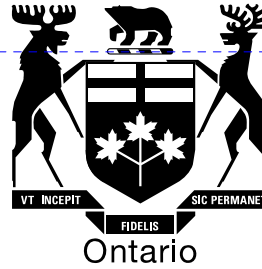


Ontario Energy Board

Commission de l'énergie de l'Ontario



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Filing Guidelines for Ontario Power Generation Inc.

Setting Payment Amounts for Prescribed Generation Facilities

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Issued: July 27, 2007

Revised: September 24, 2009

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1. PART 1: INTRODUCTION

This document provides the filing guidelines for Ontario Power Generation Inc. (“OPG”) regarding the setting of payment amounts for OPG’s prescribed generation facilities. The Board expects that OPG will comply with these filing guidelines. This document is not a statutory regulation, rule or code issued under the Board’s authority and does not preempt the Board’s discretion to make any order or give any direction as it determines necessary concerning any matters raised in relation to the setting of payment amounts for the prescribed generation facilities, including in relation to the production by OPG of additional information which the Board on its own motion or at the request of a party considers appropriate.

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This document sets out specific filing guidelines for purposes of the setting of payment amounts for certain of Ontario Power Generation’s (“OPG”) generation facilities under section 78.1 of the *Ontario Energy Board Act, 1998* (the “Act”). The generation facilities in question are identified in the *Payments Under Section 78.1 of the Act Regulation*, O. Reg. 53/05 (“Regulation 53/05”) and are: Sir Adam Beck I, Sir Adam Beck II, Sir Adam Beck Pump Generation Station, De Cew Falls I, De Cew Falls II (all of the foregoing being hydroelectric generating stations located in the Regional Municipality of Niagara), the R.H. Saunders hydroelectric generating station on the St. Lawrence River, Pickering A nuclear generating station, Pickering B nuclear generating station and Darlington nuclear generating station (collectively the “prescribed generation facilities”).

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1.1 OVERVIEW OF LEGISLATIVE CONTEXT AND REGULATORY METHODOLOGY

Section 78.1 of the Act authorizes the Ontario Energy Board (the “Board”) to set payments to be made to OPG with respect to the output of the prescribed generation facilities. Under Regulation 53/05, the Board’s authority in that regard commenced on April 1, 2008.

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In addition to identifying the prescribed generation facilities, Regulation 53/05 empowers the Board to establish the form, methodology, assumptions and calculations to be used in making an order that determines payment amounts for the purpose of section 78.1 of the Act. It also contains rules that must be followed by the Board in setting those payment amounts.

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On November 30, 2006, the Board issued its report entitled *A Regulatory Methodology for Setting Payment Amounts for the Prescribed Generation Assets of Ontario Power Generation Inc.* (the “OPG Report”). In the OPG Report, the Board concluded that:

- a series of limited issues cost of service processes would be used to set the base payment that will ultimately then form the basis of an incentive regulation formula;
- the limited cost of service process will be extended over several payment orders until all relevant issues have been determined; and
- the first payment proceeding will consider the most substantive issues that are not affected by the prescriptive rules set out in Regulation 53/05; namely, OM&A and rate of return on equity.

The first payment amounts proceeding, EB-2007-0905 (the “first proceeding”), was initiated when OPG filed its application on November 30, 2007. OPG requested that the Board set new payment amounts based on a 21 month test period from April 1, 2008 to December 31, 2009. The payment amounts proposed by OPG were based on a forecast cost of service methodology. The first proceeding was not limited in scope and a full slate of issues was examined through interrogatories and oral hearing. The Board’s decision with reasons was issued on November 3, 2008 (the “first decision”), and the payment amounts order was issued on December 2, 2008 (the “first order”).

These filing guidelines implement, and are generally consistent with, the regulatory methodology set out in the OPG Report, and reflect directions contained in the first decision and are also informed by the first proceeding.

The Board will review the prescribed hydroelectric and nuclear generation facilities, in a single proceeding, and expects that proceeding to include those aspects common to both the hydroelectric and nuclear prescribed generation facilities.

1.2 REQUIREMENTS OF REGULATION 53/05

Regulation 53/05 affects the setting of payment amounts for the prescribed generation facilities, in three principal ways: first, by requiring that OPG establish certain variance and deferral accounts and that the Board ensure recovery of the balance in those accounts subject to certain conditions being met; second, by requiring that the Board ensure that certain costs, financial commitments or revenue requirement impacts be recovered by OPG; and third, by setting certain financial values that must be accepted by the Board when it makes its first order under section 78.1 of the Act. The last item has now been addressed.

While Regulation 53/05 contains rules to be followed as part of the payment-setting process, the manner in which some elements of Regulation 53/05 are to be applied is not prescriptive in all respects. Practical issues arise as a result, principally in relation to the timing of recording of amounts in the variance and deferral accounts relative to

Deleted: In the OPG Report, the Board indicated that it would be appropriate for OPG to file historical data with the Board for the years 2004, 2005 and 2006. As noted in Part 2, however, data need not be provided for 2004.

¶ In the OPG Report, the Board indicated that it was considering 2008 (April 1, 2008 to March 31, 2009) to be used as a forward test year. The Board has concluded that there will be a two year test period, 2008 and 2009 and OPG should provide data for the full two years. The selection of these dates as the forward test period does not mean that payment amounts will be set by the Board for that same period. The Board will not set payment amounts for the period preceding April 1, 2008. Moreover, to the extent that a first final order setting payment amounts cannot be issued effective April 1, 2008, the timing of implementation of the payment amounts may be an issue in the proceeding.

Deleted: . However, since the issuance of the OPG Report, a number of amendments have been made to Regulation 53/05.

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Deleted: consist of three parts: a part which considers those aspects common to both the hydroelectric and nuclear prescribed assets, and then separate parts for each of the hydroelectric and nuclear assets. It is expected that allocation issues will be dealt with in the first part of the proceeding (dealing with common aspects).

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the timing of issuance of the Board's first order. [These issues are outstanding and addressed below.](#)

The filing guidelines set out in Part 2 call upon OPG to identify its proposed manner of addressing some of these issues. These proposals will provide a starting point for further examination of these issues during the payment-setting hearing. OPG may be required to make supplementary filings in relation to these issues.

[The sections of Regulation 53/05 that will apply can be found in the Appendix.](#)

1.2.1 Variance Account for Costs Incurred and Revenues Earned or Foregone due to Deviations from Forecasts

Under section 5(1) of Regulation 53/05, OPG was to establish a variance account that recorded capital and non-capital costs incurred and revenues earned or foregone that were associated with certain deviations from forecasts that were used when the payment amounts, effective April 1, 2005, were set by regulation.

