amortization of DVA Amounts	**(50.3)**	**(50.3)**	**(50.3)**	**0.0**	**0.0**	**(150.9)**
Difference	(12.3)	(12.3)	(12.3)	0.0	0.0	(37.1)

Table 19 presents the proposed and settled Hydroelectric rate-setting framework. The parties largely maintained the proposed framework with several modifications. The Settlement Proposal added a production growth factor, increased the general stretch factor, introduced a supplemental capital-specific stretch factor, and expanded the proposed Global Hydroelectric Capital Variance Account to cover all five years of the

[29] Settlement Proposal, p. 45 and Table 35
[30] Settlement Proposal, Table 6

term.

Table 19: Proposed and Settled OPG Hydroelectric Rate-Setting Framework[31]

	Proposed	Settled
Framework[32]	Custom Incentive Rate-setting	Same
Year 1 Rates	2027 test year, with cost of service rebasing	Same
Rate-Setting Mechanism	Annual Escalation: 1 + (I – X + C – GRCF)	Annual Escalation: 1 + (I – X + C – GRCF **- G**)
Inflation Factor	I-Factor, as a Composite Index Generation Industry-weighted Labour Index, Ontario AWE, updated annually And Non-Labour Index, GDP-IPI-FDD, updated annually	Same
Productivity and Stretch Factor	X-Factor 0% Productivity Factor 0.15% Stretch Factor	X-Factor 0% Productivity Factor **0.30%** General Stretch Factor
Capital Stretch Factor	0.15% Stretch Factor applied to Capital Related Revenue Requirement Applied in calculation of the C-Factor	**0.60%** Stretch Factor applied to Capital Related Revenue Requirement (0.30% General Stretch Factor + 0.30% Supplemental Capital Stretch) Applied in calculation of the C-Factor
Supplemental Capital Funding	C-Factor Incremental funding to Capital Related Revenue Requirement, according to planned in-service additions. Fixed for all years of the IR term. Reduced by the Capital Stretch Factor	Same C-Factor

[31] Settlement Proposal, Table 19
[32] Handbook for Utility Rate Applications, October 13, 2016

	Proposed	Settled
GRC Factor	Calculated offset to remove "I-X" escalation of Gross Revenue Charge Determined for 2027 only, as per 2027 production forecast; Same GRC Factor for 2028-2031	Calculated offset to remove "I-X" escalation of Gross Revenue Charge **Determined for all years of IR term**, as per five-year production forecast
Production Growth Factor	Not Proposed	**New** Calculated offset to reduce annual escalation on the basis of 2028-2031 production forecast growth
Global Hydroelectric Capital Variance Account	Asymmetrical, in favour of ratepayers, variance account to record the difference between: (i) the forecast capital-related revenue requirement that forms the basis of the C-factor, and (ii) the capital-related revenue requirement determined based on OPG's actual in-service capital additions for the regulated hydroelectric facilities Applicable to 2028-2031, on a cumulative basis	Asymmetrical, in favour of ratepayers, variance account to record the difference between: (i) the forecast capital-related revenue requirement, **where the 2027 amount is the forecast that underpins the 2027 payment amount;** and the 2028 to 2031 amount is the forecast that forms the basis of the C-Factor, and (ii) the capital-related revenue requirement determined based on OPG's actual in-service capital additions for the regulated hydroelectric facilities Applicable to **2027**-2031, on a cumulative basis

Tables 20 and 21 present the overall impact of the Settlement Proposal on the Capital Factor. This impact reflects several interconnected Settlement Proposal adjustments: the overall reduction to in-service additions, the increase in the general stretch factor, and the increase in the supplemental stretch factor. The overall impact is a reduction of $116 million in funding.

As proposed by the Applicants, the Capital Factor afforded incremental funding of $729 million in 2028 to 2031. This is calculated by escalating the 2027 capital related revenue requirement by I-X, and continuing this escalation for all subsequent years. The total amount of this funding is $4.6 billion over the five-year term, and it is the sum of the "Capital Funding without Capital Factor" row of Table 20. The Capital Factor is designed to increase that amount so that the total capital funding is equal to capital related revenue requirement after applying the Stretch Factor, the sum of which is $5.4 billion.

