APPROVALS

In this Application, OPG is seeking the following specific approvals:

- An order from the OEB declaring OPG’s payment amounts interim as of April 1, 2008.

- An order from the OEB establishing interim payment amounts of $35.35/MWh for the output of Sir Adam Beck I, Sir Adam Beck II, Sir Adam Beck Pump Generating Station, DeCew Falls I, DeCew Falls II, and R.H. Saunders Generating Stations (the “regulated hydroelectric facilities”) and $53.00/MWh for the output of Pickering A Generating Station, Pickering B Generating Station, and Darlington Generating Station (the “nuclear facilities”) effective April 1, 2008. During the period of interim rates, OPG expects to retain the hydroelectric incentive mechanism under O. Reg. 53/05 under which the output from the regulated hydroelectric facilities in excess of 1900 MWh in any hour receives market price.

- The approval of a revenue requirement of $1283M for the regulated hydroelectric facilities and a revenue requirement of $5152M for the nuclear facilities for the period of April 1, 2008 through December 31, 2009 (the “test period”) as set out in Ex. K1-T1-S1.

- The approval of a rate base forecast of $3886M and $3870M for the regulated hydroelectric facilities for the years 2008 and 2009, respectively and $3515M and $3484M for the nuclear facilities for the years 2008 and 2009, respectively, as summarized in Ex. B1-T1-S1. OPG’s request for this approval is supported by an examination of the asset and liabilities values and other related matters in the 2006 audited financial statements pursuant to paragraph 6 (2) 5 of the Regulation and asset forecast as found in Exhibit B.

- Approval of a capital budget for the regulated hydroelectric facilities for the test period, as presented in Ex. D1-T1-S1 and for the nuclear facilities for the test period, as presented in Ex. D2-T1-S1.
• Approval of a production forecast of 31.5 TWh for the test period for the regulated hydroelectric facilities and 88.2 TWh for the test period for the nuclear facilities. Production forecast is presented in Ex. E.

• Approval of a deemed capital structure of 42.5 percent debt and 57.5 percent equity and a combined rate of return on rate base of 8.48 percent and 8.56 percent for 2008 and 2009, respectively, including a rate of return on equity ("ROE") forecast of 10.5 percent, as presented in Ex. C1-T1-S1 and Ex. C1-T2-S1.

• Approval of the automatic adjustment mechanism to adjust the rate of return on common equity in future periods, as discussed in Exhibit C1-T1-S1.

• Approval of a payment amount for the regulated hydroelectric facilities of $37.90/MWh for the average hourly net energy production (MWh) from the regulated facilities in any given month (the “hourly volume”) for each hour of that month. Production over the hourly volume will receive the market price from the Independent Electricity System Operator (“IESO”) – administered energy market. Where production from the regulated hydroelectric facilities is less than the hourly volume, OPG’s revenues will be adjusted by the difference between the hourly volume and the actual net energy production at the market price from the IESO - administered market. The payment amount for the regulated hydroelectric facilities is set out in Ex. K1-T2-S1 and the design of the regulated hydroelectric payment amount is set out in Ex. I1-T1-S1.

• Approval of a payment amount for the nuclear facilities, of $58.2M/month plus $41.50/MWh, as set out in Ex. K1-T3-S1.

• For the nuclear facilities, approval for recovery of $342M from the variance and deferral accounts using a payment rider of $1.45/MWh, as presented in Ex. J1-T1-S1 and Ex. J1-T2-S1. For the regulated hydroelectric variance account, recovery of $0.7M by adding this amount to the revenue requirement used to calculate the hydroelectric payment amount, as presented in Ex. J1-T2-S1 and Ex. K1-T1-S1.
• Approval to establish, re-establish or continue variance and deferral accounts as follows:

  o A variance account to record the deviation from forecast revenues associated with differences in hydroelectric electricity production due to differences between forecast and actual water conditions.

  o A variance account to record the deviation from forecast revenues for ancillary services from the regulated hydroelectric facilities and the nuclear facilities.

  o A variance account to record the deviation from forecast non-capital costs associated with work to increase capacity or to refurbish a generation facility. The account would include deviations in costs associated with the potential refurbishment of Pickering B and Darlington Generating Stations.

  o A variance account to recover the deviation from forecast non-capital costs for planning and preparation for the development of proposed new nuclear generation facilities.

  o A variance account to record the deviation between actual and forecast nuclear fuel costs.

  o A variance account to record the customer’s share of revenues from energy sales to Hydro Quebec as a result of segregated mode of operation at R.H. Saunders, and from water transactions at the regulated hydroelectric facilities.

  o A variance account to record the deviation between actual and forecast pension and other post-employment benefit expenses related to changes in the discount rate.

  o A deferral account to record non-capital costs associated with the planned return to service of units at the Pickering A Generating Station.

  o A deferral account to record the revenue requirement impact of the change in the nuclear decommissioning liability arising from the December 2006 approved reference plan as defined in the Ontario Nuclear Funds Agreement.

  o A variance account to capture the tax impact of changes in tax rates, rules
and assessments.

Evidence supporting the continuation of existing variance and deferral accounts and the creation of new ones is provided in Ex. J1-T3-S1.