[Regulation 53/05 does not specify the last date on which amounts may be so recorded. The Board's decision approved the continuation of certain accounts effective April 1, 2008. Account transactions will be reviewed for accuracy and prudence during the payment amounts proceeding.](#)

Section 5(1) of Regulation 53/05	Continued As Of April 1, 2008
Differences in hydroelectric production due to differences between forecast and actual water conditions	Yes
Unforeseen changes to nuclear regulatory requirements or unforeseen technological changes that directly affect the nuclear generation facilities, excluding the revenue requirement impacts described in sections 5.1(1) and 5.2(1) of Regulation 53/05 (related to changes in nuclear decommissioning liability)	No
Changes to revenues for ancillary services from the prescribed generation facilities	Yes – hydroelectric and nuclear
Acts of God, including severe weather events	No
Transmission outages and transmission restrictions that are not otherwise compensated for through congestion management settlement credits under the market rules	Yes

1.2.2 Deferral Account for Non-Capital Costs Associated with Pickering A

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<#>differences in hydroelectric production due to differences between forecast and actual water conditions;¶
<#>unforeseen changes to nuclear regulatory requirements or unforeseen technological changes that directly affect the nuclear generation facilities, excluding the revenue requirement impacts described in sections 5.1(1) and 5.2(1) of Regulation 53/05 (related to changes in nuclear decommissioning liability);¶
<#>changes to revenues for ancillary services from the prescribed generation assets;¶
<#>acts of God, including severe weather events; and¶
<#>transmission outages and transmission restrictions that are not otherwise compensated for through congestion management settlement credits under the market rules.¶
Revenues earned or foregone are to be calculated based on the prices set out in section 5(2) of Regulation 53/05 and simple interest is to be recorded on the monthly opening balance of the variance account at an annual rate of 6 percent until the balance in the account has been cleared (Regulation 53/05, section 5(3)). In accordance with section 6(2)1 of Regulation 53/05, the Board must ensure that OPG recovers the balance in this variance account over a period not to exceed three years to the extent that the Board is satisfied that (a) the revenues recorded in the account were earned or foregone and the costs were prudently incurred and (b) the revenues and costs are accurately recorded in the account.¶
¶
Amounts recorded in this variance account cover the period from April 1, 2005. Regulation 53/05 does not, however, specify the last date on which amounts may be so recorded.¶
¶
It is expected that this variance account will not be used to record amounts subsequent to the effective date of the Board's first order, although a similar one may be approved by the Board if appropriate.

Under section 5(4) of Regulation 53/05, OPG was to establish a deferral account to record non-capital costs incurred on or after January 1, 2005, that are associated with the planned return to service of all units at the Pickering A nuclear generating station, including units that the board of directors of OPG has determined should be placed in safe storage.² For this purpose, non-capital costs include construction costs, assessment costs, pre-engineering costs, project completion costs, demobilization costs and interest costs, recorded as simple interest on the monthly opening balance of the account at an annual rate of 6 percent, compounded annually, until the balance in the account has been cleared (Regulation 53/05, section 5(5)). In accordance with section 6(2)3 of Regulation 53/05, the Board must ensure that OPG recovers the balance in this deferral account on a straight line basis over a period not to exceed 15 years. The Board's first payment amounts decision approved recovery of December 31, 2007 balances over a period of 45 months, ending December 31, 2011,

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Regulation 53/05 does not specify the last date on which amounts may be so recorded. The Board's order approved the continuation of the account. Account transactions will be reviewed during the payment amounts proceeding.

Deleted: In accordance with section 6(5)(i) of Regulation 53/05, the Board in making its first order under section 78.1 of the Act must accept the amounts recorded in this deferral account as set out in OPG's most recently audited financial statements that were approved by the board of directors of OPG before the effective date of that order.¶

¶ Amounts recorded in this deferral account cover the period from January 1, 2005.

1.2.3 Deferral Accounts for Nuclear Decommissioning Liability³

Under Regulation 53/05, OPG is required to establish a Nuclear Liability Deferral Account, effective April 1, 2008, which records the revenue requirement impact of any change in its nuclear decommissioning liability arising from an approved reference plan. The Board ordered OPG not to record the revenue requirement impact of a change in its nuclear decommissioning liability associated with its nuclear obligations related to the Bruce facilities. Interest is recorded on the balance at the rate set by the Board, pursuant to the Board's interest rate policy.

Deleted: It does, however, require that the Board accept the amounts recorded in this deferral account as set out in OPG's most recently audited financial statements that were approved by the board of directors of OPG before the effective date of the Board's first order. ¶

¶ It is expected that this deferral account will not be used to record amounts subsequent to the effective date of the Board's first order, although a similar one may be approved by the Board if appropriate.¶

"Nuclear decommissioning liability" is defined as "the liability of Ontario Power Generation Inc. for decommissioning its nuclear generating facilities and the management of its nuclear waste and used fuel." An "approved reference plan" is defined as "a reference plan, as defined in the Ontario Nuclear Funds Agreement, that has been approved by Her Majesty the Queen in the right of Ontario in accordance with that agreement."⁴

OPG was directed to transfer the balance in the Nuclear Liability Deferral Account, Transition to this account effective April 1, 2008.⁵ Section 6(2)7 of Regulation 53/05 states OPG shall recover the balances recorded on a straight line basis over a period not to exceed three years, to the extent that the Board is satisfied that revenue

² In August, 2005, the board of directors of OPG decided to place units 2 and 3 of Pickering A in safe storage.

³ Section 5.2 Regulation 53/05 also contains a provision relating to recovery of the revenue requirement impact of its nuclear decommissioning liability. See section 1.2.4(b) below.

⁴ Regulation 53/05

⁵ Payment Amounts Order, December 2, 2008, App. F.

requirement impacts are accurately recorded based on four items reflected in audited financial statements approved by the OPG board of directors. These items are return on rate base, depreciation expense, income and capital taxes, and fuel expense.

1.2.4 Recovery of Specified Costs

a. Costs and Commitments Associated with Refurbishment or Increases in Output or Capacity

Under section 6(2)4 of Regulation 53/05, the Board must ensure that OPG recovers capital and non-capital costs and firm financial commitments⁹ incurred to increase the output of, refurbish or add operating capacity to a prescribed generation facility, if they were within the project budgets approved for that purpose by the board of directors of OPG before the making of the Board's first order under section 78.1 of the Act. If the costs and financial commitments were not so approved by the board of directors of OPG, they must be recovered if the Board is satisfied that the costs were prudently incurred and the financial commitments were prudently made.

b. Costs and Commitments Associated with Nuclear Development

Under section 6(2)4.1, the Board must ensure that OPG recovers the costs incurred and firm financial commitments made in the course of planning and preparation for the development of proposed new nuclear generation facilities.

