

**PWU Interrogatory #1**

**Ref:** Ex. F3-T4-S1, pages 4 – 6 and Ex. C2-T1-S1, page 72

**Issue Number: 2.1**

**Issue:** What is the appropriate capital structure for OPG's regulated business for the 2008 and 2009 test years? Should the same capital structure be used for both OPG's regulated hydroelectric and nuclear businesses? If not, what capital structure is appropriate for each business?

**Issue Number: 5.1**

**Issue:** Are the Operation, Maintenance and Administration ("OM&A") budgets for the prescribed hydroelectric and nuclear business appropriate?

**Preamble**

**(A):** Ref.(a) states that between 2007 and 2011, it is estimated that 30 percent of the staff will need to be replaced because of retirements and terminations. The reference also indicates:

"OPG projects through its workforce planning programs that by the year 2020 the company will experience a shortfall of approximately 8,200 employees as a result of retirements and regular turnover. This number assumes a steady state for the number of employees through each year. As a result, the analysis is highly conservative. OPG is expecting that its staff numbers will grow to accommodate potential rehabilitation and new generation in Nuclear. The impact of the decisions in this area on staff requirements will be significant. In response to these challenges, OPG is focusing on the following three areas: 4.1 Recruitment and Talent Management...4.2 Skill Development...4.3 Retaining and Managing Potential Retirees..."

**(B):** Ref.(b) states:

"Changing demographics, specifically an aging workforce, also create cost and production risks for all the regulated operations, but this issue is particularly pronounced for nuclear operations. Both availability and cost of nuclear-skilled employees are a concern, as the retirement of a large percentage of the skilled workforce becomes increasingly imminent. Bruce Power competes for available skilled personnel; training cycles are lengthy and costly. Similar to other employers, over 25% of OPG's workforce is eligible for retirement within the next 10 years."

**Interrogatory**

**1.1** Please describe the expected impact of the risk associated with the shortfall of workforce focusing on the following issues:

a) Asset Conditions;

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- b) Output and performance (e.g. unit capability factor or availability factor, forced loss rate or forced outage rate, planned outages and planned outage extensions);
- c) Safety;
- d) Worker safety;
- e) Regulatory compliance;
- f) Environmental performance

**1.2.** Ref (a) provides insight relating to OPG's ongoing initiatives aiming to mitigate workforce shortfall risk. Has OPG identified any risk associated with the shortfall of the workforce that is beyond the control of the company?

**Response**

1.1 OPG's business planning process recognizes the need for sufficient OM&A budget to address the workforce planning needs of the company. The 8,200 employees referenced in Ex. F3-T4-S1, does not take into consideration the mitigating effect of strategies that OPG currently has in place. While not all risks can be mitigated (see response 1.2 below), OPG does not plan to have a shortfall in its workforce. That said, if the identified shortfall were not mitigated, the risks in the specified areas, are as follows:

- a) Asset condition would be more difficult to maintain and could deteriorate depending on the specific job categories where the shortfall occurred. This could adversely impact production.
- b) Output and performance targets would become more difficult to achieve and could be revised downward depending on the specific job categories where the shortfalls occurred.
- c) Public safety would not be compromised. If a shortfall in available employees potentially jeopardized public safety, then OPG would take appropriate action to protect public safety. This could adversely impact production.
- d) Worker safety would not be compromised. If a shortfall in available employees potentially jeopardized worker safety, then OPG would take appropriate action to protect worker safety. This could adversely impact production.
- e) Regulatory compliance would be maintained but if staffing levels could not be achieved then production may be impacted.
- f) Environmental performance targets will be achieved but failure to maintain staffing levels may be affect production.

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2 1.2 OPG has identified a number of risks, common to industry across Canada, which are  
3 beyond our control:  
4 • Shrinking labor markets driven in part by an aging workforce.  
5 • Increased industry-wide demand for specialized engineering and skilled trades and  
6 operations staff.  
7 • Lower than targeted immigration into Canada which will constrain labour market  
8 growth.  
9 • Challenges in recruiting employees to work at remote generating sites

**PWU Interrogatory #2**

**Ref:** Ex. I1-T2-S1, pages 7 – 8

**Issue Number: 8.2**

**Issue:** Is the fixed payment of 25% of revenue requirement an appropriate design for the nuclear facilities?

**Preamble**

The reference indicates:

“Although Ontario’s IESO market has not established a capacity market, the hybrid market structure in Ontario provides contracting mechanisms to provide fixed cost recovery for generation. Contracted generation in Ontario has a high degree of assurance of recovery of fixed costs through the structure of OPA contracts. For example, the contract structure for Ontario’s clean energy supply contracts includes a monthly contingent support payment which is the monthly net revenue requirement less the imputed net revenue, where the imputed net revenue represents the expected net revenue from energy sales given the characteristics of the facility.”

**Interrogatory**

Please indicate whether the following OPA initiatives are further examples of contracted generation with a high degree of assurance of recovery of fixed costs:

- the procurement of combined heat and power generation;
- the procurement of generating facility with a summer contract capacity of 500 MW to 600 MW connected to the area surrounding Trafalgar TS.

**Response**

Based on publicly available information, OPG believes that these OPA initiatives are further examples of contracted generation with a high degree of assurance of fixed cost recovery.