As per the Settlement Proposal, the total funding without the Capital Factor is $4.2 billion. This amount includes the impact of the increased general Stretch Factor. The total capital-related revenue requirement, after the settled Stretch Factor, is $4.9 billion. Both of these figures are affected by the Settlement Proposal. The Capital Factor is designed to provide the difference, and as a result, it affords $613 million in additional funding. The discrepancy is due to rounding.

Table 20: Proposed Hydroelectric Capital Factor[33]
[$ million, unless otherwise noted]

	2027	2028	2029	2030	2031
Capital-Related Revenue Requirement	876.9	979.9	1103.8	1181.5	1238.1
Stretch Factor (%)		0.15%	0.15%	0.15%	0.15%
Capital-Related Revenue Requirement Stretch Adjustment		1.5	3.1	4.9	6.8
Capital Funding with Capital Factor	**876.9**	**978.5**	**1100.7**	**1176.6**	**1231.4**
Capital Funding without Capital Factor	876.9	901.3	926.3	952.1	978.6
Custom Capital Factor (%)		**4.6%**	**5.3%**	**2.4%**	**1.1%**

Table 21: Settled Hydroelectric Capital Factor[34]
[$ million, unless otherwise noted]

	2027	2028	2029	2030	2031
Capital-Related Revenue Requirement	806.0	871.1	1029.1	1090.6	1123.0
Stretch Factor applied to Capital (%)		0.60%	0.60%	0.60%	0.60%
Capital-Related Revenue Requirement Stretch Adjustment		5.2	11.4	17.9	24.7
Capital Funding with Capital Factor	**806.0**	**865.9**	**1017.7**	**1072.6**	**1098.3**
Capital Funding without Capital Factor	806.0	827.2	849.0	871.3	894.2
Custom Capital Factor (%)		**2.5%**	**8.0%**	**1.6%**	**-0.1%**

The other framework changes relate to how the framework considers and accounts for

[33] (a) Capital-Related Revenue Requirement, Stretch Factor, Stretch Adjustment, and Capital Funding with Capital Factor, as per Settlement Proposal, Table 20A
(b) Capital Funding without Capital Factor, calculated as per L-A1-Staff-271, part a), using the proposed and updated I-X escalation of 2.78%, as per JT4.13, Attachment 1 Table 1
(c) Custom Capital Factor as per Settlement Proposal, Table 22A

[34] (a) Capital-Related Revenue Requirement, Stretch Factor, Stretch Adjustment, and Capital Funding with Capital Factor, as per Settlement Proposal, Table 20
(b) Capital Funding without Capital Factor, calculated as per L-A1-Staff-271, part a) using the settled I-X escalation of 2.63%
(c) Custom Capital Factor as per Settlement Proposal, Table 22

production forecast, and the offsets to the annual escalation. OEB staff supports the Settlement Proposal's change to the Hydroelectric framework so that the production forecast is reflected in all years of the Custom IR term.

The first aspect of this change is that the proposed GRC Factor is based on the GRC expense associated with OPG's production forecast for each year. This more accurately reflects the proposed intent of this factor with, in OEB staff's view, negligible additional burden. When comparing the settled GRC Factor to the proposed, it is smaller. This is because the settled GRC Factor also incorporates the greater general Stretch Factor. The second aspect is that a Production Growth Factor is introduced. Both these factors offset the annual revenue requirement escalation. Table 22 provides more detail.

Table 22: Proposed and Settled GRC and Growth Factors[35]

		2027	2028	2029	2030	2031
Proposed GRC Amount for GRC Factor	$M	352.2	362.0	362.0	362.0	362.0
Proposed GRC Factor	%		0.59%	0.55%	0.51%	0.49%
Settled GRC Amount for GRC Factor	$M	358.7	368.1	370.5	371.5	370.1
Settled GRC Factor	**%**		**0.46%**	**0.52%**	**0.61%**	**0.48%**
Proposed Production Forecast	TWh	32.5	-	-	-	-
Settled Production Forecast	TWh	32.9	33.2	33.4	33.4	33.4
Settled Production Growth Factor	**%**		**0.80%**	**0.69%**	**0.09%**	**-0.17%**