Under section 6(2)7.1 of Regulation 53/05, the Board must ensure that the balances in the nuclear development variance account are recovered on a straight line basis over a period not to exceed three years.

c. Revenue Requirement Impact of Nuclear Decommissioning Liability

Under section 6(2)8 of Regulation 53/05, the Board must ensure that OPG recovers the revenue requirement impact of its nuclear decommissioning liability arising from the current approved reference plan.

d. Costs and Revenues Associated with Bruce

Under section 6(2)9 of Regulation 53/05, the Board must ensure that OPG recovers all the costs it incurs with respect to the Bruce nuclear generating stations.

⁹ These specifically include assessment costs and pre-engineering costs and commitments.

Deleted: <#>Transitional Account¶

¶ Under section 5.1(1) of Regulation 53/05, OPG must establish a deferral account to record the revenue requirement impact of any change in its nuclear decommissioning liability⁶ arising from an "approved reference plan",⁷ approved after April 1, 2005, as reflected in the audited financial statements approved by the board of directors of OPG. Simple interest is to be recorded on the monthly opening balance of the deferral account at an annual rate of 6 percent until the balance in the account has been cleared (Regulation 53/05, section 5.1(2)). In accordance with section 6(2)7 of Regulation 53/05, the Board must ensure that OPG recovers the balance in this deferral account on a straight line basis over a period not to exceed 3 years to the extent that the Board is satisfied that the revenue requirement impacts are accurately recorded in the account, based on the following items, as reflected in the audited financial statements approved by the board of directors of OPG: (i) return on rate base; (ii) depreciation expense; (iii) income and capital taxes; and (iv) fuel expense. Section 6(5)(i) of Regulation 53/05 would appear to require that the Board, in making its first order under section 78.1 of the Act, accept the amounts recorded in this deferral account as set out in OPG's most recently audited financial statements that were approved by the board of directors of OPG before the effective date of that order. ¶

¶ Amounts recorded in this deferral account cover the revenue requirement impact of changes in nuclear decommissioning liability in the period from the date of a post-April 1, 2005 approved reference plan up to the date of the Board's first order under section 78.1 of the Act.⁸ ¶

<#>Account After Board's First Order¶

¶ Under section 5.2(1) of Regulation 53/05, OPG must establish a deferral account to record the revenue requirement impact of changes... [1]

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Deleted: In making its first order under section 78.1 of the Act, the Board must accept the value of these costs and financial commitments as set out in OPG's most recent audited financial statements that were approved by the board of directors of OPG before the effective date of that order (Regulation 53/05, section 6(2)6(iii)).

If the revenues associated with any lease of the Bruce nuclear generating stations exceed the costs OPG incurs with respect to those stations, the excess must be applied by the Board to reduce the payment amounts set with respect to the prescribed nuclear generation facilities, (Regulation 53/05, section 6(2)10).

1.3 BOARD DIRECTIVES AND UNDERTAKINGS FROM PREVIOUS DECISIONS*

<u>Item</u>	<u>EB-2007-0905 Decision Page Number</u>
<u>Produce further Nuclear OM&A benchmarking studies</u>	<u>31</u>
<u>Provide more detailed analysis of the treatment of Pickering 2&3 isolation costs including why costs are capitalized</u>	<u>35</u>
<u>Provide business case summaries supporting capital expenditures</u>	<u>35</u>
<u>Present a review of the hydroelectric incentive mechanism which examines the impact of the incentive structure on OPG's operating decisions</u>	<u>55</u>
<u>Present an independent evaluation of the corporate cost allocation methodology which includes consideration of the Board's '3-prong test'</u>	<u>60</u>
<u>Present review of separate costs of capital for the regulated nuclear and hydroelectric businesses</u>	<u>161</u>
<u>File better information on its forecast of the test period income tax provision, which should not include any income or loss in respect of the Bruce lease</u>	<u>171</u>
<u>File an analysis of prior period tax returns identifying all items that should be taken into account in the tax provision for prescribed facilities</u>	<u>171</u>
<u>File a complete set of audited financial statements, including a balance sheet, for the prescribed facilities</u>	<u>171-2</u>

* Only indicates Board direction for filing purposes

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Deleted: In making its first order under section 78.1 of the Act, the Board must accept the value of OPG's costs incurred with respect to the Bruce nuclear generating stations and OPG's revenues earned from the lease of those stations as set out in OPG's most recent audited financial statements that were approved by the board of directors of OPG before the effective date of that order (Regulation 53/05, sections 6(2)5(ii) and 6(2)5(iii)). ¶

<#>Acceptance of OPG Financial Values ¶

¶ Section 6(2)5 of Regulation 53/05 requires that the Board, in making its first order under section 78.1 of the Act, accept the amounts for the following matters as set out in OPG's most recently audited financial statements that were approved by the board of directors of OPG before the effective date of that order: ¶

¶ <#>OPG's assets and liabilities, other than the variance account referred to in section 1.2.1 above (as noted earlier, this includes the amounts for the deferral account referred to in section 1.2.2 and appears to include the amounts for the deferral account referred to in section 1.2.3(a) above); ¶ <#>OPG's costs and lease revenues associated with the Bruce nuclear generating stations. ¶

In accordance with section 6(2)6 of Regulation 53/05, the above specifically includes values relating to the following: ¶

<#>capital cost allowances; ¶ <#>the revenue requirement impact of accounting and tax policy decisions; and ¶

... [2]

Deleted: ¹⁰ ¶ <#>retain the existing payment structure whereby some of the output of the hydroelectric facilities receives the market price, but will examine whether the existing threshold of 1900 MWh should be changed to encourage more efficient use of these assets; ¶

<#>examine whether a separate "incentive price" mechanism for setting payments for output from the Beck pump generation facility would be a useful tool to increase the efficient utilization of that asset. ¶

¶ **THE BOARD WILL ALSO SOLICIT INPUT ON WHETHER THE PAYMENT AMOUNTS FOR ANY OF THE PRESCRIBED GENERATION ASSETS SHOULD BE CAPPED OR LIMITED IN SOME FASHION** ¶

... [3]

2: PART 2: FILING GUIDELINES

2.1 INTRODUCTION

OPG's application to the Board should provide sufficient detail to enable the Board to make a determination as to whether the proposed payment amounts are just and reasonable. The material presented is OPG's evidence and the onus is on OPG to prove the need for and the basis for the proposed new payment amounts. A clearly written application that advocates the need for the proposed payment amounts, complete with sufficient evidence and justification for the proposed payment amounts, is essential to facilitate an efficient regulatory process and a timely decision.

