STAKEHOLDER INFORMATION SESSION

1.0 PURPOSE

This evidence provides a description of the stakeholder information session that OPG held on the Application prior to filing it with the OEB.

2.0 BACKGROUND

OPG held a stakeholder information session on August 7, 2018, in advance of submitting the Application. The following provides an outline of the session including the objective, process, participants, and participant funding guidelines.

3.0 OBJECTIVE

The objective of the information session was to inform stakeholders about the Application.

4.0 PROCESS

OPG invited stakeholders who participated in the last OEB proceeding regarding OPG's payment amounts (EB-2016-0152) and deferral and variance account balance disposition (EB-2014-0370).

The stakeholder invitation letter, including funding guidelines, is provided in Attachment 1. Funding was offered to participants who qualified under the funding guidelines. The session agenda and presentation provided to stakeholders related to the Application are provided in Attachments 2 and 3, respectively.

LIST OF ATTACHMENTS

Attachment 1:	Stakeholder Invitation Letter and Funding Guidelines
Attachment 2:	Session Agenda
Attachment 3:	Presentation

ONTARIO POWER GENERATION

Saba Zadeh
Director

Ontario Regulatory Affairs

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July 23, 2018

VIA EMAIL

Dear Stakeholder:

Stakeholder Information Session:
Application for 2019 Hydroelectric Payment Amount Application and D&V Account Clearance

OPG is currently preparing an application to the OEB for the annual formulaic adjustment to its 2019 hydroelectric payment amount and disposition of the balances in its Deferral and Variance accounts as at December 31, 2017, effective January 1, 2019 (the "Application"). OPG plans to file the Application by mid August 2018. The purpose of this letter is to invite you to participate in a stakeholder information session that OPG is going to conduct in advance of filing the Application.

The objective of this information session is to provide an overview of the planned Application.

We are contacting stakeholders who we believe will have an interest in the Application. The half-day information session will be held on August 7, 2018, from 1:30 pm – 3:00 pm in the Mini-Auditorium, mezzanine level at OPG's head office, 700 University Avenue (corner of University Ave. and College St.) in Toronto.

The agenda for the day will be forwarded to participants in advance of the session. All presentation materials will be posted on OPG's web-site, www.opg.com following the session.

OPG will provide funding for participation in the stakeholder process to eligible participants. A copy of the funding guidelines is attached for your information.

If you have any questions or would like to discuss OPG's stakeholder process or the upcoming application, please contact me at 416-592-2976 or by email at opgregaffairs@opg.com. Please confirm your attendance at the session by contacting Lucy D'Avella by email at lucy.davella@opg.com or by phone at 416-592-3596.

Best Regards,

Saba Zadeh
Case Manager
Director, Ontario Regulatory Affairs

Attachment:

1. OPG Stakeholder Information Session Participant Funding Guideline

Attachment 1

Participant Funding Guidelines

To facilitate dialogue with its stakeholders, Ontario Power Generation (OPG) will provide funding to assist qualifying stakeholders to participate in its stakeholder consultation process related to its application to the Ontario Energy Board (OEB) for payment amounts for regulated facilities. The funding criteria that will be used are based on the OEB's most recent Practice Direction on Cost Awards. The following provides eligibility guidelines and a description of the funding process.

Eligibility

- The determination of whether a party is eligible for funding will be at the sole discretion of OPG.
- Funding is limited to not-for-profit organizations whose interests are affected by the application such as public interest organizations, environmental organizations, and Aboriginal communities.
- Individuals and organizations with a direct commercial or business interest in the application are not eligible for funding. This includes, but may not be limited to, transmitters, wholesalers, generators, distributors, retailers and marketers, or organizations representing these interests.
- Municipal or provincial government staff or representatives are not eligible for funding.
- Parties with similar interests are encouraged to combine their participation.
- Funding will be provided only to stakeholders participating in the discussion session.

Process for Funding and Eligible expenses

- To allow timely processing of requests, it is suggested that stakeholders seeking funding apply to OPG at least 7 days prior to the session. Stakeholders should indicate in writing that they will be participating and include a statement justifying their eligibility. Parties should submit their written request for financial support to:

  Ms. Saba Zadeh, Case Manager
  Ontario Power Generation
  700 University Ave. H18-G3,
  Toronto, ON M5G 1X6
  Phone: 416-592-2976
  Email: opgregaffairs@opg.com

  OPG will notify the party prior to the session if their funding application is accepted.

