

Ontario Energy
Board

Commission de l'énergie
de l'Ontario



EB-2016-0152

Ontario Power Generation Inc.

**Application for payment amounts for the period from
January 1, 2017 to December 31, 2021**

**DECISION ON ISSUES LIST AND
PROCEDURAL ORDER NO. 6
January 27, 2017**

Ontario Power Generation Inc. (OPG) filed an application with the Ontario Energy Board (OEB) on May 27, 2016 under section 78.1 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes in payment amounts for the output of its nuclear generating facilities and most of its hydroelectric generating facilities. The request seeks approval for nuclear payment amounts to be effective January 1, 2017 and for each following year through to December 31, 2021. The request seeks approval for hydroelectric payment amounts to be effective January 1, 2017 to December 31, 2017 and approval of the hydroelectric payment amount setting formula for the period January 1, 2017 to December 31, 2021.

Issues List

The prioritized issues list for this proceeding was issued on December 21, 2016. The School Energy Coalition (SEC) filed correspondence on January 19, 2017, on behalf of SEC and a number of other intervenors requesting that issue 8.1 be reprioritized from secondary to primary, i.e. requiring oral hearing if the issue was not settled. Issue 8.1 relates to nuclear liabilities: *Is the revenue requirement methodology for recovering nuclear liabilities in relation to nuclear waste management and decommissioning costs appropriate? If not, what alternative methodology should be considered?*

SEC referred to the Exhibit N1 impact statement filed by OPG on December 20, 2016 and noted that the costs related to nuclear liabilities have been significantly reduced due

to recent approval of a new Ontario Nuclear Funds Agreement (ONFA) Reference Plan effective January 1, 2017. SEC observed that the Decommissioning Segregated Fund and the Used Fuel Segregated Fund are fully funded, perhaps for the first time, and that the OEB's methodology for recovery of costs may not work equally well in this circumstance.

In addition, SEC and the other intervenors requested that the OEB direct OPG to file additional evidence. SEC and the other intervenors seek the current and forecast funded status of the funds related to nuclear liabilities, any impact of funding status on rate recovery, and the interaction between rate recovery and funding status including a reconciliation of these data to date.

On January 24, 2017, OPG filed correspondence stating that it was prepared to file the additional evidence, and that it would do so by February 14, 2017. In OPG's view, the circumstances described in the SEC letter do not change the secondary prioritization of issue 8.1. OPG stated that it would be premature for the OEB to reprioritize issue 8.1 before the additional evidence has been reviewed.

Findings

The panel has reviewed the correspondence from SEC and OPG. The OEB agrees that the OEB and the intervenors will be assisted by the filing of additional evidence on the funds and revenue requirement related to nuclear liabilities. The OEB finds that a delay to consider the additional evidence is not required. The OEB finds that the new ONFA Reference Plan and the change in funding status of the Decommissioning Segregated Fund and the Used Fuel Segregated Fund merit examination in the oral hearing. Issue 8.1 will be changed to a primary issue.

The reprioritized issues list is attached as Schedule A to this Decision.

Oral Hearing

As set out in Procedural Order No. 1, the oral hearing for this proceeding will begin on February 21, 2017. Any settlement proposal resulting from the settlement conference will be presented to the OEB on this day. The oral hearing will continue for unsettled primary issues and for issues deemed oral hearing only. Parties are advised that the OEB will not sit for hearing days on Wednesdays (unless otherwise noted) or on any day during the weeks of March 13 and March 20, 2017. The hearing will resume on Monday, March 27, 2017 and continue thereafter, as required. Please note the change from Procedural Order No. 1 which stated that the hearing would resume on Tuesday,

March 28, 2017. Oral hearing dates up to and including April 7, 2017 are set out in this procedural order. Should additional hearing dates be required, parties will be advised during the oral hearing if the panel will be sitting on April 5, 10 and 11, 2017. In the interim, parties should hold and be prepared to proceed on these dates.

The parties shall work with OEB staff to develop an appropriate hearing plan.

The OEB considers it necessary to make provision for the following matters related to this proceeding.

