

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



**EB-2011-0286**

# **Filing Guidelines for Ontario Power Generation Inc.**

## **Setting Payment Amounts for Prescribed Generation Facilities**

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**Revised:**

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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.

This document sets out specific filing guidelines for purposes of the setting of payment amounts for certain of Ontario Power Generation Inc.’s (“OPG”) generation facilities under section 78.1 of the *Ontario Energy Board Act, 1998* (the “Act”).<sup>1</sup> The generation facilities in question are identified in the *Payments Under Section 78.1 of the Act Regulation, O. Reg. 53/05* (“O. Reg. 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”).

### **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 O. Reg. 53/05, the Board’s authority in that regard commenced on April 1, 2008.

In addition to identifying the prescribed generation facilities, O. Reg. 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

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<sup>1</sup> The working assumption reflected in this version of the guidelines is that OPG will be filing a payment amounts application in 2012 for test years 2013 and 2014. The prior test years for which the Board set OPG’s payment amounts were 2011 and 2012. It is assumed that actuals will be available for 2009, 2010 and 2011 as well as the most recent forecast for the 2012 (current) bridge year. Accordingly, the term “historical” refers to 2009, 2010 and 2011 actuals and “Board-approved” refers to the numbers which support the payment amounts approved by the Board for 2011 and 2012.

the Act. It also contains rules that must be followed by the Board in setting those payment amounts.

These filing guidelines are informed by the previous two proceedings on OPG payment amounts (EB-2007-0905 and EB-2010-0008) and reflect directions contained in the decisions of these proceedings.

## **1.2 REQUIREMENTS OF O. REG. 53/05**

O. Reg. 53/05 affects the setting of payment amounts for the prescribed generation facilities in three principal ways: first, by requiring that OPG establish certain deferral and variance 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.

## **1.3 BOARD DIRECTIVES AND UNDERTAKINGS FROM PREVIOUS DECISIONS\***

Directives and Undertakings Include	EB-2010-0008 Decision with Reasons Page Number
Niagara Tunnel - The Board will expect OPG to file Project Execution Plans, as well as any other progress reports completed over the duration of the project, at the time of the prudence review.	28
Nuclear Benchmarking - The Board directs OPG to continue undertaking the benchmarking work and to produce a report to be filed with the next cost of service application. The methodology and report format will be consistent with that filed in EB-2010-0008.	45
Nuclear Staffing – The Board will direct OPG to conduct an examination of staffing levels as part of its next benchmarking study.	46
The Board expects to review the initiatives OPG has taken and intends to take to improve the Forced Loss Rate.	46
Pickering B Continued Operations – The Board expects OPG to address the specifics of the	52

benefits analysis including the unit capability factors, the price used for comparative purposes and the absence of a contingency component in the cost estimate, more fully in its next application.	
Nuclear Fuel Procurement – In the next proceeding, the Board will examine the program to determine whether OPG is optimizing its contracting. The Board will therefore direct OPG to file an external review as part of its next application.	55
Nuclear Rate Base – In the next proceeding, the Board will re-examine the issue of rate base additions and the accuracy of OPG’s forecasts. The separate presentation of data related to ARC will assist in this regard.	59
Darlington Refurbishment – The Board expects OPG to file updated information on its progress for examination in the next proceeding.	71
Darlington Refurbishment – As DRP is a multi-year project, the Board expects that in future payments cases, the business case will be updated.	72
Compensation – The Board will therefore direct OPG to file on a FTE basis in its next application and to restate historical years on that basis.	84
Compensation – The Board expects to examine the issue of overtime more closely in the next proceeding. The Board expects OPG to demonstrate that it has optimized the mix of potential staffing resources.	84
Compensation – The Board directs OPG to conduct an independent compensation study to be filed with the next application.	88
Pension and OPEB – OPG is directed to provide a fuller range and discussion of alternatives to the use of AA bond yields to forecast discount rate in its next application.	91
The Board will direct OPG to file an independent depreciation study at the next proceeding.	97
The Board directs OPG to re-address the hydroelectric incentive mechanism (“HIM”) structure in its next application.	148