[35] (a) Proposed GRC Amounts and Factors, JT4.13, Attachment 1, Table 2 Note 3, and Table 1, respectively;
(b) Settled GRC Amounts and Factors, Draft Payment Amount Order, Appendix B, Table 2, Note 4 and Table 1, respectively;
(c) Proposed Production Forecast, Exhibit I1-01-01, Table 3a;
(d) Settled Production Forecast and Growth Factors, Draft Payment Amounts Order, Appendix B, Table 1, Note 6

Partially Settled Issues

The parties partially settled issues 2 (Are the 2027-2031 Nuclear Payment Amounts and rate riders reasonable given the overall bill impact to consumers?) and 40 (Are the balances for recovery and the proposed disposition amounts in each of the deferral and variance accounts appropriate?). The unsettled portions of both issues relate to OPG's proposed disposition of a $170.2 million balance in the Capacity Refurbishment Variance Account related to the Darlington Refurbishment Program. Parties agreed that the Outstanding Issue should proceed by way of a written hearing.

OEB staff agrees that no additional evidence or discovery is required, and that a written hearing is appropriate.

Specific Aspects of the Settlement Proposal

OEB staff has examined the Settlement Proposal as a whole and supports the agreement the Parties have reached. There are some aspects OEB staff would like to specifically highlight. Additionally, OEB staff submits that the Applicants should file additional draft accounting orders to be included in the OEB's final payment amount order.

New Deferral and Variance Accounts

Darlington Planned Outage Days (2027-2031) Settlement Variance Account

The timing of OPG's planned unit outages is an input to its production forecast, which forms part of the basis of the Nuclear Payment Amounts. If actual planned outage durations are lower than those incorporated in payment amounts, OPG can earn production revenue above what is contemplated in payment amounts. OEB staff notes that when there are fewer units in service, OPG's revenues are more sensitive to changes in the duration of planned outages. For much of the 2027-2031 period, the Darlington units are the only OPG nuclear units in service.

The Settlement Proposal introduces a new variance account designed to share the net revenue impacts of changes to the duration of planned outages at Darlington generating station. In the account, net revenues resulting from a smaller number of planned outage days than proposed by OPG, but above a specified threshold, are shared 50/50 with consumers. If planned outage days fall below the threshold, incremental net revenues are shared 75/25 in favour of consumers. Consumers would not share the net cost of a higher number of planned outages than OPG proposed in its application. Entries in the account are calculated on a cumulative basis over 2027-2031.

Changes to planned outage timing can contribute to variability in OPG's return on equity.[36] The proposed account would allow consumers to share the benefit of reductions to OPG's planned outage durations. OEB staff submits that this account is reasonable.

Pickering Refurbishment 2027-2031 Early Return to Service Variance Account

Under the Settlement Proposal, net revenues associated with potential early return to service of the first refurbished unit at Pickering would be shared 75/25 in favour of consumers. Similar to the Darlington Planned Outage Days (2027-2031) Settlement

[36] OEB Letter Regarding OPG's 2022 and 2023 Actual Earnings, and Ex. L-E2-SEC-141 Attachment 1

Variance Account, OEB staff sees benefit to consumers in the event that the Pickering generating units return to service ahead of schedule.

Change in CCA Rules or Rates Variance Accounts

The Settlement Proposal establishes a new variance account to track, without prejudice, the revenue requirement impacts of any changes to the Capital Cost Allowance rules or rates. An account is established for each of OPG and DNNP LP for the revenue requirement impact of their respective prescribed facilities. Each account is effective September 15, 2026.

OEB staff submits that this is a fair and reasonable approach to address changes in Federal Tax Rules or tax rates that affect the determination of tax deductions reflected in the approved revenue requirement. OEB staff notes that the effective date captures the Federal Government's announcement of the Productivity Mega Deduction, which expands the range of capital assets eligible for immediate expensing and allows businesses to fully write off the cost of an investment in its first year for tax purposes.[37] This account will isolate the impacts of the legislative changes from those underlying the approved rates. As certain tax measures could materially increase the tax deductions available to OPG, including through changes affecting capital cost allowance treatment, OEB staff is of the view that the account provides an appropriate mechanism for regulatory oversight.

