COMPARISON OF
REGULATED HYDROELECTRIC OTHER REVENUES

1.0 PURPOSE
This evidence presents period-over-period comparisons of other revenues for the regulated hydroelectric facilities.

2.0 PERIOD-OVER-PERIOD CHANGES – TEST PERIOD

2012 Plan versus 2011 Plan
For regulated hydroelectric assets, the difference between the operating reserve ("OR"), reactive support/voltage control, and automatic generation control ("AGC") revenue projections for 2012 and 2011 is due to an allowance for inflation and changes in market share. This is consistent with the approach used in EB-2007-0905.

The difference between the segregated mode of operation ("SMO") revenue projections for 2012 and 2011 is due to an allowance for 2 per cent inflation based on OPG’s 2010 – 2014 Business Plan projections.

The difference between the water transactions ("WT") revenue projections for 2012 and 2011 is due to an allowance for 2 per cent inflation based on OPG’s 2010 – 2014 Business Plan projections.

2011 Plan versus 2010 Budget
The difference between ancillary service revenue projections for 2011 and 2010 is due to a reduction in forecast OR revenue of 25 per cent. In 2011, OR prices are expect to return to more typical levels after the high levels, which were experienced in 2008 and 2009 and which are expected to continue in 2010 (see Ex. G1-T1-S1, section 3.4).

Higher than average OR prices are forecast to continue in 2010 because of anticipated outages. OR prices in 2008 and 2009 were high, relative to expectation as described below in the 2009 Budget versus 2009 Actual section.
The 2011 SMO revenue value is approximately $5.1M lower than 2010 budget. The 2010 budget for SMO was set equal to the value used for 2009 budget, which was based on the Board’s direction in EB-2007-0905. This value did not consider the impact of the new direct current interconnection (“DC intertie”) coming into service in 2009. The 2011 forecast is based on the last six months of actual 2009 revenues, as explained in Ex. G1-T1-S1, section 4.0 and an allowance for inflation as per OPG’s 2010 – 2014 Business Plan projections. The overall decrease in revenue is attributable to the reduced number of SMO transactions in 2009 once the new DC intertie came into service.

The difference between the WT revenue projections for 2011 and 2010 is due to the use of different historical periods for forecasting, and an allowance for inflation as per OPG Business Plan 2010 projections. The 2010 budget is set equal to the value used for 2009 budget (taken from EB-2007-0905) whereas the 2011 plan is based on 2009 actual net revenues (see Ex. G1-T1-S1, section 5.0 for additional discussion).

3.0 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR

2010 Budget versus 2009 Actual

The 2010 budgeted ancillary service revenue is approximately $3.4M lower than 2009 actual revenue. This reduction is due to AGC amounts being forecast to return to more typical values. In 2009, actual performance exceeded 2009 budget expectations due to higher actual amounts of AGC requested by the IESO at Sir Adam Beck II, but this situation is not expected to continue. There is no change expected in OR revenue in 2010.

The 2010 budgeted SMO revenue is approximately $3.0M higher than actual 2009 revenue. The 2010 budget was established as described above in section 2.0. In 2009 there were fewer SMO transactions after the first phase of the DC intertie came into service in July (see Ex. G1-T1-S1, section 4.0 for additional discussion).

The 2010 budgeted WT revenue is approximately $2.0M higher than actual 2009 revenue. The 2010 budget was established as described above in section 2.0. The 2010
budgeted amount is higher due mainly to low market prices in 2009 (see Ex. G1-T1-S1, section 5.0 for additional discussion).

4.0 PERIOD-OVER-PERIOD CHANGES – HISTORICAL PERIOD

2009 Actual versus 2009 Budget

Actual 2009 ancillary service revenue is approximately $9.4M more than the 2009 budget, due mainly to higher than anticipated OR prices. OR prices were high in 2009 because hydroelectric units were not available to offer OR when running at full capacity due to high water levels. The units available to participate in the OR market were higher priced gas and coal units.

Actual 2009 SMO revenue is approximately $3.0M less than the 2009 budget. The 2009 budget was established pursuant to EB-2007-0905.

Actual 2009 WT revenue is approximately $2.0M less than the 2009 budget. The 2009 budget was established pursuant to EB-2007-0905.

2009 Actual versus 2008 Actual

Actual 2009 ancillary service revenue is approximately $1.3M greater than 2008 actual revenues. This is mainly due to higher OR prices in 2009 and higher than expected amounts of AGC.

Actual 2009 SMO revenue is approximately $10.1M lower than 2008 actual revenue. This is due mainly to the reduced number SMO transactions since the first phase of the DC intertie came into service in July 2009.

Actual 2009 WT revenue is approximately $3.9M lower than 2008 actual revenue. This is due mainly to low market prices in 2009.
2008 Actual versus 2008 Budget

Actual 2008 ancillary service revenue is approximately $8.8M more than the 2008 budget. This is due to higher actual amounts of AGC requested by the IESO at Sir Adam Beck II and higher OR prices. OPG anticipated a drop in AGC revenue as a result of a lower contracted AGC regulation range (MW capacity increments range from 65 MW to 125 MW as compared to previous contracted range of 80 MW to 150 MW) and the introduction of additional competition to the market place (which did not happen). Also, actual OR prices were higher than expected in 2008 as a result of higher water levels requiring OR from a higher priced resources.

Actual 2008 SMO revenue is approximately $8.8M more than the 2008 budget amount. According to the OEB’s Decision with Reasons in EB-2007-0905, the 2008 budget was set at 75 per cent of the 2009 budget. SMO revenues were unusually high in 2008 compared to the previous three years due to strong price differentials between Ontario and other markets.

Actual 2008 WT revenue is approximately $3.6M more than 2008 budget amount. According to the OEB’s Decision with Reasons in EB-2007-0905, the 2008 budget was set at 75 per cent of the 2009 budget. The increase over budget is due mainly to higher than expected volumes in 2008.

2008 Actual versus 2007 Actual

Actual 2008 ancillary service revenue is approximately $5.6M more than the 2007 actual revenue. This is due to higher OR and AGC revenue. OR prices increased significantly in 2008 as a result of higher water levels, requiring OR provision from higher priced resources. AGC revenue also increased as a result of higher OR prices.

Actual 2008 SMO revenue is approximately $9.3M higher than 2007 actual revenue. SMO revenues were unusually high in 2008 due to strong price differentials, between Ontario and other markets.
Actual 2008 WT revenue is approximately $4.5M higher than 2007 actual revenue. This is due mainly to higher WT volumes in 2008.

2007 Actual versus 2007 Budget

Actual 2007 ancillary service revenue is $4.0M more than the 2007 Budget. OPG had anticipated a drop in AGC revenue as a result of lower contracted maximum amounts of AGC regulation and the expected entry of additional competitors into the marketplace as discussed above. However, competitors did not participate in the market as expected; hence OPG’s market share and revenue were higher than expected.

Prior to the Decision with Reasons (EB-2007-0905) in 2008, OPG did not forecast SMO net revenues. Thus, no 2007 Budget amount is available. Actual 2007 SMO revenue is approximately $4.4M.

Prior to the Decision with Reasons (EB-2007-0905) in 2008, OPG did not forecast WT net revenues. Thus, no 2007 Budget amount is available. Actual 2007 WT revenue is approximately $4.3M.