ESTIMATES 2016
TOP ISSUES
ONTARIO POWER GENERATION RATE PROCEEDINGS

OPG RATE APPLICATION (EB-2016-0152)

- Ontario Power Generation (OPG) currently has a rate application before the Ontario Energy Board requesting a rate increase for a five-year period from 2017-2021.

- The average annual impact on the monthly residential customer bill is about $1.05.

Next Steps

- October 26, 2016: Deadline for OPG to file written responses to all interrogatories by intervenors submitted until October 3, 2016.

- November 9, 2016: Deadline for OPG, OEB staff and intervenors to make submissions on the prioritization of the 'Issues List'.

- November 14, 2016: Scheduled technical conference to provide clarification on interrogatory responses as part of proceedings.

RATE APPLICATION TIMELINE

- The rate application was filed with the OEB on May 27, 2016.

- On July 29, 2016, OPG filed updated exhibits on Darlington Refurbishment and Nuclear Business Planning & Benchmarking.

- The OEB issued a procedural order on August 12, 2016 with instructions pertaining to several matters including an 'Issues List', confidentiality of some portions of the evidence, interrogatories, etc.

- On September 23, 2016, the OEB issued a decision on the 'Issues List' that established the final set of issues that OPG would need to address in the proceedings.

- On September 26, 2016, the OEB issued its second procedural order with instructions for intervenors for requesting certain confidential documents.

RATE APPLICATION DETAILS

The current methodology used by the OEB for calculating the cost of capital parameters for OPG's prescribed generation assets is:

- Approximately 45% to 55% on ratebase with some adjustments (adjusted for the lower of Asset Retirement Obligations or Unfunded Nuclear Liabilities).

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In its current application, OPG seeks the following:

- Revenue Requirements: For nuclear facilities, growing from $3.2B in 2017 to $3.5B in 2021, with an average annual growth rate of 2.6%.

- Rate Base: For nuclear facilities, growing from $4.1B in 2017 to $8.5B in 2021, with a spike in 2019 to $8.2B.

- Production Forecast: For nuclear facilities, generation varying between 35.4 TWh and 39.0 TWh during 2017-2021.

- Cost of Capital: Approval of a deemed capital structure of 51% debt and 49%. Combined rate of return on the rate base in accordance with OEB's Cost of Capital Report (currently forecast at 9.19% for 2017).

- Payment Amounts: For nuclear facilities, growing from $65.81/MWh in 2017 to $99.91/MWh in 2021 at an average annual growth rate of 11%. For regulated hydroelectric facilities, $41.71/MWh.

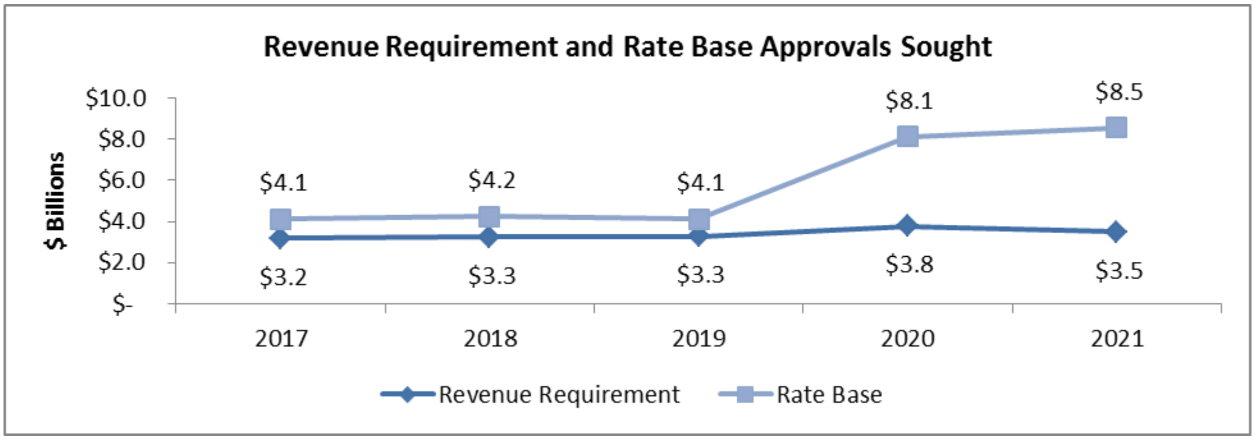
- Nuclear Rate Smoothing: Approval of a deferred revenue requirement of $683M in 2017, going down to $(46)M in 2021.

- Deferral and Variance Accounts: Approval for recovery of the audited December 31, 2015 balances of the D&V accounts, as well as approvals for a hydroelectric payment rider and a nuclear payment rider. Also, approval for several new D&V accounts including:

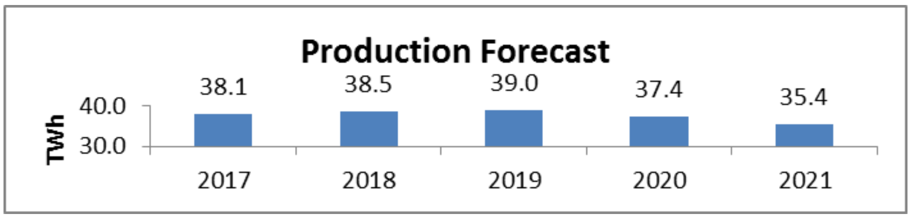
    - Darlington Refurbishment Rate Smoothing Deferral Account;
    - Mid-term Nuclear Production Variance Account;
    - Nuclear ROE Variance Account; and
    - Hydroelectric Capital Structure Variance Account.