Deleted: The OPG Report indicated that the hydroelectric and nuclear businesses would be reviewed separately and that the first proceeding would consider the most substantive issues that are not affected by the prescriptive rules set out in Regulation 53/05, namely, operations, maintenance and administration and rate of return on equity. As noted in section 1.1 the proceeding is expected to comprise three parts.¶

Key to both the hydroelectric and nuclear businesses is their respective share of OPG's common corporate costs. A clear explanation of OPG's corporate costs and how those costs are allocated across the businesses should be provided. This should include a detailed explanation of how costs are allocated to the hydroelectric and nuclear businesses and a detailed explanation of how costs are allocated between the regulated and non-regulated operations of the hydroelectric business.

¶ Two years of historical data (2005 and 2006) should be provided, as should data for the Bridge Year (2007) and Test Years (2008/09). For the each of the Historic Years, a detailed variance analysis should also be provided comparing the budget to actual. For the Bridge Year, a budget to forecast comparison should be provided. In addition, a detailed variance analysis should be provided for each year compared to the prior year. This analysis should explain the reasons for the variance, the drivers of the variance and the contribution of each towards the total year-over-year variance.¶

The Board is cognizant of the large number of interrogatories that a rate (or in this case the payment) setting process can generate. OPG should strategically consider the clarity of the evidence, with the goal of providing a clear and concise narrative of its filing. The evidence should be designed to increase the understanding of the parties with the overall objective of reducing the number and scope of interrogatories required.

¶ The test period will be 2008 and 2009. As noted in section 1.1, two calendar years of data (2008 and 2009) should be provided.

In the decision, the Board noted that certain evidence was not filed as a matter of course, but rather produced on cross examination only. In determining what evidence to file, OPG should consider what information the Board and the intervenors are likely to request, and provide that information in the filed evidence rather than waiting for the request to be made at the hearing. This will ensure a better use of hearing time, and a more focused and informed cross examination.

The filing should contain the following eight exhibits:

- Exhibit A Administrative Documents
- Exhibit B Rate Base
- Exhibit C Cost of Capital and Capital Structure
- Exhibit D Capital Projects
- Exhibit E Production Forecast
- Exhibit F Operating Costs
- Exhibit G Operating Revenue
- Exhibit H Nuclear Waste Management and Decommissioning
- Exhibit L Design of Payment Amounts

Exhibit M Deferral and Variance Accounts
Exhibit N Determination of Payment Amounts

Each exhibit should provide the identified data for each category of prescribed generation facility, (nuclear and hydroelectric). Each exhibit should also explain how allocations have been made from total corporate to the prescribed generation facilities, as a whole and the non-prescribed generation facilities, as a whole, and then from the prescribed generation facilities, as a whole to each of the nuclear and hydroelectric classes of prescribed generation facilities.

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Excel spreadsheets should be provided as appropriate to the data in question. Generally, formulae indicating on-sheet calculations should be provided.

2.1.1 Key Planning Parameters

The key planning parameters listed below form the basis of how the detailed guidelines provided in this document should be interpreted or applied.

The filing should be made in accordance with:

- Generally Accepted Accounting Principles (GAAP) and/or International Financial Reporting Standards (IFRS) as appropriate
- International System of Units (metric units), as described in the *Weights and Measures Act* (Canada)

In addition, OPG should meet the following guidelines in preparing its filing:

- Six years of data should be submitted, as a minimum. The years are defined as:
 - Test Years = prospective payment years (typically 2 years)
 - Bridge Year = current year
 - Historic Years = last 3 complete years of actuals (as a minimum)
- Multi-year data showing data for all of the Historic Years, Bridge Year and Test Years should be presented on the same sheet for the summary/main schedules
- For the each of the Historic Years, a detailed variance analysis should also be provided comparing the budget to actual. For the Bridge Year, a budget to forecast comparison should be provided. In addition, a detailed variance analysis should be provided for each year compared to the prior year. This analysis should explain the reasons for the variance, the drivers of the variance and the contribution of each towards the total year-over-year variance.
- Written direct evidence should be included before the data schedules

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- Deleted: (2005 to 2009)
- Deleted: 2008 and 2009
- Deleted: (2007)
- Deleted: 2
- Deleted: 2005 and 2006

- With respect to the claimed revenue sufficiency/deficiency, OPG should provide a summary of the drivers of the sufficiency/deficiency for each of the Test Years, along with how much each driver contributes
- OPG should file ten paper copies and a copy in electronic form

A filing that includes all documentation detailed in this document will be considered complete for purposes of further processing by the Board.

2.1.2 Confidential Information

Unless otherwise directed by the Board, any request for confidential treatment of information by OPG must be made [at the time of the filing and](#) in accordance with the Board's *Practice Direction on Confidential Filings*. It is the expectation of the Board that parties to a proceeding will make every effort to limit the scope of their requests for confidentiality to an extent commensurate with the commercial sensitivity of the information at issue or with any legislative obligations of confidentiality or non-disclosure, and to prepare meaningful redacted documents or summaries so as to maximize the information that is available on the public record.

2.2 EXHIBIT A ADMINISTRATIVE DOCUMENTS

The administrative documents identified in this section provide the background and summary to the filing. There are three sections:

- 1) Administration;
- 2) Overview/summary of the filing; and
- 3) Background financial information.

The detailed guidelines for each section are shown below.

This exhibit should be treated as an administrative exhibit and should exclude all other information, such as [production](#) and revenue forecasts, cost of capital summary, rate base evidence and the operating, maintenance [and administration \(OM&A\)](#) budget. These topics should be addressed in the appropriate exhibits that follow.

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This exhibit should, however, include a brief summary of OPG's filing regarding the specific directions set out in the [first proceeding](#) (see section 1.3 above) and references to where the detailed evidence can be found.