**FILING GUIDELINES  
FOR ONTARIO POWER GENERATION**

IRM – Following a preliminary Board review, the Board expects OPG to provide a proposed work plan and status report for an independent productivity study as part of its 2013 and 2014 cost of service application.	156
Directives and Undertakings Include	EB-2011-0090 Decision and Order on Motion Page Number
Pension and OPEB Variance Account – The Board expects OPG to provide an independent actuary’s report and an audit opinion.	14

\* Only indicates Board direction for filing purposes

## **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.

In the previous proceeding, the Board observed that at times the analysis was complicated by the fact that data was presented in ways which were not always comparable. The Board expects OPG to present data on a consistent basis so that comparisons are accurate.

The 2013-2014 payment amount application will be OPG's third cost of service application. To the extent that materials are the same or substantially the same as those filed in previous applications, OPG shall indicate this to improve the efficiency of the review.

The Board remains cognizant of the large number of interrogatories that a rate (or in this case the payment) setting process can generate. The requirement for a large number of interrogatories in the previous cases suggests that OPG and the interested parties do not have a common understanding of the information required to support the application. OPG should strategically consider the clarity and materiality 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 Board also advises parties to carefully consider the relevance of their interrogatories when assessing an application and whether the issue being explored is material.

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.

In order to facilitate an efficient review of interrogatories and responses, the filing of interrogatories and responses must be sorted by issue.

The filing shall contain the following nine 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 Deferral and Variance Accounts
- Exhibit I Determination of Payment Amounts

Each exhibit shall provide the identified data for each category of prescribed generation facility (nuclear and hydroelectric). Each exhibit shall 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.

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

The various appendices referred to in the filing guidelines are available in Excel format on the Board's website and shall be completed and filed as part of the application.

A revenue requirement workform ("RRWF") has been developed for OPG. Appendix A is similar to the RRWF developed for distribution rate cases. A completed RRWF shall be filed with the application in Excel format.

### **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:

- International Financial Reporting Standards ("IFRS"), on the understanding that OPG is required to adopt IFRS for 2012.

For the historic years, actuals will be filed on the basis of Canadian Generally Accepted Accounting Principles ("CGAAP"). OPG should refer to the *Report of the Board: Transition to IFRS*; dated July 28, 2009 ("Board Report"), and subsequent



amendments and addendum for guidance on IFRS. While this Board Report was directed to electricity and gas distributors, the Board will consider OPG's transition to IFRS in the context of the policies established in the Board Report.

OPG is required to identify in its application the financial differences and resulting revenue requirement impacts arising from the adoption of modified IFRS accounting. This is consistent with requirements set out in the Board Report.

As OPG is expected to adopt modified IFRS for financial reporting in 2012, OPG is required to present all historical years up to 2010 on a CGAAP basis, historical year 2011 on both CGAAP and modified IFRS basis, bridge year 2012 and test years 2013 and 2014 on a modified IFRS basis.

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

- Six years of data shall 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 shall be presented on the same sheet for the summary/main schedules
- Where applicable, for the each of the Historic Years, a detailed variance analysis shall also be provided **comparing Board-approved to actual costs and production**. The use of the phrase "Board approved" in these filing guidelines refers to the set of data used by the Board as the basis for approving the most recent payment amounts. It does not mean that the Board, in fact, "approved" any of the data, but only that the final approved payment amounts were based on that data.
- A detailed variance analysis for costs and production shall be provided for each historic and bridge year compared to the prior year. This analysis shall 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 shall be presented before the data schedules
- With respect to the claimed revenue sufficiency/deficiency, OPG shall provide a summary of the drivers of the sufficiency/deficiency for each of the Test Years, along with how much each driver contributes
- OPG shall file twelve paper copies and a copy in electronic form. The electronic form, including appendices and attachments, shall be in searchable/unrestricted PDF format. OPG shall also file a single consolidated file of the application on CD or USB flash drive.

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*. The onus is on OPG or the entity requesting confidential treatment to demonstrate to the satisfaction of the Board that confidential treatment is warranted. It is the expectation of the Board that OPG or any other entity requesting confidential treatment 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.

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

### **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, the *Ontario Energy Board Act, 1998* or the *Electricity Act, 1998*)
- Contact information
- Draft issues list
- Procedural Orders/motions/correspondence

- Identification of areas where there has been deviation from IFRS
- 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 including IFRS, 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 shall be provided so that parties can map the summary cost driver information to the evidence supporting it
  - A detailed narrative of the causes of the sufficiency/deficiency highlighting the significant issues.
- 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 and status of Board directives from any previous Board Decisions and/or Orders. OPG should clearly indicate how these have been or are being addressed in the current application.
- Summary or copy of relevant orders from any federal or provincial agency, Ministerial Directives and Shareholder Directives.

### **2.2.3 Background Financial Information**

- Audited OPG financial statements approved by OPG's board of directors for each of the Historic Years (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
- Rating agency reports for each of the Historic Years and Bridge Year
- Audited prescribed generation facilities financial statements for the Historic Years
- An overview of how the provisions of O. Reg. 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 shall be provided

- 2012 – 2016 Business Plan for OPG, for the hydroelectric business, and for the nuclear business – if any claim for confidentiality is advanced with regard to any part of the Business Plan, a claim for confidentiality should be made in accordance with Board’s *Practice Direction on Confidential Filings*.

## **2.3 EXHIBIT B RATE BASE**

A description of the prescribed generation facilities, and of any financial assets, shall be provided. For nuclear rate base, a separate presentation of asset retirement costs (“ARC”) associated with decommissioning liability (i.e. asset retirement obligation (“ARO”) under CGAAP) is required.

Items used in the computations or derived shall 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.

The information presented here shall cover three areas:

- 1) List of gross assets (property, plant and equipment), including capital budgets and intangible assets (eg. Computer software) if any, included in rate base;
- 2) Accumulated depreciation and amortization;
- 3) Working capital including cash working capital calculation, Fuel Inventory (for the nuclear business), and Materials and Supplies.

For each of these areas there will be some common statements that shall 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

The continuity statements must provide year-end balances and include directly attributable costs, for example, capitalized borrowing costs.

### Summary variance explanation

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

- Board-approved vs actual for each of the Historic Years
- Board-approved vs. Bridge Year
- Year over year analysis for the six year period

#### **2.3.1 Gross Assets – Property, Plant and Equipment and Intangible Assets**

Continuity statements should be provided as indicated above.

- Required statements and analysis should be broken down by function
- 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

### **2.3.2 Accumulated Depreciation and Amortization**

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

### **2.3.3 Working Capital Calculation**

Working capital shall be provided for the each of the Historic, Bridge and Test Years. The results shall be provided on a single schedule for comparison. The basis for the calculation of cash working capital must be detailed.

## **2.4 EXHIBIT C COST OF CAPITAL AND RATE OF RETURN**

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

### **2.4.1 Capital Structure – Amounts & Ratios**

The following elements of the proposed capital structure shall be detailed, with the necessary schedules, for each of the Historic, Bridge 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
  
- A historic accounting of changes to OPG's capital structure from 2009 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 2009 to the date of filing, of how to value OPG's assets and how to allocate debt, by business unit or asset class.

#### **2.4.2 Component Costs of Debt**

The following shall be provided for each of the Historic, Bridge 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).

#### **2.4.3 Calculation of Return on Equity**

Justification for the proposed return on equity is required, including the filing of supporting documentation.

#### **2.4.4 Nuclear Waste Management and Decommissioning Costs**

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

Any updates or revisions to the Ontario Nuclear Funds Agreement must be summarized and the financial impacts explained in detail, including a reconciliation with the Board-approved amounts for 2011 and 2012.

The information shall be disaggregated to present Darlington and Pickering separate from Bruce.

The information presented shall 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 shall 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

## **2.5 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 Expenditures – Provide a summary of capital expenditures for the Historic, Bridge and Test years, including the Board-approved amounts for the Historic and Bridge years.
- Capital budget by project

<i>For Capital Projects of:</i>	<i>Detail Required</i>
\$20 million or more	Name, description, need, start date, in-service date, and cost for each project Business Case for each project of \$20 million or more Provide actual in service dates (month and year) for major capital projects that closed to rate base in historical years and provide projected in service dates (month and year) for the bridge and test years Total cost of all projects in this category
Between \$5 million and \$20 million	Name, description and cost for each

	<p>project Provide actual in service dates (month and year) for capital projects between \$5 million and \$20 million that closed to rate base in historical years and provide projected in service dates (month and year) for the bridge and test years Total cost of all projects in this category</p>
<b>Less than \$5 million</b>	<p>Number of projects in this category, total cost of all projects in this category and average cost of the projects in this category Provide the total cost related to projects that will close to rate base in the test years</p>

OPG shall provide an overall summary table of the business cases filed. The summary table should include the title of the business case, date prepared, the project stage, and status of the business case (i.e. full, partial, developmental), for the current case. Where applicable, the table should also indicate the business case's status in the previous proceeding, EB-2010-0008. Note that all of the above is also applicable to OM&A business cases.

- Variance analysis for capital projects of \$20 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:
    - Board-approved vs. actual for each of the Historic Years
    - Board-approved vs. Bridge Year forecast

OPG shall provide a summary table for projects \$5M and greater that were projected to go into service in 2011 and 2012 in the EB-2010-0008 application. The table should include the project stage at the time of the EB-2010-0008 application and the current status of the project.

## **2.6 EXHIBIT E PRODUCTION FORECAST**

The production forecast and any normalization methodology shall be provided. A description of outage planning processes and production reliability initiatives shall also



be provided.

- Explanation of causes and assumptions for the production forecast
- Production for all Historic, Bridge 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 shall be provided for the following:
  - Board-approved vs. actual for each of the Historic Years
  - Board-approved vs. Bridge Year forecast
  - Year over year analysis for the six year period
- All economic assumptions and their sources used in the preparation of the production forecast shall be included in this section
- Where available, actual and forecast generation losses due to spill shall be filed.

## **HYDROELECTRIC INCENTIVE MECHANISM (“HIM”)**

An analysis of the HIM shall be provided. The analysis shall include an assessment of the benefits of HIM for ratepayers, the interaction between the mechanism and surplus baseload generation, and an assessment of potential alternative approaches.

## **2.7 EXHIBIT F OPERATING COSTS**

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

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

The benchmarking shall note whether the basis is a forecast or actual results.

### **2.7.1 Operating, Maintenance & Administration and Other Costs**

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**

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

The OM&A statements for each year shall provide:

- 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 shall be provided.

- A breakdown of the following by employee group: number of full time equivalents (“FTEs”) including contributions from part time employees; total salaries, wages and benefits; and salaries, wages and benefits charged to O&M. In addition, the following shall 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

Information shall be presented in terms of FTEs. In some cases, OPG may choose to provide the information in terms of head count as well as FTEs. The basis for each breakout of compensation data will be specified:

- Head count or FTE
- Yearly average, mid year or year end

The table provided in Appendix B shall be used for presentation of these data.

- Employee benefit programs, including pensions, and costs charged to O&M shall include the following details:

- historic actuarial reports
  - actuarial evidence to support pension and OPEB expense for the bridge year and test years including any educational notes or articles issued by the Canadian Institute of Actuaries (“CICA”) on methods for determining discount rates used for reporting under CICA standards
  - CICA guidance, practice notes, etc. that provide information on approaches to selecting discount rates shall be filed
  - discussion and analysis on discount rates used for calculating pensions and OPEB benefit obligations, cost for the year and liabilities
  - a table that summarizes actual accounting expense compared to Board-approved test year expense and with amounts actually paid for pensions and OPEBs for the period April 1, 2008 to the end of the test period
  - the most recent report filed with Financial Services Commission of Ontario
  - discussion on the impacts of the adoption of IFRS
- A variance analysis for O&M shall be provided for the following:
    - Board-approved vs actual for each of the Historic Years
    - Board-approved 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.

- A break-down of Regulatory Affairs costs as shown in the table found in Appendix C for:
  - Board-approved vs actual for each of the Historic Years
  - Board-approved vs. Bridge Year forecast
  - Year over year analysis for the six year period

#### **b) Depreciation/Amortization/Depletion**

- An independent depreciation study and summary of changes for depreciation, amortization and depletion by asset group shall 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 summary of the corporate cost allocation shall 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 2011 and 2012 corporate cost allocation.

### **2.7.2 Taxes**

OPG shall file information on its Historic, Bridge and Test years income tax and the detailed calculation supporting the data. The documentation shall include the tax returns and notices of assessment, re-assessment and statements of adjustments.

- A detailed tax calculation shall be provided for each of the Historic, Bridge 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 shall be provided either separately or as part of the operating expenses for the hydroelectric business
- All reconciling items shall have supporting schedules and calculations.

## **2.8 EXHIBIT G OPERATING REVENUE**

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

### **2.8.1 Energy Revenue**

This section shall include:

- Production and energy revenues for all Historic, Bridge and Test Years
- Schedule of production showing volumes, total revenues and unit revenues for each of the Historic, Bridge and Test Years

### **2.8.2 Other Revenues**

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

- A variance analysis of other revenues shall be provided for the following:
  - Board-approved vs actual for each of the Historic Years
  - Board-approved vs. Bridge Year forecast
  - Year over year analysis for the six year period
- A detailed explanation of how other revenues are attributed to the prescribed generation facilities shall be provided.

## **2.9 EXHIBIT H DEFERRAL AND VARIANCE ACCOUNTS**

As described in Part 1, O. Reg. 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 shall include information necessary to enable the Board to deal with these accounts in the manner contemplated by O. Reg. 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
- 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 O. Reg. 53/05)
- The interest rate for the nuclear liability deferral account referred to in section 5.2(1) of O. Reg. 53/05

OPG shall 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.

In general, this exhibit should include:

- A listing and detailed description (including account definition) of all outstanding deferral and variance accounts - those specified by O. Reg. 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 Variance 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
  - Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
  - Nuclear Deferral and Variance Over/Under Recovery Variance Account
  - Hydroelectric Surplus Baseload Generation Variance Account
  - Hydroelectric Incentive Mechanism Variance Account
  - Pension and OPEB Cost Variance Account
- Continuity statements listing opening balances, transaction details including recoveries where applicable, interest rates and carrying charges, and closing balances. The schedules shall reflect annualized data for the Historic and Bridge years. Notes shall be provided for any unusual transactions.
  - A detailed proposal for recovery of the balance in the deferral and variance accounts, where applicable.

## **2.10 EXHIBIT I DETERMINATION OF PAYMENT AMOUNTS**

This exhibit shall include the following:

- Calculation of Revenue Deficiency or Sufficiency
  - Determination of net income
  - Statement of rate base
  - Indicated 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.
  - Analysis of % change vs current payment amounts
  - Bill impact analysis
- Payment Design

OPG shall, 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.
- Payment Implementation

OPG shall provide a description of the settlement process with the IESO, including a description of the timelines associated with the requested effective date.