

APPROVALS

In this Application, OPG is seeking the following specific approvals:

- The approval of a revenue requirement of \$1,736.3M for the previously regulated hydroelectric facilities and a revenue requirement of \$6,544.7M for the nuclear facilities for the period of January 1, 2014 through December 31, 2015 as set out in Ex. I1-1-1.
- The approval of an 18 month revenue requirement of \$844.3M for the newly regulated hydroelectric facilities for the period of July 1, 2014 through December 31, 2015, calculated as one half of a 2014 revenue requirement of \$549.1M plus a 2015 revenue requirement of \$569.7M, as set out in Ex. I1-1-1 and Ex. I1-2-1.
- The approval of a rate base of \$5,128.0M and \$5,084.6M for the previously regulated hydroelectric facilities for the years 2014 and 2015, respectively; a rate base of \$2,511.5M and \$2,528.2M for the newly regulated hydroelectric facilities for the years 2014 and 2015, respectively; and \$3,706.7M and \$3,659.0M for the nuclear facilities for the years 2014 and 2015, respectively, as summarized in Ex. B1-1-1.
- Approval of a production forecast of 39.3 TWh for 2014 and 2015 for the previously regulated hydroelectric facilities, a production forecast of 17.9 TWh for July 1, 2014 to December 31, 2015 for the newly regulated hydroelectric facilities; and 97.7 TWh for 2014 and 2015 for the nuclear facilities. The production forecasts are presented in Ex. E1-1-1 and Ex. E2-1-1.
- Approval of a deemed capital structure of 53 per cent debt and 47 per cent equity and a combined rate of return on rate base to be determined using data available for the three months prior to the effective date of the payment amounts order, in accordance with the Board's Cost of Capital Report, and currently forecast at 8.98 per cent for 2014 and 2015, as presented in Ex. C1-1-1.

- 1
- 2 • Approval of a payment amount for the previously regulated hydroelectric facilities, of
- 3 \$44.20/MWh effective January 1, 2014 for the average hourly net energy production
- 4 (MWh) from the previously regulated hydroelectric facilities in any given month (the
- 5 “hourly volume”) for each hour of that month. Production over the hourly volume will
- 6 receive the market price from the Independent Electricity System Operator (“IESO”)-
- 7 administered energy market adjusted as described at Ex. E1-2-1. Where production
- 8 from the previously regulated hydroelectric facilities is less than the hourly volume,
- 9 OPG’s revenues will be adjusted by the difference between the hourly volume and
- 10 the actual net energy production at the market price from the IESO-administered
- 11 market adjusted as described at Ex. E1-2-1. The calculation of the payment amount
- 12 for the previously regulated hydroelectric facilities is set out in Ex. I1-2-1.
- 13
- 14 • Approval of a payment amount for the newly regulated hydroelectric facilities, of
- 15 \$47.08/MWh effective July 1, 2014 for the average hourly net energy production
- 16 (MWh) from the newly regulated facilities in any given month (the “hourly volume”) for
- 17 each hour of that month. Production over the hourly volume will receive the market
- 18 price from the Independent Electricity System Operator (“IESO”)-administered energy
- 19 market adjusted as described at Ex. E1-2-1. Where production from the newly
- 20 regulated hydroelectric facilities is less than the hourly volume, OPG’s revenues will
- 21 be adjusted by the difference between the hourly volume and the actual net energy
- 22 production at the market price from the IESO-administered market adjusted as
- 23 described at Ex. E1-2-1. The calculation of the payment amount for the newly
- 24 regulated hydroelectric facilities is set out in Ex. I1-2-1.
- 25
- 26 • Approval of a payment amount for the nuclear facilities, of \$66.99/MWh effective
- 27 January 1, 2014.
- 28
- 29 • Approval for recovery of the audited December 31, 2013 balances of the
- 30 Hydroelectric Incentive Mechanism, Surplus Baseload Generation and Capacity
- 31 Refurbishment-Hydroelectric variance accounts for the previously regulated

hydroelectric facilities, currently projected to be \$120.1M, as described in Ex. H1-1-2 and disposition, beginning January 1, 2015, at a rate of \$3.11/MWh applied to the output from the previously regulated hydroelectric facilities.

- Approval for recovery of the audited December 31, 2013 balance of the Nuclear Development Variance Account and a portion of the balance of the Capacity Refurbishment Variance Account - Nuclear for the nuclear facilities, currently projected to be \$73.1M as described in Ex. H1-2-1 and disposition, beginning January 1, 2015, at a rate of \$1.52/MWh applied to the output from the nuclear facilities.
- Approval to establish, re-establish or continue variance and deferral accounts as follows:
 - A variance account to record the deviation from forecast revenues associated with differences in regulated hydroelectric electricity production due to differences between forecast and actual water conditions.
 - A variance account to record the deviation from forecast net revenues for ancillary services from the regulated hydroelectric facilities and the nuclear facilities.
 - A variance account to record the financial impact of foregone production at its regulated hydroelectric facilities due to surplus baseload generation.
 - A variance account to record interest and amortization of the accumulations up to year end 2013 of 50 per cent of the Hydroelectric Incentive Mechanism net revenues above amounts underpinning the EB-2010-0008 revenue requirement as a credit to ratepayers, proposed to be terminated December 31, 2015.
 - A variance account to record the deviation from forecast capital and non-capital costs and firm financial commitments associated with work to increase the output of, refurbish or add operating capacity to a regulated facility.
 - A variance account to record the deviation from forecast costs incurred and firm financial commitments made in the course of planning and preparation for

1 the development of proposed new nuclear generation facilities.

- 2 ○ A deferral account to record the revenue requirement impact of any change in
3 the nuclear decommissioning liability resulting from an approved reference
4 plan as defined in the Ontario Nuclear Funds Agreement.
- 5 ○ A variance account to capture the tax impact of changes in tax rates, rules
6 and assessments.
- 7 ○ A variance account to record the variance between the tax loss mitigation
8 amount which underpins the EB-2007-0905 Payment Amounts Order and the
9 tax loss amount resulting from the re-analysis of the prior period tax returns
10 based on the OEB's directions in EB-2007-0905 Decision with Reasons as to
11 the re-calculation of those tax losses, to be terminated December 31, 2014.
- 12 ○ A variance account to capture differences between forecast and actual costs
13 and revenues related to the lease of the Bruce nuclear facilities and
14 associated tax effects.
- 15 ○ A variance account to capture depreciation cost differences due to a revised
16 service life, for accounting purposes, of the Pickering nuclear facility.
- 17 ○ A variance account to record the difference between forecast and actual
18 pension and other post-employment benefit costs and associated tax effects
19 related to the regulated hydroelectric and nuclear facilities.
- 20 ○ A deferral account to record the transition and implementation impacts
21 associated with the adoption of the Generally Accepted Accounting Principle
22 of the United States ("USGAAP"), to be terminated December 31, 2014.
- 23 ○ Variance accounts to record the over/under recovery amounts for the
24 hydroelectric variance and deferral accounts and nuclear variance and
25 deferral accounts, respectively.

26
27 Evidence supporting the continuation of existing variance and deferral accounts and the
28 creation of new ones is provided in Ex. H1-3-1.

- 29
30 • In respect of the Darlington Refurbishment Project ("DRP") OPG seeks the following
31 as described in Ex. D2-2-1:

- 1 ○ A finding that OPG's commercial and contracting strategies for the DRP are
- 2 reasonable;
- 3 ○ A finding that the proposed capital expenditures of \$837.4M in 2014 and
- 4 \$631.8M in 2015 are reasonable;
- 5 ○ Approval of OM&A expenditures of \$19.6M in 2014 and \$18.2M in 2015 (Ex.
- 6 F2-7-1);
- 7 ○ Approval of in-service additions to rate base of \$5.0M in 2012, \$104.2M in
- 8 2013, \$18.7M in 2014, and \$209.4M in 2015 for new facilities and related
- 9 2014 and 2015 depreciation expense; and
- 10 ○ Approval to recover the capital cost portion of the actual audited nuclear
- 11 balance in the Capacity Refurbishment Variance Account as at December 31,
- 12 2013, currently projected at \$3.7M.
- 13
- 14 • An order from the OEB declaring OPG's current payment amounts for previously
- 15 regulated hydroelectric and nuclear facilities interim as of January 1, 2014, if the
- 16 order or orders approving the payment amounts are not implemented by January 1,
- 17 2014.
- 18
- 19 • An order from the OEB declaring OPG's current payment amounts for the newly
- 20 regulated hydroelectric facilities interim as of July 1, 2014, if the order or orders
- 21 approving the payment amounts are not implemented by July 1, 2014.