- Funding will be provided for meeting preparation and attendance for one person based on rates outlined in the OEB's Cost Award Tariff.
- Preparation time is not to exceed an amount equal to the meeting time. Preparation time is only allowed if the stakeholder attends the session.

- Out of pocket travel expenses will be allowed including reasonable meals and accommodation only if the participant's place of business is greater than 100 km from the meeting site. Receipts must be submitted for all meals, accommodations and travel with the exception of mileage for personal automobile.
- Reasonable disbursements, such as postage, photocopying, etc., are eligible expenses.
- Eligible participants must submit an OPG disbursement claim sheet form complete with receipts, no later than 30 days after the session.

AGENDA

OPG Information Session
August 7, 2018

Mini Auditorium – 700 University Avenue, Toronto, ON
Mezzanine Level

1:30 p.m. – 1:45 p.m.	- Registration
1:45 p.m. – 2:00 p.m.	- Welcome - Introductions - Safety Rules
2:00 p.m. – 2:40 p.m.	- Overview
2:40 p.m. – 3:00 p.m.	- Q & A

For those who can't attend the session, you can participate via Skype:

Join Skype Meeting

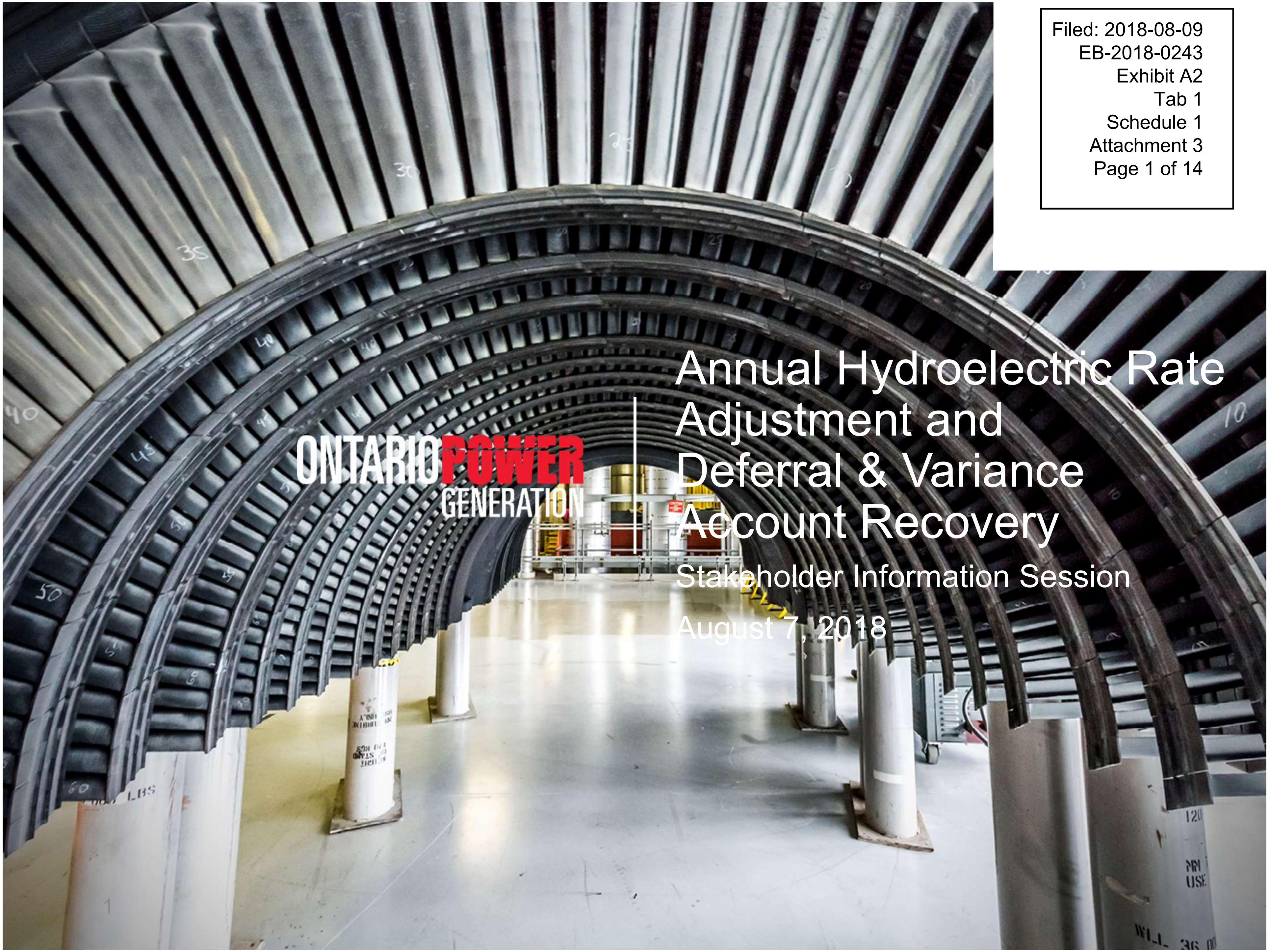
Trouble Joining? Try Skype Web App

Join by phone

+16476998898 (Dial-in Number) English (United States)

Find a local number

Conference ID: 38035798
Forgot your dial-in PIN? |Help



ONTARIO POWER GENERATION

Annual Hydroelectric Rate Adjustment and Deferral & Variance Account Recovery

Stakeholder Information Session

August 7, 2018

Agenda:

Note: *Information presented in this information session is subject to change in the final application.*

ONTARIO POWER GENERATION

Application Summary and Timing

- In its Decision and Order in EB-2016-0152, the OEB provided that OPG may file for clearance of its D&V account balances, including the Pension & OPEB Cash Versus Accrual Differential Deferral Account, at the same time as its 2019 hydroelectric payment amounts application

