

SUMMARY OF REVENUE REQUIREMENT AND REVENUE DEFICIENCY

1. PURPOSE

This evidence provides a summary of the revenue requirement for OPG's previously regulated hydroelectric, newly regulated hydroelectric and nuclear facilities. Also included are the revenue deficiency amounts for OPG's previously regulated hydroelectric and nuclear facilities for the 2014 - 2015 test period.

2. REVENUE REQUIREMENT

OPG is seeking approval of a test period revenue requirement of \$1,736.3M for the previously regulated hydroelectric facilities and \$6,544.7M for the nuclear facilities.

As the effective date of regulation of payment amounts the newly regulated hydroelectric facilities is expected to be July 1, 2014 OPG proposes an 18 month revenue requirement for these facilities of \$844.3M, calculated as one half of a 2014 revenue requirement of \$549.1M plus a 2015 revenue requirement of \$569.7 as shown in Ex. I1-1-1, Table 1 and Ex. I1-2-1, Table 2.

The revenue requirement amounts above do not include the recovery of deferral and variance account balances. OPG is seeking to clear certain variance and deferral accounts using a hydroelectric payment rider and a nuclear payment rider as discussed in Ex. H1-2-1.

OPG's proposed revenue requirement for the test period is summarized in Ex. I1-1-1 Table 1. Exhibit I1-1-1 Tables 2 and 3 compare the 2014 - 2015 test period revenue requirement to the EB-2010-0008 OEB-approved 2011 - 2012 test period revenue requirement for previously regulated hydroelectric and nuclear facilities, respectively. These tables also compare 2011 and 2012 actual costs, other revenues, income tax amounts and production forecasts to the OEB-approved amounts.

1 **3. REVENUE DEFICIENCY**

2 Exhibit I1-1-1 Table 4 compares OPG's 2014 - 2015 forecast revenues determined using the
3 payment amounts approved in the EB-2010-0008 Payment Amounts Order to the 2014 -
4 2015 test period revenue requirement for previously regulated hydroelectric and nuclear
5 facilities. For the 2014 - 2015 test period, the previously regulated hydroelectric facilities
6 revenue deficiency is \$330.8M and the nuclear facilities revenue deficiency is \$1,511.2M.

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8 Exhibit I1-1-1 Table 5 presents the determination of 2013 forecast return on equity ("ROE") at
9 current payment amounts as 2.80 per cent, below the EB-2010-0008 OEB-approved ROE of
10 9.43 per cent (2011) and 9.55 per cent (2012). The forecast 2013 ROE contains an
11 adjustment for Bruce Lease revenues; in order to meet the requirements of O. Reg 53/05,
12 section 6(2)10, OPG's regulated payment amounts are set to recover the test period revenue
13 requirement which includes forecast Bruce Lease costs. As the Bruce station is not a
14 prescribed asset, the actual earnings shown in the financial statements of the prescribed
15 assets do not include Bruce Lease net revenues.

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17 **4. REVENUE REQUIREMENT WORK FORM**

18 A Revenue Requirement Work Form ("RRWF") is attached as Attachment 1 to this exhibit
19 and has also been filed in MS Excel worksheet format. The OEB provides a proprietary
20 RRWF model as a filing requirement for transmission and distribution applications, intended
21 to support the calculation of revenue deficiency or sufficiency. In order to provide a similar
22 mechanism to support the application for 2014 - 2015 payment amounts for OPG's
23 prescribed facilities, OPG has created a RRWF customized to its circumstances.

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25 Similar to the OEB RRWF, adjustments are entered in a single worksheet with the effect of
26 these adjustments presented in subsequent worksheets.

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ATTACHMENTS

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3 Attachment 1: Revenue Requirement Work Form