OPG's Regulated Rates

ONTARIO POWER GENERATION

May 28, 2018 **DRAFT**

Overview

- OPG has a mandate to moderate electricity rates in Ontario.
- OPG is the only public power generator in Ontario whose payments are regulated by the OEB through a transparent process involving interveners and public hearings.
- In March, 2018 the OEB issued OPG's nuclear and regulated hydro payments for the 2017 – 2021 period.
- Maintaining OPG's scale and influence in the system helps lower rates.

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Generation Cost

- OPG is the only rate regulated generator in the province.
- OPG's combined regulated and unregulated electricity production costs have been and are forecast to continue to be less than 40% of the cost of production from other generators in Ontario.

Description	Actual Costs		2018 Business Plan				
Generation Cost	2016	2017	2018	2019	2020	2021	Avg
Average customer cost of non-OPG Generation ($/MWh)	115	114	122	131	132	135	125
Average Cost of OPG Generation ($/MWh)	67	66	69	74	76	78	72
Comparative OPG Cost Advantage (%)	42%	42%	44%	44%	42%	42%	43%

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OPG’s Regulated Payment Amounts: Historical Trend

- In 2005, O. Reg 53/05 set OPG’s initial payment amount for its prescribed generation assets: Pickering and Darlington (nuclear), Saunders, Beck and DeCew (hydro).
- In 2013, O. Reg 53/05 added 54 hydroelectric facilities to OPG’s regulated assets.
- OPG produces approximately half the electricity consumed in Ontario based on recent IESO forecasts of Ontario demand and the cost of OPG’s generation makes up approximately 20% of an average residential customer’s bill.
- The following table sets out the level of increase in OPG’s regulated payment amounts over the last decade:

Generation Source	O. Reg 53/05 2005 Payment Amount	OEB Approved 2018 Payment Amount	Annual Payment Amount Increase
Hydroelectric	$33/MWh	$42.05/MWh	1.9%
Nuclear	$49.50/MWh	$78.64/MWh	3.6%

OPG’s Approved Regulated Payment Amounts

- In March 2018, the OEB approved the following 5 year base payment amounts and riders to recover amounts recorded in deferral and variance accounts and delayed rate implementation.
- OPG’s payment amounts reflect a stretch factor reduction over the 2017 to 2021 period to encourage additional efficiencies.
- OPG’s payment amounts reflect the deferral of ~$100M in 2019 and ~$400M in 2020 to stabilize OPG’s year-over-year weighted average payment amounts (WAPA) to reduce the impact of Darlington Refurbishment costs and production decreases.

	2017	2018	2019	2020	2021	Avg
Nuclear Base Rate ($/MWh)	77.98	78.64	77.00	85.00	89.70	81.66
Nuclear Riders ($/MWh)	n/a	3.93	10.50	7.68	n/a	4.42
Hydroelectric Base Rate ($/MWh)	41.67	42.05	42.43	42.81	43.20	42.43
Hydroelectric Riders ($/MWh)	n/a	0.65	1.79	1.25	n/a	0.74
Production Weighted Average Payment Amounts (WAPA) ($/MWh)	61.12	64.16	67.68	69.88	67.27	66.02
Residential Customer Bill Impact (cents/month)	0.06	1.25	1.45	0.89	(1.03)	0.53

2018 Upcoming OEB Application

Timing: Application in July 2018.

Description:

- Annual hydroelectric price cap IRM application (formulaic--required by OEB).
- Recovery of $1.1B in deferral and variance accounts (including $614M for cash to accrual pension/OPEB cost recovery). OPG has foregone $614M to December 31, 2017 as a result of recovery on a cash basis. OPG proposes a three year recovery of all amounts except cash to accrual pension/OPEB which OPG proposes to recover over 8 years.

Customer Impact:

- Recovery will result in an average incremental increase in residential monthly customer bills during the 2019 to 2021 period of approximately $0.38, annually.
- OPG's combined regulated and unregulated generation costs will continue to remain less than 40% of the average cost of non-OPG generation over the forecast period to 2021.

OEB Modernization

OEB Modernization Panel review:

- OPG presented an overview of its submissions to the Panel in April, followed by written submissions in May 2018

OEB Mandate & Activities:

- Generate greater efficiencies in the application process and better outcomes for ratepayers.

Disruption and Innovation:

- OEB regulation must maximize benefits of technology innovation within the industry, including distributed energy resources through competition to allow for better value to ratepayers.

Customer Engagement

- OPG committed to expanding the role that customers' views play in its business planning process as part of its recent application to the OEB; OPG's "customers" are all consumers of electricity in Ontario.
- OPG is in the process of developing its customer engagement platform, which will include an educational component, including discussions of OPG's unique safety and environmental obligations, labour costs, and necessary capital investments to create efficiencies in how OPG operates its business.
- In addition to this process, OPG supports collaboration of industry members focused jointly on educating customers, receiving customer feedback and responding to their needs and concerns.

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