- Darlington Refurbishment Project: Approval for yearly OM&A expenditures ranging between $3.5M to $48.4M from 2017 to 2021. In addition, an increase to the rate base ranging between $0.4M to $4,800.2M from 2017 to 2021.

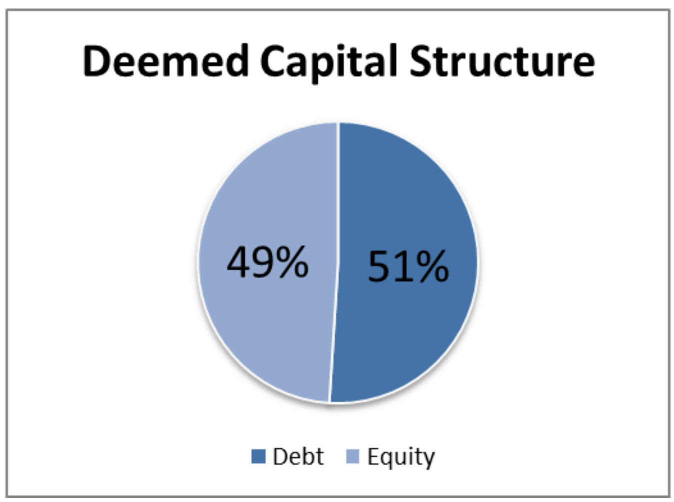
- OPG has sought the approval of the following revenue requirements and rate base for its nuclear facilities:



- OPG has sought approval for the following production forecasts for the nuclear facilities:

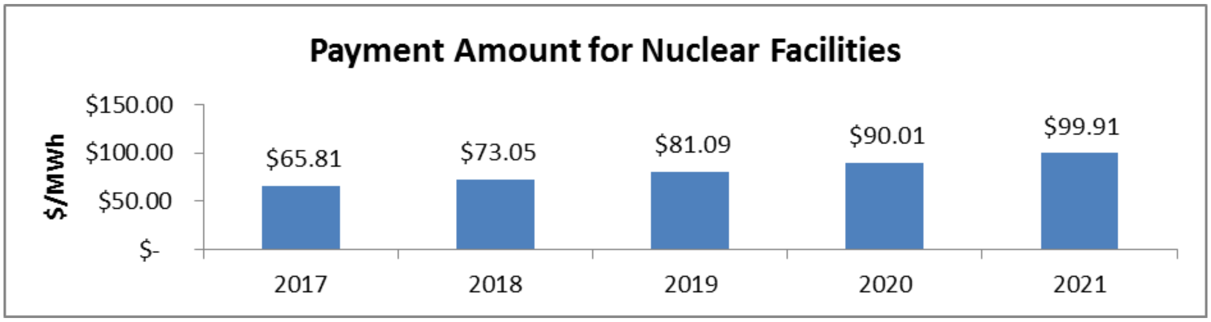


- OPG has sought approval of a deemed capital structure of 51% debt and 49% equity. Along with this, OPG has requested a combined rate of return on rate base to be determined using data available for the three months prior to the effective date of the payment amounts order, in accordance with the OEB's *Cost of Capital Report*. This rate is currently forecast at 9.19% for 2017 and adjusted annually using the prevailing rate of return on equity specified by the OEB.



- For its hydroelectric facilities, OPG has sought approval for $41.71/MWh for the average hourly net energy production, as well as a price-cap index rate-making methodology.

- OPG has sought approval of the following payment amounts for its nuclear facilities:



- Nuclear rate smoothing will defer collection of a portion of regulated revenues until after the end of the Darlington Refurbishment Project (DRP) and will moderate price spikes during the refurbishment period.

    - OPG proposes that annual nuclear base payment amounts reflect a constant 11% per year rate increase during the 2017 to 2021 test period resulting in a deferred revenue requirement of:

Year	2017	2018	2019	2020	2021
Deferred Revenue Requirement	$683M	$440M	$121M	$413M	$(46)M

Deferral and Variance Accounts (DnV)

- OPG has sought approval for the following payment riders, beginning Jan. 1st, 2017 and terminating Dec. 31st, 2018:

Hydroelectric payment rider	$1.44/MWh
Nuclear payment rider	$2.85/MWh

- Apart from seeking approval to recover the audited Dec. 31st, 2015 balances of the deferral and variance accounts, and to continue existing DnV accounts, OPG has also sought approval for the following new accounts:

    - Darlington Refurbishment Rate Smoothing Deferral Account;
    - Mid-term Nuclear Production Variance Account;
    - Nuclear ROE Variance Account; and
    - Hydroelectric Capital Structure Variance Account.

Darlington Refurbishment Project (DRP)

- For the DRP, OPG has requested approval for the following OM&A expenditures: