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February 3, 2016

VIA RESS AND COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: EB-2015-0374: APPLICATION FOR A DEFFERAL ACCOUNT RELATED TO
NUCLEAR LIABILITIES DEPRECIATION AND AMORTIZATION EXPENSE**

Attached please find a draft accounting order establishing a deferral account to record changes to OPG's liabilities for nuclear decommissioning and nuclear waste management ("nuclear liabilities") and to depreciation and amortization expense for the prescribed nuclear facilities. The deferral account will record the revenue requirement impact arising from changes to station end-of-life ("EOL") dates for OPG's Bruce, Pickering and Darlington stations that are effective December 31, 2015.

The OEB issued EB-2015-0374 Notice of Application and Hearing, Interim Order and Procedural Order 1 on January 27, 2016. The OEB ordered OPG to establish an Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account on an interim basis pending the outcome of the EB-2015-0374 proceeding.

The attached draft accounting order has been filed with the OEB and delivered to all parties to the proceeding as ordered by the OEB.

Yours truly,

[Original signed by]

Andrew Barrett
Vice President, Regulatory Affairs
Ontario Power Generation

Encl.

c. Carlton Mathias OPG
Charles Keizer Torys LLP

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ONTARIO POWER GENERATION

**APPLICATION FOR A DEFERRAL ACCOUNT RELATED
TO NUCLEAR LIABILITIES, DEPRECIATION AND
AMORTIZATION EXPENSE**

DRAFT ACCOUNTING ORDER

Ontario Power Generation Inc. (OPG) filed an accounting order application with the Ontario Energy Board (OEB) on December 22, 2015 under section 78.1 of the Ontario Energy Board Act, 1998, S.O. 1998, c.15, (Schedule B). The application seeks approval to establish a deferral account to record changes to OPG’s liabilities for nuclear decommissioning and nuclear waste management (“nuclear liabilities”) and to depreciation and amortization expense for the prescribed nuclear facilities. The deferral account will record the revenue requirement impact arising from changes to station end-of-life (“EOL”) dates for OPG’s Bruce, Pickering and Darlington stations that are effective December 31, 2015. The application was given OEB file number EB-2015-0374.

The OEB requires OPG to file an accounting order application if: a proposed accounting change (not the result of an Ontario Nuclear Funds Agreement Reference Plan update) impacts the calculation of nuclear liabilities which results in a revenue requirement impact for the prescribed facilities; or if a change in prescribed nuclear station lives for depreciation and amortization purposes results in a revenue requirement impact related to the non-Asset Retirement Cost (“non-ARC”).

1 The Province of Ontario has announced that it will proceed with refurbishment of
2 6 units at Bruce Power and the end-of-life dates for these units have been
3 extended accordingly. OPG has extended the average life for Pickering units 5-8
4 by 8 months based on the fuel channel life extension project and other work. In
5 addition, based on the impact of OPG's Board of Directors approval of the
6 refurbishment schedule on planned duration of refurbishment outages and
7 resulting return-to-service dates for each unit, OPG has extended the average
8 life for Darlington units by 12 months. As a result, the end-of-life dates for units
9 at Bruce Power, units 5-8 at Pickering, and units 1-4 at Darlington will be
10 extended effective December 31, 2015.

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12 On January 27, 2016 the OEB issued a Notice of Application and Hearing,
13 Interim Order and Procedural Order 1. The OEB:

- 14 ➤ adopted for this proceeding the same intervenors and observers from the
15 2014-2015 payment amounts proceeding (EB-2013-0321);
- 16 ➤ approved the establishment of the new deferral account on an interim basis to
17 allow OPG to begin booking entries effective January 1, 2016;
- 18 ➤ requested additional detail on the mechanics of the deferral account,
19 including detail on entries to the account; and
- 20 ➤ provided for submissions from parties on OPG's Application, draft Accounting
21 Order, and whether further discovery is required.

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23 OPG proposes that the revenue requirement impact shall be recorded as follows:

24 **Entry** **Account Description**

25

26 ***Entry 1: Nuclear liability revenue requirement for prescribed facilities***

27 DR Depreciation Expense

28 DR Return on Rate Base

29 DR Income Tax Expense

30 CR Used Fuel Storage and Disposal Variable Expense

1 CR Low & Intermediate Level Waste Management Variable
2 Expense

3 CR Impact Resulting from Changes in Station End-of-Life Dates
4 (December 31, 2015) Deferral Account

5 To record the impact of the change in nuclear liabilities resulting from changes in
6 end-of-life dates on Asset Retirement Cost (“ARC”) depreciation, the associated
7 impacts on the return on rate base and variable used fuel and waste
8 management expenses and the tax impact of the refund to ratepayers of the net
9 amount.

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11 ***Entry 2: Non-ARC revenue requirement impact for prescribed facilities***

12 DR Depreciation Expense

13 DR Income Tax Expense

14 CR Return on Rate Base

15 CR Impact Resulting from Changes in Station End-of-Life Dates
16 (December 31, 2015) Deferral Account

17 To record the impact of the change in nuclear station lives on non-ARC
18 depreciation expense based on December 31, 2015 fixed asset balances, the
19 associated impact on net rate base through the change in accumulated
20 depreciation, and the tax impact of the refund to ratepayers of the net amount.

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22 **THE ONTARIO ENERGY BOARD ORDERS THAT:**

23

- 24 1. OPG shall establish the Impact Resulting from Changes in Station End-of-Life
25 Dates (December 31, 2015) Deferral Account (the “EOL Date Deferral
26 Account”). The deferral account shall record the revenue requirement impact
27 on the prescribed facilities arising from changes to nuclear liabilities on
28 December 31, 2015 and depreciation and amortization expense beginning
29 January 1, 2016 resulting from changes to station EOL dates. The nuclear
30 liabilities impact shall be determined in accordance with the methodology

1 previously approved by the OEB for determining the revenue requirement
2 impacts of nuclear liabilities for OPG.

3 2. OPG shall record simple interest to the monthly opening balance of the EOL
4 Date Deferral Account at the rate per the OEB Prescribed Interest Rate Policy
5 until the balance is disposed.

6 3. OPG shall file the balance in the EOL Date Deferral Account in conjunction
7 with its regular reporting on other variance and deferral accounts approved by
8 the OEB.

9 4. OPG shall record the revenue requirement impact in the EOL Date Deferral
10 Account effective January 1, 2016 until the effective date of the OEB's next
11 nuclear payment amounts order incorporating the above impacts into OPG's
12 payment amounts. The EOL Date Deferral Account will not record amounts
13 otherwise recorded in an existing deferral or variance account previously
14 authorized by the OEB.