THE ONTARIO ENERGY BOARD THEREFORE ORDERS THAT:

1. The Final Issues List (Reprioritized) (attached as Schedule A) is approved for this proceeding.
2. OPG shall file additional evidence relating to nuclear liabilities as set out in SEC correspondence by **February 14, 2017**.
3. The oral hearing for this proceeding will begin on **February 21, 2017** starting at 9:30 a.m., at 2300 Yonge Street, 25th floor, Toronto. Any settlement proposal resulting from the settlement conference will be presented to the OEB on this day. The oral hearing will continue for unsettled primary issues and for issues deemed oral hearing only on the following dates, as required:

February 23, 2017
 February 24, 2017
 February 27, 2017
 February 28, 2017
 March 2, 2017
 March 3, 2017
 March 6, 2017
 March 7, 2017
 March 9, 2017
 March 10, 2017
 March 27, 2017
 March 28, 2017
 March 30, 2017
 March 31, 2017
 April 3, 2017

April 4, 2017

April 6, 2017

April 7, 2017

Should additional hearing dates be required, parties will be advised during the oral hearing if the panel will be sitting on April 5, 10 and 11, 2017.

All filings to the OEB must quote the file number, **EB-2016-0152**, be made in searchable / unrestricted PDF format electronically through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Violet Binette at violet.binette@ontarioenergyboard.ca and OEB Counsel, Michael Millar at michael.millar@ontarioenergyboard.ca and Ian Richler at ian.richler@ontarioenergyboard.ca.

ADDRESS

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Ontario Energy Board

EB-2016-0152
Ontario Power Generation Inc.

DATED at Toronto, **January 27, 2017**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Schedule A

Ontario Power Generation Inc. 2017-2021 Payment Amounts for Prescribed Generating Facilities EB-2016-0152

FINAL ISSUES LIST (REPRIORITIZED)

1. GENERAL

- 1.1 Secondary: Has OPG responded appropriately to all relevant OEB directions from previous proceedings?
- 1.2 Primary: Are OPG's economic and business planning assumptions appropriate that impact the nuclear facilities appropriate?
- 1.3 Oral Hearing: Is the overall increase in nuclear payment amounts including rate riders reasonable given the overall bill impact on customers?

2. RATE BASE

- 2.1 Primary: Are the amounts proposed for nuclear rate base (excluding those for the Darlington Refurbishment Program) appropriate?
- 2.2 Oral Hearing: Are the amounts proposed for nuclear rate base for the Darlington Refurbishment Program appropriate?

3. CAPITAL STRUCTURE AND COST OF CAPITAL

- 3.1 Primary: Are OPG's proposed capital structure and rate of return on equity appropriate?
- 3.2 Secondary: Are OPG's proposed costs for the long-term and short-term debt components of its capital structure appropriate?

4. CAPITAL PROJECTS

- 4.1 Oral Hearing: Do the costs associated with the nuclear projects that are subject to section 6(2)4 of O. Reg. 53/05 and proposed for recovery meet the requirements of that section?
- 4.2 Primary: Are the proposed nuclear capital expenditures and/or financial commitments (excluding those for the Darlington Refurbishment Program) reasonable?

- 4.3 Oral Hearing: Are the proposed nuclear capital expenditures and/or financial commitments for the Darlington Refurbishment Program reasonable?
- 4.4 Primary: Are the proposed test period in-service additions for nuclear projects (excluding those for the Darlington Refurbishment Program) appropriate?
- 4.5 Oral Hearing: Are the proposed test period in-service additions for the Darlington Refurbishment Program appropriate?

5. PRODUCTION FORECASTS

- 5.1 Primary: Is the proposed nuclear production forecast appropriate?

6. OPERATING COSTS

- 6.1 Oral Hearing: Is the test period Operations, Maintenance and Administration budget for the nuclear facilities (excluding that for the Darlington Refurbishment Program) appropriate?
- 6.2 Oral Hearing: Is the nuclear benchmarking methodology reasonable? Are the benchmarking results and targets flowing from OPG's nuclear benchmarking reasonable?
- 6.3 Secondary: Is the forecast of nuclear fuel costs appropriate?
- 6.4 Oral Hearing: Is the test period Operations, Maintenance and Administration budget for the Darlington Refurbishment Program appropriate?
- 6.5 Oral Hearing: Are the test period expenditures related to extended operations for Pickering appropriate?