Deleted: OPG Report

2.2.1 Administration

- Table of Contents/Exhibit List
- Nature of filing
- [List of specific approvals requested](#)
- [List of relevant statutory provisions \(such as any provisions of, or regulations under,](#)

Deleted: <#>Summary of filing regarding specific directions in the OPG Report ¶

Deleted: <#>Copy of OPG's generation licence ¶

the *Ontario Energy Board Act, 1998* or the *Electricity Act, 1998*)

- Contact information
- Draft issues list – [referring to any consultation processes relating to the development of the draft issues list](#)
- Procedural Orders/motions/correspondence
- Identification of areas where there has been deviation from GAAP
- Relevant maps (or provide link to webpage where maps can be found)
- Organization charts
- Planned changes in corporate or operational structure
- Relevant company policies and regulations
- List of witnesses and their curriculum vitae

2.2.2 Overview/Summary

- Summary of filing (purpose, need and timing of the filing)
- Budget directives and guidelines (capital and operating budgets), including economic assumptions used
- Changes in methodology (accounting, etc.) that would affect any of the Historic, Bridge or Test Years
- Schedule of overall revenue sufficiency/deficiency
- Numerical schedules detailing the causes of the sufficiency/deficiency
- Complete and detailed references to the data contained in the detailed schedules and tables should be provided so that parties can map the summary cost driver information to the evidence supporting it
- An overview of the allocation methodology for assets, costs and revenues to the prescribed and non-prescribed assets, and to the nuclear- and hydroelectric-specific businesses
- [Summary of Board directives from any previous Board Decisions and/or Orders. OPG should clearly indicate how these are being addressed in the current application.](#)

2.2.3 Background Financial Information

- Most recent audited [OPG](#) financial statements approved by OPG's board of directors
- Audited [OPG](#) financial statements for each of the Historic Years and Bridge Year (or provide the webpage address of the location on SEDAR or EDGAR where these audited financial statements can be found)
- Audited [OPG](#) financial statements should be provided as soon as they are available. If the statements are not available at the time of filing, OPG should provide these as an update
- Most recent quarterly [OPG](#) financial reports
- [Audited prescribed generation facilities financial statements for each of the Historic Years and Bridge Year](#)
- An overview of how the provisions of Regulation 53/05 are reflected in the filing compared to data in the financial statements
- To address the concern of a potentially significant variance between the date of the audited financial statements and the date of filing, a detailed reconciliation of the

financial results shown in the audited financial statements and the financial results contained in the filing should be provided

- Rating agency reports for each of the Historic Years and the Bridge Year

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2.4 EXHIBIT B RATE BASE

A description of the prescribed [generation facilities](#), and of any financial assets, should be provided. Items used in the computations or derived should include opening and closing balances of the net fixed assets, working capital, accumulated depreciation, changes in working capital, accrued deferred earnings, and annual amortization of accrued deferred earnings.

Deleted: This exhibit includes information on rate base, capital budgets and asset additions.

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The information presented here should cover three areas:

- 1) List of gross assets (property, plant and equipment), including capital budgets;
- 2) Accumulated depreciation; and
- 3) Working capital calculation.

For each of these areas there will be some common statements that should be provided summarizing the rate base. The schedules for rate base should include all Historic Years, Bridge Year (actuals to date, balance of year as budgeted) and Test Years. Additional statements that should be provided for 1 and 2 include:

Continuity statements (year-end, including interest during construction and all overheads)

- [Year over year for the Historic Years](#)
- [Historic Year to Bridge Year](#)
- [Bridge Year to Test Years](#)

Summary variance explanation

A written explanation should be provided to identify the key drivers to the variance for rate base. This applies to OPG's rate base for the following comparisons:

- [Budget vs actual for each of the Historic Years](#)
- [Budget vs. Bridge Year forecast](#)
- [Year over year analysis for the six year period](#)

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<#>2006 Historic Year to Bridge Year ¶
<#>Bridge Year to Test Years¶

2.4.1 Gross Assets – Property, Plant and Equipment

Continuity statements and summary variance explanation should be provided as indicated above.

- Required statements and analysis should be broken down by function

Deleted: <#>2005 budget vs. actual¶
2006 budget vs. actual¶
2007 budget vs. 2007 Bridge Year forecast¶
¶
2005 actual vs. 2006 actual¶
2006 actual vs. 2007 Bridge Year forecast ¶
2007 Bridge Year forecast vs. 2008 and 2009 Test Years¶

- A detailed breakdown should be provided by major plant account for each functionalized plant item for each of the Historic Years, Bridge Year and Test Years. For the Test Years, each plant item should be accompanied by a written description
- Mid-year averages should be provided

2.4.2 Accumulated Depreciation

Continuity statements and summary variance explanation should be provided as indicated above for each of the Historic Years, Bridge Year and Test Years by asset account. Continuity statements should be reconcilable to calculated depreciation costs.

2.4.3 Working Capital Calculation

A full calculation of working capital should be provided, including a lead/lag study to establish the cash working capital for the each of the Historic Years, Bridge Year and Test Years. The results should be provided on a single schedule for comparison.

2.5 EXHIBIT C COST OF CAPITAL AND RATE OF RETURN

OPG should ensure that the total capitalization in the filing (debt and equity) equates to the total rate base.

2.5.1 Capital Structure – Amounts & Ratios

The following elements of the proposed capital structure should be detailed, with the necessary schedules, for each of the Historic Years, Bridge Year and Test Years:

- Long-term debt
- Short-term/unfunded debt (to equate total capitalization with rate base)
- Common equity

Justification for proposed capital structure is required, including an explanation of the following:

- Non-scheduled retirement of debt or preference shares and buy back of common shares
- Long-term debt, preference shares and common share offerings
- Since the establishment of the prescribed asset classes, the assumptions and methodology used:
 - to develop prescribed generation asset valuations
 - to allocate OPG's debt to the prescribed generation facilities as a whole
 - to allocate OPG's debt as between the prescribed nuclear and hydroelectric generation facilities

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- A historic accounting of changes to OPG’s capital structure from 2005 to the date of filing should be provided, including asset valuations, writedowns, debt issues and asset retirements
- All internal or commissioned reports, studies or analysis, from 2005 to the date of filing, of how to value OPG’s assets and how to allocate debt, by business unit or asset class

2.5.2 Component Costs of Debt

The following should be provided for each of the Historic Years, Bridge Year and Test Years:

- Calculation of the cost of each item
- Justification of forecast costs by item including key economic assumptions
- Profit or loss on redemption of debt
- Consensus Forecasts – latest interest rate forecast based on a selection of forecasters that are common to utilities (e.g., the major banks and the Bank of Canada)

2.5.3 Calculation of Return on Equity

Justification for the proposed return on equity is required.

