

Ontario Power Generation Inc.
Reporting and Record Keeping Requirements

Table 1 Summary of Actual Capitalization and Cost of Capital Year Ended December 31, 2023						
Line No.	Capitalization	Note	Principal (\$M)	Component (%)	Cost Rate (%)	Cost of Capital (\$M)
			(a)	(b)	(c)	(d)
	Capitalization and Return on Capital:					
1	Short-term Debt	1, 2	11.90	0.1%	5.20%	4.2
2	Existing Long-term Debt	1	3,793.3	21.6%	3.77%	143.1
3	Other Long-term Debt Provision	1, 3	5,842.4	33.3%	3.77%	220.4
4	Total Debt	4	9,647.7	55.0%	3.81%	367.7
5	Common Equity	4,5	7,893.6	45.0%	13.71%	1,082.0
6	Rate Base Financed by Capital Structure	4	17,541.2	98.3%	8.26%	1,449.7
7	Adjustment for Lesser of UNL or ARC	1	300.2	1.7%	4.79%	14.4
8	Rate Base	1	17,841.4	100.0%	8.21%	1,464.1

Notes:

- 1 Amounts in cols. (a) and (d) and the cost rates in col. (c) are determined using the same methodologies as applied in EB-2020-0290.
- 2 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.
- 3 Debt required to balance capital structure with actual rate base.
- 4 Capital structure as approved by the OEB in EB-2020-0290.
- 5 Actual regulatory return on equity in col. (d) from Table 2, line 13, col. (c).

Numbers may not add due to rounding.

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Table 2 Actual Regulatory Return on Equity (\$M) Year Ended December 31, 2023					
Line No.	Description	Note	Regulated Hydroelectric	Nuclear	Total
			(a)	(b)	(c)
1	Accounting EBIT (includes rounding)	1	585.7	990.5	1,576.2
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	1.7	2.1
7	Regulatory EBIT (lines 10+11-12-13-14-15)		585.3	1,003.3	1,588.6
Deemed Cost of Capital:					
8	Deduct: Cost of Deemed Debt for Regulated Assets	5	167.5	200.2	367.7
9	Deduct: Cost Related to UNL/ARC Adjustment	5	N/A	14.4	14.4
10	Add: Cost of Capital Variance and Deferral Account Additions	6	41.8	79.3	121.1
11	Regulatory EBT (line 16 - line 17 - line 18 + line 19)		459.6	867.9	1,327.6
Determination of Regulatory Return on Equity:					
12	Deduct: Regulatory Income Taxes on Regulated Assets	7	104.5	141.1	245.6
13	Regulatory Return on Equity (line 20 - line 21)		355.1	726.8	1,082.0

See Table 2a for notes

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Table 2a
 Actual Regulatory Return on Equity (\$M)
 Year Ended December 31, 2023
 Notes to Table 2

Notes:

1 Actual amounts on lines 10, 11, and 12 are determined in accordance with 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 2019/2018 audited financial statements for OPG's prescribed facilities filed in EB-2020-0290 Ex. A2-1-1, Attachment 2.

2 During 2024, hydroelectric incentive mechanism (HIM) revenue was earned pursuant to the mechanism approved by the OEB in EB-2013-0321, EB-2016-0152 and continued in EB-2020-0290.

3 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 2023 reflected in the EB-2020-0290 Payment Amounts Order.

4 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.

5 Costs related to deemed debt and UNL/ARC adjustment for 2023 are allocated to Regulated Hydroelectric and Nuclear based on actual rate base, using the same methodology applied in EB-2020-0290, as follows:

Line No.	Item	Regulated Hydroelectric	Nuclear
		(a)	(b)
1a	Interest Rate (Table 1, line 4, col. (c))	3.81%	3.81%
2a	Actual Rate Base (Table 1, line 8, col. (a))	7,990.0	9,851.4
3a	ARC / UNL Adjustment (Table 1, line 7, col. (a))	N/A	300.2
4a	Rate Base Financed by Capital Structure (line 2a - line 3a)	7,990.0	9,551.2
5a	Debt Ratio (Table 1, line 4, col. (b))	55.0%	55.0%
6a	Deemed Debt (line 4a x line 5a)	4,394.5	5,253.2
7a	Cost of Deemed Debt for Regulated Assets (line 1a x line 6a)	167.5	200.2
8a	Cost Related to UNL/ARC Adjustment (Table 1, line 7, col. (c) x line 3a)	N/A	14.4

6 The amounts represent the cost of capital additions to the Capacity Refurbishment Variance Account, the Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account, the Impact Resulting from Optimization of Pickering Station End-of-Life Dates Deferral Account, and the Nuclear Liabilities Deferral Account recorded in 2023.