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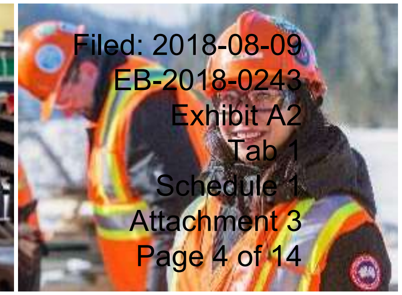

Application Summary

- 2019 Hydroelectric Payment Amount effective January 1, 2019, determined using the price-cap index mechanism approved by the OEB in EB-2016-0152
- Clearance of D&V account balances, as at December 31, 2017, less amounts previously approved for recovery through payment riders established in EB-2016-0152:
  - including the Pension & OPEB Cash Versus Accrual Differential Deferral Account (“Interim Account”) and recovery of associated tax amounts
- A finding on applying the Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account established in EB-2015-0040 to amounts proposed to be recovered by OPG from the Interim Account as part of this application
- Request that proceeding be conducted by way of written hearing

ONTARIO POWER GENERATION

Annual Hydroelectric Adjustment

- Approval of 2019 Hydroelectric Payment Amount ("HPA"), effective January 1, 2019
- As set out in EB-2016-0152 (PAO, p. 9, para 3), the HPA for each year is determined using the price-cap index approved by the OEB for OPG as part of that application:

$$\text{Payment Amount}(t) = \text{Payment Amount}(t-1) \times \left(1 + \text{Inflation Factor} - \left(\text{Productivity Factor} + \text{Stretch Factor}\right)\right)$$

- 2016 OEB-published and 2017 Statistic Canada index values used as proxy to determine inflation factor (approx. 1.5%)
- OPG will update application with OEB-published index values, expected fall 2018
- OPG estimates the 2019 HPA to be $42.55/MWh

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Deferral and Variance Accounts

- OPG proposes to recover December 31, 2017 D&V account balances for all accounts (less amounts previously approved for recovery through payment riders established in EB-2016-0152), with the exception of the following accounts:
    1. Capacity Refurbishment Variance Account, and
    2. Fitness for Duty Deferral Account
- OPG proposes to defer recovery of balances in these two accounts to a future application

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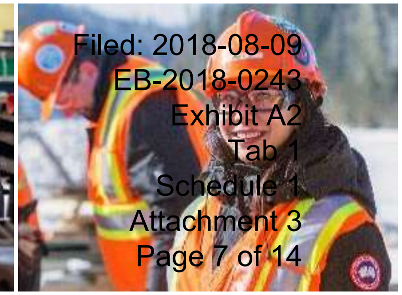

Proposed Recovery Periods

- OPG proposes to clear the recoverable amounts over a 3-year period from January 1, 2019 to December 31, 2021 with the exception of:
  1. the Interim Account, including associated tax impacts, and the Bruce Lease Net Revenues Variance Account – Non-Derivative Sub-Account over an 8-year period from January 1, 2019 to December 31, 2026
  2. the Pension and OPEB Cost Variance Account (Future Recovery) over a 6-year period from January 1, 2019 to December 31, 2024, and
  3. the Pension and OPEB Cost Variance Account (Post 2012 Additions) over a 2.5 year period from January 1, 2019 to June 30, 2021
- The recovery periods in (2) and (3) above were previously approved by the OEB.

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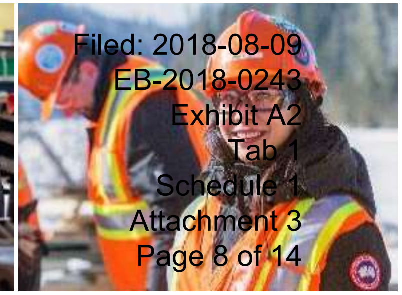

Proposed D&V Recovery - Hydroelectric

Account	2017 Audited Balances	EB-2016-0152 Amortization	Remaining Balance
Hydroelectric Water Conditions Variance	(150.2)	(17.3)	(132.9)
Ancillary Services Net Revenue Variance - Hydroelectric	(45.0)	(13.2)	(31.8)
Hydroelectric Incentive Mechanism Variance	(0.1)	(0.1)	0
Hydroelectric Surplus Baseload Generation Variance	360.4	82.5	278
Income and Other Taxes Variance - Hydroelectric	0	0	0
Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account	5.7	0	5.7
Pension and OPEB Cost Variance - Hydroelectric - Future	8.4	2.1	6.3
Pension and OPEB Cost Variance - Hydroelectric	26.6	11.8	14.8
Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric	83.2	0.0	83.2
Pension & OPEB Cash Payment Variance - Hydroelectric	(25.9)	4.3	(30.1)
Hydroelectric Deferral and Variance Over/Under Recovery Variance	25.7	13.5	12.2
Total Deferral and Variance Account Amounts	288.8	83.6	205.4
Tax on Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric			27.7
Total Recoverable Amounts			233.1

Table subject to finalization

Proposed D&V Recovery - Nuclear

Account	2017 Audited Balances	EB-2016-0152 Amortization	Remaining Balance
Nuclear Liability Deferral	18.6	0.0	18.6
Impact Resulting from Changes in Station End-of-Life Dates (Dec 31, 2015)	(103.4)	0.0	(103.4)
Nuclear Development Variance	1.9	1.7	0.2
Ancillary Services Net Revenue Variance - Nuclear	3.4	1.0	2.4
Bruce Lease Net Revenues Variance - Derivative Sub-Account	(69.4)	(68.6)	(0.8)
Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account - Post 2012 Additions	189.2	20.6	168.7
Income and Other Taxes Variance - Nuclear	(10.1)	(4.3)	(5.8)
Pension and OPEB Cost Variance - Nuclear - Future	171.7	42.9	128.8
Pension and OPEB Cost Variance - Nuclear	508.9	226.2	282.7
Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear	530.5	0.0	530.5
Pension & OPEB Cash Payment Variance - Nuclear	(114.0)	23.4	(137.4)
Nuclear Deferral and Variance Over/Under Recovery Variance	74.7	44.1	30.6
SR&ED ITC Variance	(3.4)	0.0	(3.4)
Total Deferral and Variance Account Amounts	1,198.6	287.0	911.6
Tax on Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear			176.8
Total Recoverable Amounts			1,088.5

