

Ontario Power Generation Inc.
Reporting and Record Keeping Requirements

Table 1 Summary of Actual Capitalization and Cost of Capital ¹ Year Ended December 31, 2020						
Line No.	Capitalization	Note	Principal (\$M)	Component (%)	Cost Rate (%)	Cost of Capital (\$M)
			(a)	(b)	(c)	(d)
1	Short-term Debt	2, 3	190.1	1.3%	0.70%	4.7
2	Existing Long-term Debt	2	3,868.2	27.4%	4.01%	155.3
3	Other Long-term Debt Provision	2, 4	3,692.5	26.2%	4.01%	148.2
4	Total Debt	5	7,750.9	55.0%	3.98%	308.3
5	Common Equity	5, 6	6,341.6	45.0%	17.22%	1,091.8
6	Rate Base Financed by Capital Structure	5	14,092.6	97.2%	9.93%	1,400.1
7	Adjustment for Lesser of UNL or ARC	2	406.3	2.8%	4.86%	19.7
8	Rate Base	2	14,498.9	100.0%	9.79%	1,419.8

Notes:

- 1 Represents the actual capitalization and cost of capital for the year ended December 31, 2020, reflecting the completed 2020 tax return and updated cash working capital amounts based on results from 2020. The forecast 2020 capitalization and cost of capital provided in EB-2020-0290, Ex. L-A1-2-Staff-002, Attachment 1, Table 5 were preliminary as noted.
- 2 Amounts in cols. (a) and (d) and the cost rates in col. (c) are determined using the same methodologies as applied in EB-2016-0152. Principal reflects the final 2020 allocation ratio based on OPG's 2020 financial results, updated from the preliminary allocation ratio used in EB-2020-0290, Ex. L-A1-2-Staff-002, Attachment 1, Table 5.
- 3 The cost of short-term debt includes interest at the cost rate shown in col. (c) plus an allocation of the actual credit facility cost.
- 4 Debt required to balance capital structure with actual rate base.
- 5 Capital structure as approved by the OEB in EB-2016-0152.
- 6 Actual regulatory return on equity in col. (d) from Table 2, line 13, col. (c).

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Table 2 Actual Regulatory Return on Equity (\$M) Year Ended December 31, 2020					
Line No.	Description	Note	Regulated Hydroelectric	Nuclear	Total
			(a)	(b)	(c)
1	Accounting EBIT (includes rounding)	1	661.6	989.0	1,650.6
Accounting Expenses/Revenues not Included in Regulatory EBIT:					
2	Add: Accretion on Nuclear Fixed Asset Removal and Nuclear Waste Management Liabilities	1	N/A	■	■
3	Deduct: Earnings/(Losses) on Nuclear Fixed Asset Removal and Nuclear Waste Management Funds	1	N/A	■	■
Differences Between Accounting and Regulatory Treatment:					
4	Deduct: Shareholder Portion of Hydroelectric Incentive Mechanism Revenue	2	■	N/A	■
5	Deduct: Shareholder Portion of Heavy Water Sales Net of Costs	3	N/A	■	■
6	Deduct: Amortization of Return on Equity Components of Variance and Deferral Account Balances	4	0.4	0.0	0.4
7	Regulatory EBIT (lines 1+2-3-4-5-6)		661.2	1,032.7	1,693.9
Deemed Cost of Capital:					
8	Deduct: Cost of Deemed Debt for Regulated Assets	5	163.5	144.7	308.3
9	Deduct: Cost Related to UNL/ARC Adjustment	5	N/A	19.7	19.7
10	Add: Cost of Capital Variance and Deferral Account Additions	6	16.1	(26.5)	(10.4)
11	Regulatory EBT (line 7 - line 8 - line 9 + line 10)		513.8	841.7	1,355.5
Determination of Regulatory Return on Equity:					
12	Deduct: Regulatory Income Taxes on Regulated Assets	7	95.0	168.7	263.7
13	Regulatory Return on Equity (line 11 - line 12)		418.8	673.0	1,091.8

See Table 2a for notes

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Table 2a
Actual Regulatory Return on Equity (\$M)
Year Ended December 31, 2020
Notes to Table 2

Notes:

- Actual amounts on lines 1, 2, and 3 are determined in accordance with United States Generally Accepted Accounting Principles (US GAAP), as approved by the OEB for use by OPG for regulatory accounting, reporting and rate-making purposes. These amounts are determined using the same methodology as reflected in the audited financial statements for OPG's prescribed facilities filed in EB-2020-0290 Ex. A2-1-1, Attachment 2.
- During 2020, hydroelectric incentive mechanism (HIM) revenue was earned pursuant to the mechanism approved by the OEB in EB-2013-0321 and continued in EB-2016-0152.

[REDACTED]

[REDACTED]

- Heavy water sales net of costs are applied by the OEB as a reduction to OPG's nuclear revenue requirement. In EB-2010-0008, the OEB approved a sharing mechanism for heavy water sales net of costs between OPG and ratepayers. The shareholder portion of heavy water sales net of costs represents the excess, if any, of the actual sales net of costs in 2020 reflected in the EB-2016-0152 Payment Amounts Order.
- Amounts represent differences between the cost of capital additions recognized in the variance and deferral accounts, and the corresponding regulatory assets reflected in the US GAAP financial statements. In accordance with US GAAP, OPG limits the portion of cost of capital additions recognized as a regulatory asset in the financial statements to amounts calculated using the average rate of capitalized interest applied by OPG to construction and development in progress balances.
- Costs related to deemed debt and UNL/ARC adjustment for 2020 are allocated to Regulated Hydroelectric and Nuclear based on actual rate base, using the same methodology applied in EB-2016-0152, as follows:

Line No.	Item	Regulated Hydroelectric	Nuclear
		(a)	(b)
1a	Interest Rate (Table 1, line 4, col. (c))	3.98%	3.98%
2a	Actual Rate Base (Table 1, line 8, col. (a))	7,476.1	7,022.8
3a	ARC / UNL Adjustment (Table 1, line 7, col. (a))	N/A	406.3
4a	Rate Base Financed by Capital Structure (line 2a - line 3a)	7,476.1	6,616.5
5a	Debt Ratio (Table 1, line 4, col. (b))	55.0%	55.0%
6a	Deemed Debt (line 4a x line 5a)	4,111.8	3,639.1
7a	Cost of Deemed Debt for Regulated Assets (line 1a x line 6a)	163.5	144.7
8a	Cost Related to UNL/ARC Adjustment (Table 1, line 7, col. (c) x line 3a)	N/A	19.7

- The amounts represent the cost of capital additions to the Capacity Refurbishment Variance Account, the Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account, and the Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2017) Deferral Account recorded in 2020.
- The amount of regulatory income taxes is determined based on Regulatory EBT at line 11, using the methodology for calculating regulatory income taxes applied in EB-2016-0152, as adjusted to reflect the inclusion of income tax amounts in certain deferral and variance accounts (i.e. the impact of tax additions and deductions that represent items for which the tax cost or benefit is being passed on to ratepayers through deferral and variance accounts) and to exclude the benefit of tax losses forecasted in EB-2016-0152 to be carried forward beyond the 2017-2021 period. The amount of regulatory income taxes reflects the 2020 income tax return completed in June 2021.

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Table 3 Comparison of Actual Regulatory Return on Equity to Board Approved for Nuclear (\$M) Year Ended December 31, 2020					
Line No.	Description	Note	OEB Approved ²	Actual	(b) - (a) Variance
			(a)	(b)	(c)
Revenues:					
1	Revenue Requirement	1	3,565.8		
2	Ancillary and Other Revenue	1	█		
3	Bruce Lease Revenues Net of Direct Costs	1	(20.1)		
4	Amortization of Variance & Deferral Account Amounts	11	146.9		
4a	Income Tax Impact from Amortization of Pension & OPEB Cash Versus Accrual Differential Deferral Account	12	14.7		
5	Total Revenues (lines 1 through 4a)	2	█	█	█
Expenses:					
6	OM&A	1, 3	2,354.2	2,335.6	(18.6)
7	Fuel	1	211.9	231.0	19.1
8	Depreciation & Amortization, including Amortization of Variance & Deferral Account Amounts	4	722.0	754.7	32.7
9	Property Taxes	1	15.7	11.1	(4.6)
10	Total Expenses (lines 6 through 9)		3,303.7	3,332.4	28.7
11	Other Losses/(Gains)		0.0	0.0	0.0
Cost of Capital Excluding Return on Equity:					
12	Cost of Deemed Debt for Regulated Assets	5	175.6	144.7	(30.9)
13	Adjustment for Lesser of UNL or ARC	1, 6	14.0	19.7	5.8
14	Cost of Capital Variance and Deferral Account Additions	7	0.0	26.5	26.5
15	Total Cost of Capital Excluding Return on Equity (lines 12 through 14)		189.6	191.0	1.4
16	Income Tax	1, 8	█		
16a	Income Tax Impact from Amortization of Pension & OPEB Cash Versus Accrual Differential Deferral Account	12	14.7		
16b	Total Income Tax (line 16 + line 16a)		█	168.7	█
17	Reporting Adjustment	9	N/A	█	N/A
17a	Cumulative Nuclear Stretch Dollars	1	37.7		
18	Regulatory Return on Equity (line 5 - line 10 + line 11 - line 15 - line 16b + line 17 + line 17a)	1, 10	279.1	673.0	393.9

Notes:

- 1 OEB-approved amounts are the sum of corresponding amounts in EB-2016-0152 Payment Amounts Order, App. A, Table 4 (2020 Nuclear).
- 2 Actual amounts in col. (b) includes the adjustment to remove the revenue component of the shareholder portion of heavy water sales net of costs for Nuclear shown in Table 2, line 5.
- 3 Actual amount in col. (b) includes the adjustment to remove the cost component of the shareholder portion of heavy water sales net of costs shown in Table 2, line 5.
- 4 OEB Approved amount in col. (a) is calculated as the sum of line 17, col. (c) in EB-2016-0152 Payments Amount Order, App. A, Table 4, plus line 4, col. (a) above. Actual amounts in col. (b) include the amortization adjustment shown in Table 2, line 6.
- 5 OEB Approved amounts are the sum of short-term debt cost and long-term debt cost from the EB-2016-0152 Payment Amounts Order (App. A, Table 4, lines 10 and 11). Actual amounts are from Table 2, line 8, col. (b).
- 6 Actual amount in col. (b) from Table 2, line 9, col. (b).
- 7 Actual amount in col. (b) from Table 2, line 10, col. (b).
- 8 Actual amount in col. (b) from Table 2, line 12, col. (b).
- 9 The Reporting Adjustment line is included solely to maintain the confidentiality of the amount of actual heavy water sales net of costs.
- 10 Actual amount in col. (b) are as shown in Table 2, line 13, col. (b).
- 11 OEB Approved amount is the sum of EB-2016-0152 PAO, App. A, Table 4, line 27, col. (c) and EB-2018-0243, Ex. M1, Att. A, Table 2, line 18, col. (j).
- 12 OEB Approved amount per EB-2018-0243, Ex. M1, Att. A, Table 2, line 20, col. (j).