SUMMARY OF REVENUE REQUIREMENT, REVENUES AND REVENUE DEFICIENCY

1. PURPOSE

The purpose of this evidence is to provide a summary of the revenue requirement for OPG’s regulated hydroelectric and nuclear facilities for the 2008 - 2009 test period including the adjustments necessary to remove the January 1, 2008 - March 31, 2008 period from the 2008 annual information provided in the application. The revenue deficiency for the test period is also provided.

2. REVENUE REQUIREMENT

OPG’s proposed revenue requirement for the 21 month test period addresses a number of factors that have arisen since the interim payment amounts took effect on April 1, 2005. The test period revenue requirement is summarized in Ex. K1-T1-S1 Tables 1 and 2.

OPG operates on an accounting year ending December 31 for financial reporting purposes. The application contains annual forecasts for each of 2008 and 2009. These annual forecasts allow comparison of year-over-year trends and are consistent with OPG’s business planning process and fiscal year. In order for the OEB’s first order for payment amounts for the prescribed facilities to be effective on April 1, 2008, the earliest allowable date under O. Reg. 53/05, adjustments are required to back-out the portion of OPG’s costs, revenues, and production for the period January 1 – March 31, 2008. These adjustments are based on estimates of the trending of forecast costs for 2008 and do not necessarily represent exactly 25% of the costs, revenue and production. For example, while base OM&A costs will be fairly consistent throughout the year, outage costs will follow planned outage schedules (typically spring and fall) and project expenditures may be staggered throughout the year, and will rise and fall as the projects are started and completed. In addition, gross revenue charge rates increase on a calendar basis with cumulative generation thresholds and therefore lower rates typically occur in Q1 of each year. Depreciation will also increase during the year as new assets are added.
The revenue requirement amounts set out above include recovery of deferral and variance account balances as at December 31, 2007 using a payment rider for the nuclear balances and as part of the payment amount for the regulated hydroelectric balances as described in Ex. J1-T2-S1.

3. REVENUE DEFICIENCY AND REVENUES EARNED

This section compares OPG’s revenue determined using the interim payment amounts provided in O. Reg. 53/05 to the test period revenue requirement for each of OPG’s regulated hydroelectric and nuclear operations. Exhibit K1-T1-S1 Table 3 presents the calculation of the resulting deficiency for nuclear and hydroelectric using production forecasts.