**EB-2010-0008**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S. O. 1998, c. 15, Schedule B;

**AND IN THE MATTER OF** an application by Ontario Power Generation Inc. pursuant to section 78.1 of the *Ontario Energy Board Act, 1998* for an order or orders determining payment amounts for the output of certain of its generating facilities.

# WRITTEN INTERROGATORIES FOR ONTARIO POWER GENERATION

# FROM THE CONSUMERS COUNCIL OF CANADA

## GENERAL

### Issue 1.3

1. (A1/T7/S1) On March 29 and April 1, 2010 OPG held two stakeholder information sessions regarding its proposed Application. At that time the proposed payment amounts inclusive of riders was $36.25/MWh for Hydroelectric and $62.22/MWh for Nuclear. Please provide the following information:

    1. All correspondence between OPG and its shareholder between April 1, 2010 and May 26, 2010, regarding OPG's Application;

    2. All presentations or reports made to the OPG Board of Directors during that period;

    3. A detailed description of the process OPG followed in terms of revising its budgets that flowed from the initial budgeting process;

    4. A chart explaining the differences between the amounts proposed on April 1 and the budgets now contained in the evidence in support of the Application. Where specifically did OPG make changes?

2. (A1/T4/S1/p. 5) The evidences states that The Memorandum of Agreement between OPG and its shareholder provides for the shareholder to direct OPG to undertake special initiatives. Please provide a list of any directives made since the last payments case and indicate to what extent those directives have impacted the proposed payment amounts.

3. On April 15, 2010 Andrew Barrett sent an e-mail to OPG stakeholders indicating that OPG was looking for ways to "further lessen the impact of our request on ratepayers". Please explain how this objective to reduce impacts on ratepayers fits into OPG's overall business planning process.

**RATE BASE**

**Issue 2.1**

4. (B1/T1/S1/pp.6-7) The total working capital for OPG's nuclear facilities is forecast to be $869.1 million in 2011 and $848.5 million in 2012. What has OPG done or what is OPG currently doing to reduce nuclear working capital requirements. When, from OPG's perspective would it be appropriate to undertake a new lead-lag study?

**Issue 2.2**

5. (D4/T1/S1) Please provide the terms of reference for the Charles River Associates Study on CWIP. Was this study tendered? If not, why not? What are the costs of the study and how are those costs to be recovered? Has OPG contracted for any other studies on this topic? If so, please provide copies of those reports.

6. (D2/T2/S2) Please provide all materials, presentations and reports provided to OPG's Board of Directors in seeking approval to include the Darlington Refurbishment CWIP in rate base. When was the Decision made? Did OPG get specific approval to seek recovery of CWIP in rate base from its shareholder? If not why not? If so, please provide all correspondence related to that directive.

7. (D2/T2/S2) OPG is seeking approval to include the Darlington Refurbishment CWIP in rate base. In the 2007/2008 HON Transmission proceeding the HON sought similar relief for several projects. That relief was denied, but for the Niagara Reinforcement Project the Board allowed HON to expense, rather than capitalize the AFUDC associated with the project. Please explain why this approach would not be appropriate for OPG with respect to Darlington.

8. (D2/T2/S2) Did HON consider other accounting approaches for the Darlington Project? If so, why were those approaches rejected?

9. (D2/T2/S2/p. 9) The evidence indicates that OPG will provide regular updates on project scope, schedule and progress, any variances against budget and a forecast of future expenditures for the Darlington Project? Please specifically identify the format of that reporting. Will OPG be seeking approval of that reporting in this case?

10. (D2/T2/S2) If the Board grants OPG approval to recover CWIP in rate base for the Darlington Project what happens if the project is suspended or cancelled ,

thereby never going into service. Would those costs already recovered from ratepayers be returned? If not, why not?

## CAPITAL STRUCTURE AND COST OF CAPITAL

### Issue 3.1

11. (C1/T1/S1/p. 1) OPG retained Foster Associates to examine potential methodologies for developing technology specific costs of capital. Was the Foster Study tendered? If not, why not? Please provide the terms of reference. What were the costs of the study and how were those costs recovered?

12. (C1/T1/S1/p. 2) OPG is adopting applying the Board's Cost of Capital Report in order to determine its forecast ROE for the test years. Please provide any correspondence between OPG and its shareholders regarding the decision to apply for a higher ROE. If the Board grants OPG approval for rate base treatment of CWIP for the Darlington Project how would this impact OPG's requested ROE or capital structure?

### Issue 3.2

13. (C1/T1/S2/p. 8) The evidence indicates approximately $800 million in new borrowing is needed to finance the Niagara Tunnel Project over the 2010-212 period. OPG does not plan to undertake any other project-related financing for the regulated assets during the test period. Please explain why OPG does not need to borrow for other projects. In addition, please explain, to what extent, if any, OPG's proposal to recover CWIP in rate base may affect its borrowing requirements. What if the CWIP proposal is rejected?

14. (C1/T1/S2) Please explain if OPG's proposals for debt costs are consistent with the Board's Cost of Capital Report. To the extent they are not consistent please explain why.

## CAPITAL PROJECTS

### Regulated Hydroelectric

### Issue 4.2

15. (D1/T1/S1/p. 2) The Niagara Tunnel Project was approved by the OPG Board on July 28, 2005 with an estimated in-service date of 2010. In May 2009 OPG approved a revised estimate of $1.6 billion and a revised in-service date of December 2013. Please explain, in detail, what type of reporting OPG plans to do with respect to this project during the test year period.