Corporate Costs

- 6.6 Oral Hearing: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?
- 6.7 Oral Hearing: Are the corporate costs allocated to the nuclear business appropriate?
- 6.8 Oral Hearing: Are the centrally held costs allocated to the nuclear business appropriate?

Depreciation

- 6.9 Primary: Is the proposed test period nuclear depreciation expense appropriate?

Income and Property Taxes

- 6.10 Primary: Are the amounts proposed to be included in the test period nuclear revenue requirement for income and property taxes appropriate?

Other Costs

- 6.11 Secondary: Are the asset service fee amounts charged to the nuclear business appropriate?

7. OTHER REVENUES

Nuclear

- 7.1 Secondary: Are the forecasts of nuclear business non-energy revenues appropriate?

Bruce Nuclear Generating Station

- 7.2 Primary: Are the test period costs related to the Bruce Nuclear Generating Station, and costs and revenues related to the Bruce lease appropriate?

8. NUCLEAR WASTE MANAGEMENT AND DECOMMISSIONING LIABILITIES

- 8.1 Primary (reprioritized): Is the revenue requirement methodology for recovering nuclear liabilities in relation to nuclear waste management and decommissioning costs appropriate? If not, what alternative methodology should be considered?
- 8.2 Primary: Is the revenue requirement impact of the nuclear liabilities appropriately determined?

9. DEFERRAL AND VARIANCE ACCOUNTS

- 9.1 Primary: Is the nature or type of costs recorded in the deferral and variance accounts appropriate?
- 9.2 Primary: Are the methodologies for recording costs in the deferral and variance accounts appropriate?
- 9.3 Secondary: Are the balances for recovery in each of the deferral and variance accounts appropriate?

- 9.4 Secondary: Are the proposed disposition amounts appropriate?
- 9.5 Primary: Is the disposition methodology appropriate?
- 9.6 Secondary: Is the proposed continuation of deferral and variance accounts appropriate?
- 9.7 Primary: Is the rate smoothing deferral account in respect of the nuclear facilities that OPG proposes to establish consistent with O. Reg. 53/05 and appropriate?
- 9.8 Primary: Should any newly proposed deferral and variance accounts be approved by the OEB?

10. REPORTING AND RECORD KEEPING REQUIREMENTS

- 10.1 Secondary: Are the proposed reporting and record keeping requirements appropriate?
- 10.2 Primary: Is the monitoring and reporting of performance proposed by OPG for the regulated hydroelectric facilities appropriate?
- 10.3 Primary: Is the monitoring and reporting of performance proposed by OPG for the nuclear facilities appropriate?
- 10.4 Oral Hearing: Is the proposed reporting for the Darlington Refurbishment Program appropriate?

11. METHODOLOGIES FOR SETTING PAYMENT AMOUNTS

Hydroelectric

- 11.1 Oral Hearing: Is OPG's approach to incentive rate-setting for establishing the regulated hydroelectric payment amounts appropriate?
- 11.2 Secondary: Are the adjustments OPG has made to the regulated hydroelectric payment amounts arising from EB-2013-0321 appropriate for establishing base rates for applying the hydroelectric incentive regulation mechanism?

Nuclear

- 11.3 Oral Hearing: Is OPG's approach to incentive rate-setting for establishing the nuclear payment amounts appropriate?
- 11.4 Oral Hearing: Does the Custom IR application adequately include expectations for productivity and efficiency gains relative to benchmarks and establish an appropriately structured incentive-based rate framework?
- 11.5 Primary: Is OPG's proposed mid-term review appropriate?

11.6 Oral Hearing: Is OPG's proposal for smoothing nuclear payment amounts consistent with O. Reg. 53/05 and appropriate?

General

11.7 Primary: Is OPG's proposed off-ramp appropriate?

12. IMPLEMENTATION

12.1 Primary: Are the effective dates for new payment amounts and riders appropriate?