2.6 EXHIBIT D CAPITAL PROJECTS

Capital Budget - Historic Years, Bridge Year and Test Years

- Policies
 - OPG’s capitalization policy and any changes to that policy should be presented as part of the capital budget evidence
 - Proposed accounting treatment, including the treatment of costs of funds for capital projects that have a project life cycle greater than one year, should be provided
- Capital budget by project

For Capital Projects of:	Detail Required
\$10 million or more	Name, description, need, start date, in-service date, and cost for each project Business Case for each project

	Total cost of all projects in this category
Between \$5 million and \$10 million	Name, description and cost for each project Total cost of all projects in this category
Less than \$5 million	Number of projects in this category, total cost of all projects in this category and average cost of the projects in this category

- Variance analysis for capital projects of \$10 million or more
 - A written explanation of variances should be presented where the variance is 10% or more of the project budget. Variance explanations should be provided for the following comparisons:
 - [Budget vs. actual for each of the Historic Years](#)
 - [Budget vs. Bridge Year forecast](#)
 - [Year over year analysis for the six year period.](#)

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2006 budget vs. actual¶
2007 budget vs. 2007 Bridge Year forecast¶
2005 actual vs. 2006 actual¶
2006 actual vs. 2007 Bridge Year forecast ¶
2007 Bridge Year forecast vs. 2008 and 2009 Test Years¶

Deleted: This section should include specific information regarding the impact of the Beck tunnel expansion as contemplated in the OPG Report. Data should include capital costs, non-capital costs and firm financial commitments referred to in section 6(2)4 of Regulation 53/05, and additional information on revenue impacts that result or are expected to result from the increased output

2.7 EXHIBIT E PRODUCTION FORECAST

The production [forecast and any normalization methodology](#) should be provided here. [A description of outage planning processes and production reliability initiatives will also be provided.](#)

- Explanation of causes and assumptions for the production forecast
- Production for all Historic Years, Bridge Year and Test Years
- Weather forecasting and hydrological forecasting methodologies
- All data used to determine the forecast should be presented in MS Excel spreadsheet format
- [Comparison of historical data with the forecast data in regard to forecasting assumptions](#)
- A variance analysis of energy output should be provided for the following:
 - [Budget vs. actual for each of the Historic Years](#)
 - [Budget vs. Bridge Year forecast](#)
 - [Year over year analysis for the six year period](#)

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Deleted: and sales activities

Deleted: This exhibit should include a detailed description of the methodologies and assumptions used to determine the production forecast. The information presented should include other revenue derived from the use of the prescribed assets, broken down by revenue source.

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Deleted: <#>Schedule of production showing volumes, total revenues and unit revenues for each of the Historic Years, Bridge Year and Test Years¶

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<#>2006 budget vs. actual¶
<#>2007 budget vs. 2007 Bridge Year forecast .
¶
<#>2005 actual vs. 2006 actual¶
<#>2006 actual vs. 2007 Bridge Year forecast ¶
<#>2007 Bridge Year forecast vs. 2008 and 2009 Test Years¶

- All economic assumptions and their sources used in the preparation of the production forecast should be included in this section

2.8 EXHIBIT F OPERATING COSTS

This exhibit should include information that summarizes the total operating, maintenance and administration costs, including asset service fees and taxes.

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This exhibit will include benchmarking studies that update studies filed in previous applications or new benchmarking studies. Further, this exhibit will include a consolidation of the benchmarking information so that comparisons are evident, eg. PUEC, nuclear capacity factors.

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2.8.1 Operating, Maintenance & Administration and Other Costs

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The required statements for each of the components of this section include trend data for operating costs by major item.

a) Operating, Maintenance & Administration Costs

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Details of the budgets for each of the Historic Years, Bridge Year and Test Years should be provided.

The QM&A statements for each year should provide:

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- A breakdown on a work basis of each major item that meets the threshold of the lesser of 1% of total expenses before taxes or \$20 million
- Detailed information is to be provided for each expense incurred through the purchase of services or products that meets the threshold of the lesser of 1% of total expenses before taxes or \$20 million. The information is to include, for each such expense:
 - a summary of the tendering process used
 - if a tendering process was not used, an explanation of why that was the case as well as a description of the pricing methodology used
 - the identity of the company transacting with OPG
 - a summary of the nature of the activity transacted

In addition, the annual dollar value, in aggregate, for all such expenses should be provided.

- A breakdown of the following by employee group: number of full time employees; number of part-time employees; total salaries, wages and benefits; and salaries, wages and benefits charged to O&M. In addition, the following should also be provided:
 - Total compensation by employee group and average level per group
 - Details of any pay-for-performance or other employee incentive program

- The status of pension funding and all assumptions used in the analysis
- Employee benefit programs, including pensions, and costs charged to O&M should be detailed.
- A variance analysis for O&M should be provided for the following:
 - [Budget vs actual for each of the Historic Years](#)
 - [Budget vs. Bridge Year forecast](#)
 - [Year over year analysis for the six year period](#)

A written explanation is required for any variance greater than or equal to 10% of category expenses.

b) Depreciation/Amortization/Depletion

- An [applicable](#) depreciation study should be provided
- Details of provision for depreciation, amortization and depletion by asset group for each of the Test Years should be provided, as should comparative data for each of the Historic Years and Bridge Year, including asset amount and rate of depreciation

c) Corporate Cost Allocation

A corporate cost allocation study should be provided, including information showing the costs incurred at the corporate level, the methodology and assumptions used to allocate these costs to the prescribed and non-prescribed [generation facilities](#), and the methodology to allocate these costs to each of the prescribed nuclear and hydroelectric businesses. Details in relation to shared corporate services should include:

- type of service (IT, office space, etc.)
- total annual expense by service
- rationale and derivation of cost allocators used for shared costs, for each type of service (square footage/computers/headcount/etc.)
- [any variances in 2008 and 2009 corporate cost allocation.](#)

[The applicant will also file an independent evaluation of corporate cost allocation which includes an evaluation of cost allocation methodology and a consideration of the Board's three prong costs test as set out in Enbridge Gas Distribution EB-2005-0001/EB-2005-0437.](#)

2.8.2 Taxes

[OPG is required to file extensive information in its Historical, Bridge and Test year forecast of income tax and the detailed calculation supporting the data.](#)

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<#>2006 budget vs. actual¶
<#>2007 budget vs. 2007 Bridge Year forecast¶
¶
<#>2005 actual vs. 2006 actual¶
<#>2006 actual vs. 2007 Bridge Year forecast ¶
<#>2007 Bridge Year forecast vs. 2008 and 2009 Test Years¶

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- A detailed tax calculation should be provided for each of the Historic Years, Bridge Year and Test Years, including derivation of interest deducted, capital cost allowance showing differences from depreciation/amortization expense, all other differences from financial statement income, tax rates and payments in lieu of taxes included in deriving the revenue requirement.
- Details on the gross revenue tax applicable to the hydroelectric business should be provided either separately or as part of the operating expenses for the hydroelectric business
- All reconciling items should have supporting schedules and calculations

2.9 EXHIBIT G OPERATING REVENUE

The revenue forecast, any normalization methodology and sales activities should be provided here. The information presented should include other revenue derived from the use of the prescribed [generation facilities](#), broken down by revenue source.

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Deleted: This exhibit should include a detailed description of the methodologies and assumptions used to determine the production forecast.

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2.9.1 Energy Revenue

- Production and energy revenues for all Historic Years, Bridge Year and Test Years
- Schedule of production showing volumes, total revenues and unit revenues for each of the Historic Years, Bridge Year and Test Years
- Comparison of historical data with the forecast data in regard to forecasting assumptions
- A variance analysis of revenues should be provided for the following:

Deleted: <#>Explanation of causes and assumptions for the production forecast ¶

Deleted: <#>Weather forecasting and hydrological forecasting methodologies¶
<#>All data used to determine the forecast should be presented in MS Excel spreadsheet format¶

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- [Budget vs actual for each of the Historic Years](#)
- [Budget vs. Bridge Year forecast](#)
- [Year over year analysis for the six year period](#)

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<#>2007 budget vs. 2007 Bridge Year forecast .
¶
<#>2005 actual vs. 2006 actual¶
<#>2006 actual vs. 2007 Bridge Year forecast ¶
<#>2007 Bridge Year forecast vs. 2008 and 2009 Test Years¶

2.9.2 Other Revenues

Details of other revenue, broken down by revenue source, should be provided. This should include OPG's revenues and costs associated with the Bruce nuclear generating stations

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¶

- A variance analysis of other revenues should be provided for the following:

- [Budget vs actual for each of the Historic Years](#)
- [Budget vs. Bridge Year forecast](#)
- [Year over year analysis for the six year period](#)

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<#>2006 budget vs. actual¶
<#>2007 budget vs. 2007 Bridge Year forecast¶
¶
<#>2005 actual vs. 2006 actual¶
<#>2006 actual vs. 2007 Bridge Year forecast ¶
<#>2007 Bridge Year forecast vs. 2008 and 2009 Test Years¶

- A detailed explanation of how other revenues are attributed to the prescribed generation [facilities](#), should be provided.

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2.10 EXHIBIT H NUCLEAR WASTE MANAGEMENT AND DECOMMISSIONING

This exhibit provides a summary of OPG's obligations for nuclear waste management and decommissioning. This exhibit will also provide the funding responsibilities as described in the Ontario Nuclear Funds Agreement.

The information presented will cover:

- the revenue requirement treatment of OPG's liabilities for decommissioning its nuclear stations and nuclear used fuel and low and intermediate level waste management
- the revenue requirement treatment of OPG's liabilities for decommissioning Bruce

Further, the exhibit will include:

- A summary of net book values of OPG's nuclear stations including Bruce, noting amounts of unamortized asset retirement cost, for Historic, Bridge and Test years.
- A summary of the forecast pre-tax charge in OPG's income statement due to the nuclear liabilities and the segregated funds

2.11 EXHIBIT L DESIGN OF PAYMENT AMOUNTS

This exhibit should, in addition to providing the existing design of payment amounts, include:

- Analysis of the existing design of payment amounts and whether the design maximized efficient use of the generation facilities
- Proposed payment design and rationale
- Explanation of non-cost factors and their application to payment design.

2.12 EXHIBIT M DEFERRAL AND VARIANCE ACCOUNTS

As described in Part 1, Regulation 53/05 contains a number of provisions regarding the establishment of deferral and variance accounts and the recovery of balances in those accounts. In this section, OPG will include information necessary to enable the Board to deal with these accounts in the manner contemplated by Regulation 53/05, including OPG's proposals regarding the following:

- The end date for entries into the deferral and variance accounts
- Addressing timing differences between the end date for entries into the deferral and variance accounts and the effective date of the Board's order

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Deleted: schedule, show the revenue deficiency recovery, a summary of proposed changes to the payments, production forecast and revenue recovery.

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<#>Existing Payments Schedule ¶

¶
<#>Proposed Payments Schedule and Analysis¶

¶
<#>Proposed payments and revenue adjustments¶

<#>Detailed calculations of revenue under the current payments schedule and the proposed payment schedule¶

<#>Detailed reconciliation of payment revenue and other revenue to the total revenue requirement ¶

<#>Explanation of non-cost factors and their application to payment design¶

¶
<#>Additional Direction in the OPG Report ¶

¶
<#>With respect to the maximization of the efficient use of the prescribed nuclear generation assets, the data should include: planned outage schedules (actual and forecast) for the nuclear units for the period 2005 to the date of filing; planned outage schedules for the period from the date of filing through, as far as possible, to the end of the Test Years; the reasons for each planned outage; and the actual or proposed duration and actual or expected impact on output of each planned outage. A listing of all unscheduled (forced) outages for the period 2005 to the date of filing; the reason, duration and impact on output of each forced outage; and the action taken by OPG in response to forced outages, such as corrective action taken to prevent future occurrences¶

¶
<#>With respect to the MWh threshold before the market price applies for prescribed hydraulic generation assets, the data should include a schedule of the hours when the total combined output from the prescribed hydroelectric generation assets exceeded: ¶

¶
<#>1500 MWh per hour; and¶

<#>1900 MWh, ¶

¶
in the period from 2005 to the filing date, and the actual level of output for those hours by station, includin... [4]

¶
in the period from 2005 to the filing date, and the actual level of output for those hours by station, includin... [4]

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in the period from 2005 to the filing date, and the actual level of output for those hours by station, includin... [4]

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in the period from 2005 to the filing date, and the actual level of output for those hours by station, includin... [4]

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in the period from 2005 to the filing date, and the actual level of output for those hours by station, includin... [4]

Deleted: should, in this section,

- The number of years over which balances in the deferral and variance accounts should be recovered (subject to the maximum set out for each in Regulation 53/05)
- The interest rate for the nuclear liability deferral account referred to in section 5.2(1) of Regulation 53/05

OPG will also identify any deferral or variance accounts that it may wish to have authorization to establish on and after the date of the Board's order.

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In general, this exhibit should include:

- A listing and detailed description of all outstanding deferral and variance accounts - those specified by Regulation 53/05 as well as those established by the Board in previous decisions, including:
 - Hydroelectric Water Conditions Variance Account
 - Ancillary services Net Revenue Variance Account – Hydroelectric
 - Ancillary services Net Revenue Variance Account – Nuclear
 - Transmission Outages and Restrictions Variance Account
 - Pickering A Return to Service Deferral Account
 - Nuclear Liability Deferral Account
 - Nuclear Development Deferral Account
 - Capacity Refurbishment Variance Account
 - Nuclear Fuel Cost Variance Account
 - Income and Other Taxes Variance Account
 - Bruce Lease Net Revenue Variance Account
 - Hydroelectric Interim Period Shortfall (Rider D) Variance Account
 - Nuclear Interim Period Shortfall (Rider B) Variance Account
 - Tax Loss Variance Account
- Continuity statements listing opening balances, transaction details including recoveries where applicable, interest rates and carrying charges, and closing balances. The schedules will reflect annualized data for the Historic and Bridge years. Notes will be provided for any unusual transactions.
- A detailed proposal for recovery of the balance in the deferral and variance accounts, where applicable

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2.13 EXHIBIT N DETERMINATION OF PAYMENT AMOUNTS

This exhibit should include the following:

Deleted: for each of the Historic Years, Bridge Year and Test Years:

- Calculation of Revenue Deficiency or Sufficiency
 - Determination of net income
 - Statement of rate base
 - Indicated rate of return
 - Requested rate of return

- Gross and net deficiency or sufficiency in revenue.
- [Proposed Payments Schedule and Analysis](#)
 - [Proposed payments and revenue adjustments](#)
 - [Detailed calculations of revenue under the current payments schedule and the proposed payment schedule](#)
 - [Detailed reconciliation of payment revenue and other revenue to the total revenue requirement.](#)

APPENDIX

Sections of Reg. 53/05 that will apply:

Prescribed generator

1. Ontario Power Generation Inc. is prescribed as a generator for the purposes of section 78.1 of the Act.

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Prescribed generation facilities

2. The following generation facilities of Ontario Power Generation Inc. are prescribed for the purposes of section 78.1 of the Act:

1. The following hydroelectric generating stations located in The Regional Municipality of Niagara:
 - i. Sir Adam Beck I.
 - ii. Sir Adam Beck II.
 - iii. Sir Adam Beck Pump Generating Station.
 - iv. De Cew Falls I.
 - v. De Cew Falls II.
2. The R. H. Saunders hydroelectric generating station on the St. Lawrence River.
3. Pickering A Nuclear Generating Station.
4. Pickering B Nuclear Generating Station.
5. Darlington Nuclear Generating Station.

Deferral and variance accounts

5. (4) Ontario Power Generation Inc. shall establish a deferral account in connection with section 78.1 of the Act that records non-capital costs incurred on or after January 1, 2005 that are associated with the planned return to service of all units at the Pickering A Nuclear Generating Station, including those units which the board of directors of Ontario Power Generation Inc. has determined should be placed in safe storage. O. Reg. 23/07, s. 3.

(5) For the purposes of subsection (4), the non-capital costs include, but are not restricted to,

- (a) construction costs, assessment costs, pre-engineering costs, project completion costs and demobilization costs; and
- (b) interest costs, recorded as simple interest on the monthly opening balance of the account at an annual rate of 6 per cent applied to the monthly opening balance in the account, compounded annually.

Nuclear liability deferral account

5.2 (1) Ontario Power Generation Inc. shall establish a deferral account in connection with section 78.1 of the Act that records, on and after the effective date of the Board's first order under 78.1 of the Act, the revenue requirement impact of changes in its total nuclear decommissioning liability between,

- (a) the liability arising from the approved reference plan incorporated into the Board's most recent order under section 78.1 of the Act; and
- (b) the liability arising from the current approved reference plan.

(2) Ontario Power Generation Inc. shall record interest on the balance of the account as the Board may direct.

Nuclear development variance account

5.4 (1) Ontario Power Generation Inc. shall establish a variance account in connection with section 78.1 of the Act that records, on and after the effective date of the Board's first order under section 78.1 of the Act, differences between actual non-capital costs incurred and firm financial commitments made and the amount included in payments made under that section for planning and preparation for the development of proposed new nuclear generation facilities. O. Reg. 27/08, s. 1.

(2) Ontario Power Generation Inc. shall record interest on the balance of the account as the Board may direct.

Rules governing determination of payment amounts by Board

6. (1) Subject to subsection (2), the Board may establish the form, methodology, assumptions and calculations used in making an order that determines payment amounts for the purpose of section 78.1 of the Act.

(2) The following rules apply to the making of an order by the Board that determines payment amounts for the purpose of section 78.1 of the Act:

- 2. In setting payment amounts for the assets prescribed under section 2, the Board shall not adopt any methodologies, assumptions or calculations that are based upon the contracting for all or any portion of the output of those assets.
- 3. The Board shall ensure that Ontario Power Generation Inc. recovers the balance recorded in the deferral account established under subsection 5 (4). The Board shall authorize recovery of the balance on a straight line basis over a period not to exceed 15 years.
- 4. The Board shall ensure that Ontario Power Generation Inc. recovers capital and non-capital costs, and firm financial commitments incurred to increase the output of, refurbish or add operating capacity to a generation facility referred to in section 2, including, but not limited to, assessment costs and pre-engineering costs and commitments.
 - i. if the costs and financial commitments were within the project budgets approved for that purpose by the board of directors of Ontario Power Generation Inc. before the making of the Board's first order under section 78.1 of the Act in respect of Ontario Power Generation Inc., or
 - ii. if the costs and financial commitments were not approved by the board of directors of Ontario Power Generation Inc. before the making of the Board's first order under section 78.1 of the Act in respect of Ontario Power Generation Inc., if the Board is satisfied that the costs were prudently incurred and that the financial commitments were prudently made.

4.1 The Board shall ensure that Ontario Power Generation Inc. recovers the costs incurred and firm financial commitments made in the course of planning and

preparation for the development of proposed new nuclear generation facilities, to the extent the Board is satisfied that,

- i. the costs were prudently incurred, and
- ii. the financial commitments were prudently made.

7. The Board shall ensure that the balances recorded in the deferral accounts established under subsections 5.1 (1) and 5.2 (1) are recovered on a straight line basis over a period not to exceed three years, to the extent that the Board is satisfied that revenue requirement impacts are accurately recorded in the accounts, based on the following items, as reflected in the audited financial statements approved by the board of directors of Ontario Power Generation Inc.,

- i. return on rate base,
- ii. depreciation expense,
- iii. income and capital taxes, and
- iv. fuel expense.

7.1 The Board shall ensure the balances recorded in the deferral account established under subsection 5.3 (1) and the variance account established under subsection 5.4 (1) are recovered on a straight line basis over a period not to exceed three years, to the extent the Board is satisfied that,

- i. the costs were prudently incurred, and
- ii. the financial commitments were prudently made.

8. The Board shall ensure that Ontario Power Generation Inc. recovers the revenue requirement impact of its nuclear decommissioning liability arising from the current approved reference plan.

9. The Board shall ensure that Ontario Power Generation Inc. recovers all the costs it incurs with respect to the Bruce Nuclear Generating Stations.

10. If Ontario Power Generation Inc.'s revenues earned with respect to any lease of the Bruce Nuclear Generating Stations exceed the costs Ontario Power Generation Inc. incurs with respect to those Stations, the excess shall be applied to reduce the amount of the payments required under subsection 78.1 (1) of the Act with respect to output from the nuclear generation facilities referred to in paragraphs 3, 4 and 5 of section 2.