COMPARISON OF
REGULATED HYDROELECTRIC OTHER REVENUES

1.0 PURPOSE
This evidence presents period-over-period comparisons of Other Revenues for OPG’s existing regulated and newly regulated hydroelectric facilities. Exhibit G1-1-2, Table 1 presents the Other Revenues, including HIM Revenue Requirement Adjustments, associated with the regulated hydroelectric assets for the period 2010 – 2015.

The values for segregated mode of operation (“SMO”) and water transactions (“WT”) are based on the OEB-approved methodology, of averaging three years of prior performance, established in EB-2007-0905 and reaffirmed in EB-2010-0008, with the exceptions noted.

2.0 PERIOD-OVER-PERIOD CHANGES – TEST PERIOD

2015 Plan versus 2014 Plan
Planned ancillary services\(^1\) revenues in 2015 are slightly higher than 2014 due to an assumed two per cent increase for inflation in 2015 as per OPG’s 2013 - 2015 Business Plan.

Planned SMO and WT revenues for 2015 are equal to the planned SMO and WT revenues for 2014.

For 2014 and 2015, the HIM Revenue Requirement Adjustment is not applicable as OPG is proposing an alternate treatment (See Ex. E1-2-1).

2014 Plan versus 2013 Budget
Planned ancillary services revenues during 2014 are $22.7M higher than 2013 Budget owing to the inclusion of ancillary services revenues from newly regulated hydro facilities and an adjustment due to an assumed two per cent increase for inflation in 2014, as per OPG’s 2013 - 2015 Business Plan.

\(^1\) Ancillary Services include black start capability, operating reserve ["OR"], reactive support/voltage control, and regulation service (formerly referred to as automatic generation control ["AGC"]).
Segregated mode of operation 2013 Budget revenues exceed the 2014 Plan by $1.5M for the Niagara Plant Group and Saunders GS. Segregated mode of operation 2014 Plan revenues are calculated using the methodology adopted by the OEB in EB-2010-008 and is the average of 2010 to 2012 actual revenues.

Water transactions 2013 Budget revenues exceed the 2014 Plan levels by $4.3M due to an expected decline in WT revenues caused by the increased diversion capability of the Niagara Tunnel. Water transactions revenues are expected to be reduced by approximately 65 per cent as a result of the new tunnel. The 2014 Plan is based on a 65 per cent reduction of the average net revenues over the last three years (2010 to 2012).

Budgeted 2013 HIM Revenue Requirement Adjustment exceeds 2014 plan by $6.5M. For 2014, the HIM Revenue Requirement Adjustment is not applicable as OPG is proposing an alternate treatment (See Ex E1-2-1).

3.0 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR

2013 Budget versus 2012 Actual

Budgeted ancillary services revenue for 2013 are $6.8M lower than 2012 Actual for existing and newly regulated hydro. This reflects lower forecasted revenues from regulation service and decreased OR revenues resulting from lower OR prices offset by a two per cent adjustment for inflation.

Budgeted SMO revenues for 2013 exceed 2012 Actuals at the Niagara Plant Group and Saunders GS, by $2.4M due to above average winter temperatures resulting in lower prices and volumes. For newly regulated hydro plants, no SMO revenues were budgeted in 2013.

Budgeted WT revenues for 2013 exceeds 2012 Actual by $4.4M based on the calculated average pursuant to the Board’s approved methodology.

Budgeted 2013 HIM Revenue Requirement Adjustment is $6.5M
4.0 PERIOD-OVER-PERIOD CHANGES – HISTORICAL PERIOD

2012 Actual versus 2012 Board Approved

Actual ancillary services revenue for 2012 for the Niagara Plant Group and Saunders GS is $18.6M lower than the 2012 Board Approved. This is mainly due to lower OR revenues as a result of lower than expected OR prices and lower than expected regulation services revenues. For the newly regulated hydro plants, 2012 Actual ancillary services revenue is $0.7M higher than 2012 Budgeted primarily due to higher reactive support/voltage control revenues, partially offset by lower OR revenues.

Actual SMO revenues for 2012 at Saunders GS are $2.4M lower than 2012 Board Approved. The 2012 Board Approved amount is based on the 2011 Board Approved methodology adjusted by two per cent due to an allowance for inflation. The 2012 Actual reflects the lower margins due to above average winter temperature resulting in lower price and volume. For newly regulated hydro plants, no SMO revenues were budgeted in 2012.

Actual WT revenues for 2012 are $4.4M lower than the 2012 Board Approved. The 2012 Board Approved is based on the three-year rolling average of actual WT revenue from January 2009 to December 2011. The 2012 Actual reflects a reduction in water available for transactions due to low river flows.

The 2012 Board Approved HIM Revenue Requirement Adjustment is $7.0M.

2012 Actual versus 2011 Actual

Actual ancillary services revenues for 2012 are $1.4M lower than the 2011 Actual due to lower regulation service revenues and lower OR prices. For the newly regulated hydro plants the 2012 Actual is $0.3M lower than the 2011 Actual due to lower regulation service revenues and lower OR prices.

Actual SMO revenues for 2012 at Saunders GS are $2.5M lower than 2011 Actual revenues. The variance is a result of lower than expected SMO margins in 2012 due to above average winter temperatures resulting in lower prices and volumes. For newly regulated hydro plants, no SMO revenues were budgeted in 2012.
Actual WT revenues for 2012 are $5.9M lower than the 2011 Actual revenues owing to lower than expected WT volumes due to low river flows and lower average rates due to market conditions resulting from above average winter temperatures.

The 2012 Board Approved HIM Revenue Requirement Adjustment is $7.0M. The 2011 Board Approved HIM Revenue Requirement Adjustment is $5M.

2011 Actual versus 2011 Board Approved
Actual ancillary services revenues for 2011 for the Niagara Plant Group and Saunders GS are $16.1M lower than the 2011 Board Approved. The difference is mainly due to lower OR prices and lower than expected regulation services revenues due to the elimination of the Global Adjustment charge associated with the use of the Sir Adam Beck Pump Generating Station (“PGS”) under O. Reg. 429/04 as amended. For the newly regulated hydro plants, 2011 Actual ancillary services revenue is $1.7M higher than the 2011 Budget primarily due to higher reactive support/voltage control revenues partially offset by the lower OR revenues.

Actual SMO revenues for 2011 for Saunders GS are $0.2M higher than the 2011 Board Approved due to higher than expected SMO margins. For newly regulated hydro plants, no SMO revenues were budgeted in 2011.

Actual WT 2011 revenue is $1.5M higher than 2011 Board Approved due to higher WT volumes.

The 2011 Board Approved HIM Revenue Requirement Adjustment is $5M.

2011 Actual versus 2010 Actual
Actual ancillary services revenue for 2011 is $4.0M lower than the 2010 Actual revenues. The decrease is mainly due to lower OR prices and the elimination of the Global Adjustment (“GA”) charge associated with the use of the PGS resulting in a decrease in regulation service revenue. OPG was compensated by the IESO for a portion of the GA charges incurred at the PGS. With the elimination of the GA charge, this is no longer the case. For
the newly regulated hydro plants, 2011 Actual revenues are $0.2M lower than 2010 Actual revenues due to lower OR prices.

Actual SMO revenues for 2011 at Saunders GS are $2.6M higher than 2010 Actual revenues as a result of higher margins. For newly regulated hydro plants, no SMO revenues were budgeted in 2011.

Actual WT revenues for 2011 are $2.0M higher than 2010 Actual revenues owing to higher transaction volumes.

The 2011 Board Approved HIM Revenue Requirement Adjustment is $5M. There was no HIM Revenue Requirement Adjustment in 2010.

**2010 Actual versus 2010 Budget**

Actual ancillary services revenues for 2010 at the Niagara Plant Group and Saunders GS is $12.9M lower than 2010 Budget. The decrease is mainly due to lower OR revenues. For newly regulated hydro plants, Actual ancillary services revenue is $3.1M lower than Budget due to lower OR revenues.

Actual SMO revenues for 2010 at Saunders GS are $7.5M lower than 2010 Budget owing to a significant reduction in volumes that occurred when the Quebec DC intertie came into service. For newly regulated hydro plants, no SMO revenues were budgeted in 2010.

Actual WT revenues for 2010 are $1.4M lower than 2010 Budgeted based on the OEB’s approved calculation methodology established in EB-2007-0905.

There was no HIM Revenue Requirement Adjustment in 2010.