16. (D1/T1/S2) OPG has provide a Business Case Summary for the Niagara Tunnel Project dated May 2009. Please explain how, if at all, the parameters of the project have changed since this analysis was undertaken. Specifically does OPG

have updated projections of the cost of the project and the potential in-service date? If so, please provide that update.

17. (D1/T1/S1/p. 13) The evidence states that if during the execution of a hydroelectric project, the cost projection at completion is forecast to exceed the approved project budget , a superseding BCS is prepared to document the status of the project, the causes of the forecast over-expenditure, the management actions taken to-date to control costs, and all viable cost control or scope adjustment options for management consideration. For all projects schedule to be going into service during the test period please indicate whether a superseding BCS was prepared. Please file any such documents.

**Nuclear**

**Issue 4.5**

18. (D2/T1/S1/p. 2) The evidence states that the nuclear project portfolio is approved via the OPG business planning process with the Board of Directors approving the OM&A and Capital Projects portfolio budget. Please provide copies of all presentations and reports presented to the Board of Directors when seeking approval of the nuclear project portfolio.

19. (D2/T2/S1/p. 1) Please explain specifically how the Darlington Refurbishment project reduces the revenue requirement by $207.5 million during the test period.

20. (D2/T2/S1/p. 2) Please explain the relationship between the Darlington Refurbishment and the Bruce Lease costs.

21. (D2/T2/S1/p. 2) OPG indicates that the LUEC of the Darlington Refurbishment is 8 cents/kWh. Did OPG retain any outside expertise to assess those numbers. If not, why not? If so, please provide any such studies.

**PRODUCTION FORECASTS**

22. (E/T1/S1/p. 6) Please provide a detailed description of how OPG prepares its forecast of Surplus Baseload Generation.

**Issue 5.1**

23. (E1/T1/S2/pp. 2-7) In each year since 2007 OPG's hydroelectric production forecast has been understated relative to the actual production. Has OPG considered revising it forecasting methodology in light of this? If not, why not? Why should parties have confidence that the forecast numbers for the test period are appropriate?

**OPERATING COSTS**

**Regulated Hydroelectric**

**Issue 6.1**

24. (F1/T4/S1/Table 1) Please recast Table 1 setting out forecast amounts for the Gross Revenue Charge for the years 2007-2010.

**Corporate Costs**

25. (F3/T1/S1/p. 1) The corporate cost allocation methodology was reviewed by Black and Veatch. Please indicate if that work was tendered. If not, why not? What was the overall cost of the report and how are those cost to be recovered?

26. (F3/T1/S1/p. 11) The evidence indicates that OPG has completed a leveraged renegotiation of its outsourcing agreement with NHSS. Did OPG consider other service providers. Please provide evidence to support the premise that retaining NHSS was the most cost-effective approach for OPG.

27. (F3/T1/S1/p. 11) The evidence states that the new agreement with NHSS will result in cost savings of about $100 million be the end of the agreement. Please provide detailed evidence to support the calculation of this amount. How, specifically will those savings be achieved?

28. (F3/T1/S2/ Tables 1-2) Please provide a detailed variance analysis for each of the specific categories of Corporate Support and Administrative Costs. In addition, please explain why in each year 2007-2009 OPG actual costs were below budget by, in some cases significant amounts.

29. (F3/T1/S1) Please set out a table which includes the following:

    1. All regulatory costs in each year 2007-2012 including all internal and external costs;

    2. All regulatory costs associated with the 2008/2009 payments proceedings;

    3. All proposed costs associated with the 2011/2012 proceeding;

    4. An explanation as to how those costs are to be recovered.

30. (F4/T3/S1/p. 2) Please indicate how many, of the total employee headcounts set out in Chart 1 earn over $100,000 on an annual basis.

31. (F4/T3/S1/p. 2) Please provide Charts in the same format as Chart 1 for the years 2007 and 2008 (Headcount)

**OTHER REVENUES**

**Issue 7.1**

32. (G1/T1/S1/Table 1) Please explain why, in all revenue categories actual revenues exceeded budget/board approved amounts

**Bruce Generating Station**

**Issue 7.3**

33. (G2/T2/S1) OPG retained Black and Veatch to review OPG's methodology for assigning and allocating revenues and costs to the Bruce Facilities under the Bruce Lease. Please provide the terms of reference for the study. Was the study tendered? If not, why not?

34. (G2/T2/S1) Please explain, how if at all, Surplus Baseload Generation, impacts the Bruce Lease payments.

**DESIGN OF PAYMENT AMOUNTS:**

**Issue 9.1**

35. (I/T2/S1/Table 1) Please provide a schedule setting out the payment amounts in the same format for 2008 and 2009.

36. (1/T3/S1/Table 1) Please provide a schedule setting out the payment amounts in the same format for 2008 and 2009)

37. (I/T2, T3) Has OPG undertaken any studies(internally or externally) to determine whether other designs for the payments amounts might be more appropriate. If so, please provide copies of those studies.

**METHODOLOGIES FOR SETTING PAYMENT AMOUNTS**

**Issues 12.1 and 12.2**

38. The Board is seeking input on when it would be appropriate to establish incentive regulation, or some other form of regulation to set the payment amounts. What is OPG's position on this issue?

39. The Board is seeking input as to what processes should be adopted to establish the framework for incentive regulation, or other form of alternative regulation, that would be applied in a future test period. What are OPG's views on this issue?