Global Hydroelectric Capital Variance Account

The Global Hydroelectric Capital Variance Account has been established to track variances between OPG's actual hydroelectric capital-related revenue requirement and the capital-related revenue requirement embedded in payment amounts. The account is asymmetric in favour of consumers.

OEB staff notes that OPG already has the symmetrical Capacity Refurbishment Variance Account. This symmetrical account also relates to the capital-related revenue requirement embedded in payment amounts. The Settlement Proposal includes important consideration of the interaction between these two accounts.[38] OEB staff submits that the asymmetric nature of the account, along with the provisions contemplating the interaction with the CRVA, are beneficial to consumers.

[37] Government of Canada introduces new Productivity Mega Deduction to boost Canada's advantage as the most competitive G7 country for new business investment - Canada.ca
[38] Settlement Proposal, Appendix E, pp. 9-10; Settlement Proposal Appendix F, p. 5 – Draft Accounting Order for the Global Hydroelectric Capital Variance Account

Payment Amount Shaping Deferral Account

In the application, the Applicants proposed the Payment Amount Shaping Deferral Account to facilitate shifting $500 million of nuclear revenue requirement from 2027 to 2028. The Settlement Proposal reduces this amount to $350 million. This represents a deferral of 8.4% of 2027's settled revenue requirement to increase 2028 by 8.1%.

OEB staff supports the adjusted shaping proposal. The bill impacts of the Applicants' proposed 2027 payment amounts are significantly higher than the bill impacts in 2028-2031, suggesting that some mitigation of the 2027 payment amounts is appropriate.

The Applicants filed a customer engagement survey to support their mitigation proposal.[39] 47% of respondents supported some form of mitigation, while 41% supported un-mitigated costs passed on to consumers, and the remainder were undecided.

Considering these two points, OEB staff submits that on balance the moderated shaping approach taken by the parties is reasonable.

Appendix F to the Draft Payment Amount Order: Accounting Orders

Appendix F to the Draft Payment Amounts Order provides Draft Accounting Orders for all new Deferral and Variance Accounts associated with this proceeding. OEB staff submits that the OEB should require the Applicants to file additional Accounting Orders to support the OEB's Final Payment Amounts Order.

Given OPG's unique set of utility-specific deferral and variance accounts, OEB staff submits that the accounting orders are particularly important in establishing a common standard by which parties can review account balances and assess compliance with the approved account mechanics.

First, OEB staff notes that two existing accounts have been revised as part of the Settlement Proposal. These are the Scientific Research and Experimental Development Investment Tax Credit (SR&ED ITC) Variance Account and the Gross Revenue Charge (GRC) Variance Account. "Illustrative" Accounting Orders for the proposed revisions were filed in response to H1-SEC-204 under Attachment 2. OEB staff submits that the Applicants should file these Accounting Orders.

Second, OEB staff notes that there are several new accounts established by O. Reg

[39] Exhibit I1-03-02, Attachment 1

53/05. Particularly, the "CCR Accounts" will be subject to annual dispositions.[40] OEB staff submits that the OEB should require the Applicants to file Accounting Orders for these accounts. The OEB is required to ensure that OPG and DNNP LP recover any amounts recorded in these accounts in the year following the year any such balances are recorded in those accounts. The OEB is required to do so to the extent that the OEB is satisfied that the Applicants have accurately recorded those amounts in the accounts. OEB staff submits that including Accounting Orders for those accounts in the Final Payment Amounts Order of this proceeding will facilitate an efficient review of the balances that have been recorded.

~All of which is respectfully submitted~

[40] These accounts are described in Exhibit H1-01-01, sections 5.30, 5.31, and 6.3, and Exhibit I1-01-03, section 3.0. These accounts are the Pickering B Refurbishment Project Variance Account, Darlington New Nuclear Project Variance Account re Capital Cost Amounts for OPG, and the Darlington New Nuclear Project Variance Account re Capital Cost Amounts for DNNP LP.