Table subject to finalization

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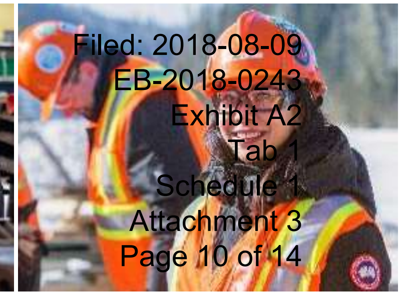

Current and Proposed Payment Amounts and Riders

Description	2018	2019	2020	2021
Hydroelectric Payment Amount ($/MWh)	42.05	42.55	43.07	43.58
Hydroelectric Payment Rider A ($/MWh)	0.52	1.44	1.01	0.00
Hydroelectric Payment Rider B ($/MWh) (Hydroelectric Interim Period Shortfall Recovery Rider)	0.13	0.35	0.24	0.00
Hydroelectric Payment Rider C ($/MWh)	0.00	1.65	1.65	1.56
Nuclear Payment Amount (NPA) ($/MWh)	78.64	77.00	85.00	89.70
Nuclear Payment Rider A (NPR) ($/MWh)	1.05	2.79	2.04	0.00
Nuclear Payment Rider B ($/MWh) (Nuclear Interim Period Shortfall Recovery Rider)	2.88	7.71	5.64	0.00
Nuclear Payment Rider C ($/MWh)	0.00	4.56	4.76	3.43

Table subject to finalization

- The average incremental impact of the proposed payment riders and 2019 HPA is about $0.40 (or less than 0.4%) per year on the typical residential customer monthly bill during the 2019 to 2021 period

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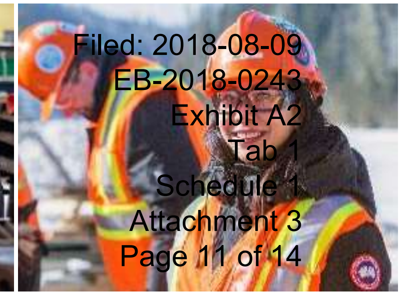
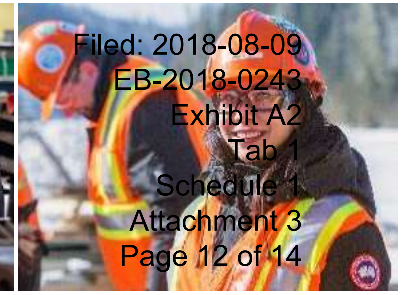


Creation of Interim Account

- In EB-2013-0321, OPG proposed to recover its pension and OPEB costs for 2014 and 2015 based on the accrual method of accounting, consistent with the rate-setting methods in prior OEB decisions on OPG's payment amounts
- In the absence of an OEB ratemaking policy on this issue at that time, the OEB:
    1. limited the amount of pension and OPEB costs in payments amounts to cash amounts on a temporary basis, and
    2. established the Interim Account to record cash to accrual differences
- (1) and (2) were established, and continued in EB-2016-0152, contingent on the outcome of the OEB's generic consultation to decide on the appropriate ratemaking treatment of these costs for all regulated utilities

Outcome of Generic Consultation

- In September 2017, the OEB issued a report on *Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs* (the "Report") from its generic consultation, EB-2015-0040
- The Report established:
    1. the OEB's policy on methodology to account for P/OPEB costs when setting rates, and
    2. the Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account

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Implementation of Outcome in Application

- OPG seeks approval to recover the audited balance of the Interim Account as of December 31, 2017
- OPG will continue to record amounts in the Interim Account until the effective date of OPG's next cost-based payment amounts order
- OPG proposes that recoveries of amounts recorded in the Interim Account as of December 31, 2017 would not be captured in the new differential variance account and therefore not be subject to carrying charges

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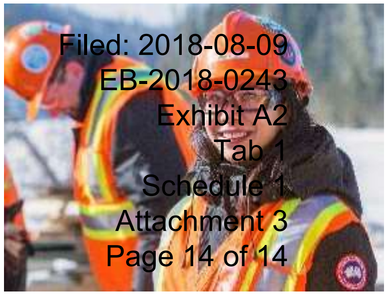

Questions?

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