7 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-2020-0290, 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-2020-0290 to be carried forward beyond the 2022-2026 period. The amount of regulatory income taxes reflects the 2023 income tax return completed in June 2024 and a true-up to incorporate changes from an amendment filed in 2023 to the 2022 income tax return.

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Table 3 Comparison of Actual Regulatory Return on Equity to Board Approved for Nuclear (\$M) Year Ended December 31, 2023					
Line No.	Description	Note	OEB Approved ²	Actual	(b) - (a) Variance
			(a)	(b)	(c)
	Revenues:				
1	Revenue Requirement	1	3,430.0		
2	Ancillary and Other Revenue	1			
3	Bruce Lease Revenues Net of Direct Costs	1	(38.7)		
4	Amortization of Variance & Deferral Account Amounts	11	(11.8)		
4a	Income Tax Impact from Amortization of Pension & OPEB Cash Versus Accrual Differential Deferral Account	12	51.0		
5	Total Revenues (lines 1 through 4a)	2			
	Expenses:				
6	OM&A	1, 3	2,315.0	2,391.7	76.7
7	Fuel	1	181.2	199.4	18.2
8	Depreciation & Amortization, including Amortization of Variance & Deferral Account Amounts	4	451.1	459.2	8.1
9	Property Taxes	1	13.2	12.1	(1.1)
10	Total Expenses (lines 6 through 9)		2,960.6	3,062.4	101.8
11	Other Losses/(Gains)		0.0	(0.4)	(0.4)
	Cost of Capital Excluding Return on Equity:				
12	Cost of Deemed Debt for Regulated Assets	5	166.4	200.2	33.8
13	Adjustment for Lesser of UNL or ARC	1, 6	0.0	14.4	14.4
14	Cost of Capital Variance and Deferral Account Additions	7	0.0	(79.3)	(79.3)
15	Total Cost of Capital Excluding Return on Equity (lines 12 through 14)		166.4	135.3	(31.1)
16	Income Tax	1, 8			
16a	Income Tax Impact from Amortization of Pension & OPEB Cash Versus Accrual Differential Deferral Account	12	51.0		
16b	Total Income Tax (line 16 + line 16a)			141.1	
17	Reporting Adjustment	9	N/A		N/A
17a	Cumulative Nuclear Stretch Dollars	1	15.0		
18	Regulatory Return on Equity (line 5 - line 10 - line 11 - line 15 - line 16b + line 17 + line 17a)	1, 10	329.9	736.6	406.7

Notes:

- 1 OEB-approved amounts are the sum of corresponding amounts in EB-2020-0290 Payment Amounts Order, App. A, Table 2 (2023 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-2020-0290 Payments Amount Order, App. A, Table 2, 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-2020-0290 Payment Amounts Order (App. A, Table 2, 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) is as shown in Table 2, line 13, col. (b).
- 11 OEB-approved amount is the sum of EB-2020-0290 PAO, App. D, Table 1, line 25 and line 29, col. (i).
- 12 OEB-approved amount is the sum of EB-2020-0290 PAO, App. D, Table 1, lines 26 - 28, col. (i).

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Appendix 1 (\$M)
Year Ended December 31, 2023

Line No.	Item	Regulated Hydroelectric	Nuclear
		(a)	(b)
1	Rate Base Financed by Capital Structure (ROE RRR Filing Table 2a, Note 5, line 4a)	7,990.0	9,551.2
2	Equity Ratio (ROE RRR Filing Table 1, line 5, col. (b))	45%	45%
3	Common Equity (line 1 x line 2)	3,595.5	4,298.0
4	Actual Regulatory Return on Equity (ROE RRR Filing Table 2, line 13)	355.1	726.8
5	Actual Regulatory Return on Equity Divided by 45% of Rate Base (line 4 / line 3) ¹	0.1	0.2

Note:

- 1 Per EB-2020-0290 Decision and Order, Schedule A, Appendix A, Page 1, OPG agreed to provide, as part of its annual reporting, "a calculation equivalent to dividing the actual dollar regulatory return for each of the regulated nuclear and hydroelectric business segments by 45% of the corresponding rate base for each of these segments, where 45% is the equity thickness in the agreed upon capital structure for the regulated business" in consideration of the EB-2020-0290 settlement.

As stated in EB-2020-0290, Ex. L-A1-03-Staff-008, OPG operates as a single company, with a single management structure, a single corporate cost structure, and a single OEB-authorized cost of capital that covers both the hydroelectric and nuclear generating facilities, and obtains corporate financing as a single company. Accordingly, OPG reports achieved return on equity for the prescribed facilities as a whole. The calculation provided in this Appendix 1 is to satisfy the requirements of the EB-2020-0290 settlement.