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

AND IN THE MATTER OF an Application by Ontario Power Generation Inc. for an Order or Orders approving the disposition of the balances as of December 31, 2012 in certain of its deferral and variance accounts and approving the adoption of USGAAP for regulatory purposes.

INTERROGATORIES

FROM THE

SCHOOL ENERGY COALITION

[Note: All questions have been assigned to issues, and in some cases have been broken down into further subcategories to assist the Applicant . However, please provide answers that respond to each question in full, without being restricted by the issue or subcategory. Many questions have application to multiple issues and areas, but all have been asked only once to avoid duplication.]

<u>ISSUE 1</u>: Is the nature or type of amounts recorded in the deferral and variance accounts appropriate?

<u>Bruce Lease Net Revenues Variance Account</u>

1. [Ex. A3/1/1,p.2] Please provide an estimate, at as detailed a level as possible, of the impact on the amounts recorded in the Bruce Lease Net Revenues Variance Account as a result of compliance with the Board's requirement not to apply "regulatory constructs".

2. [H2/1/1,Table 2] Please provide a detailed breakdown and calculation of the 2012 costs included in lines 4 (UFSD Variable Expenses) and 26 (Depreciation Expense), and an explanation of the increases in those amounts from 2011 to 2012. With respect to the increases in line 4, please show how these increases were incremental relative to approved revenue requirement for 2012.

3. [H2/1/2, p.2] Please provide a copy of the Agreement referred to in line 1. Please provide a reference to any determination by the Board that the obligations of the Applicant as set forth in the Agreement were prudently incurred. If no such determination has been made, please provide such government authorizations or directives, or other documents, as may exist which exempt the Agreement from prudence review by the Board.

4. [H2/1/2, p. 2-3] Please provide a table showing, for each past year since the commencement of the Bruce Lease for which the Applicant has actual data, and for each future year for which the Applicant has a forecast, a) the total base rent revenue, b) the total supplemental rent revenue net of any rebates, and c) the total costs of the Applicant related to the Bruce facilities. Please use the format and categories used in Ex. H1/1/1, Table 14a.

5. [H2/1/2, p. 4] Please provide the full calculation of the derivatives for each of 2011and 2012, including all assumptions used (such as discount rates, or future annual average HOEP) and the sources of those assumptions, and file the report or reports of E&Y referred to. Please include a full, live version of the valuation model referred to. Please provide a copy of any reports or presentations to the Applicant's senior management or Board dealing with the calculation and/or impact of these derivatives, or dealing with any alternatives to derivative accounting considered.

6. [H2/1/2] Please provide a detailed breakdown, including all calculations, of all impacts on the balance in the Bruce Lease Net Revenues Variance Account resulting from changes in discount or interest rates since EB-2010-0008.

7. [H2/1/2, p. 13] Please confirm that the $96.9 million reduction in future tax expense in unaffected by the period over which any a balance in the variance account is recovered from ratepayers.

8. [L/1/1, Staff 9, p. 3] Please advise when the "actual amount of the rent rebate" will be calculated.

9. [L/1/1, Staff 10, Attach. 1] Please advise the source and rationale for the use of the 2.60% and 2.46% discount rates. Please provide a sensitivity analysis to changes in these rates.

10. [L/2/1, Staff 19, Attach 2, p. 3] Please reconcile the end-of-life dates of 2042 and 2014 with the December 2036 lease expiry assumption in the derivatives calculations.

<u>Nuclear Liability Deferral Account</u>

11. [H1/1/1, Table 9] Please show in detail the calculation of the accretion rate of 5.58%. Please use the same method of calculation, but with more current market rates of interest, to demonstrate the impact of updating the accretion rate.

12. [H2/1/1, pp. 2-4] Please explain the different applications of the 5.15% discount rate, the 3.43% discount rate, the 4.8% discount rate, and the 5.58% accretion rate. Please include in the explanations examples of the sensitivities of the calculations in which each is used to changes, up or down, in the particular rate. Please include in your answer the source of the rate, and the statutory, regulatory, or other authority for the use of that rate.

13. [H2/1/1] Please provide a detailed breakdown, including all calculations, of all impacts on the balance in the Nuclear Liability Deferral Account resulting from changes in discount or interest rates since EB-2010-0008. For greater certainty, please include, in addition to all other impacts, the impact on each of the amounts in Table 3 of such changes in discount or interest rates.

14. [H2/1/1,Table 1] Please provide a detailed breakdown and calculation of the 2012 costs included in lines 4 (UFSD Variable Expenses) and 26 (Depreciation Expense), and an explanation of the increases in those amounts from 2011 to 2012.

15. [L/1/1, Staff 4] Please provide the "detailed calculations" referred to in part (a).

16. [L1/1, Staff 4, p. 3] Please provide the sensitivity analysis referred to.

Nuclear Development Variance Account

17. [H2/2/1, p. 1] Please provide a detailed breakdown of the $49.4 million of costs claimed, with supporting material to allow a full prudence review. Please provide all approved internal budgets relating to this spending, and internal reports of variances to budget. Please provide details of all additional personnel hired as a result of this spending, and all third party expenses such as contractor costs incurred.

18. [H2/2/1, p. 2-3] Please provide evidence that the $49.4 million claimed costs were incremental to the approved revenue requirement for 2011 and 2012. Please identify all cost reductions in other areas of the Applicant's operations resulting from this spending.

Capacity Refurbishment Variance Account

19. [H2/2/1, p. 8] Please provide a detailed breakdown and explanation of the $11.4 million unfavourable variance in FCLM expenditures from forecast to actual. Please provide a side by side comparison of the detailed costs compared to Board-approved, in as much detail as possible. Please provide details of all additional personnel hired as a result of this additional spending, and all third party expenses such as contractor costs incurred.

Pension and OPEB Cost Variance Account

20. [H2/1/3] Please provide a detailed breakdown, including all calculations, of all impacts on the balance in the Pension and OPEB Cost Variance Account resulting from changes in discount or interest rates since EB-2010-0008. For greater certainty, please include in the breakdown all of the rate differentials referred to in Chart 1 on page 6 (as amended in L/2/1, Staff 24), as well as any other impacts of rate changes.

21. [H2/1/3, p. 3] Please confirm that the words "consistent with" used in line 6 mean there were no changes to the methodology.

22. [H2/1/3, p. 8] Please confirm that the adjustments to pension and OPEBs future liabilities do not have any actual tax impact, but recovery from ratepayers of those accrued amounts will increase taxable income as those recoveries occur.

23. [H2/1/3, p. 11,and L/2/1, Staff 24] Please provide the calculations behind the figures in Chart 2.

Nuclear Deferral and Variance Over/Under Recovery Variance Account

24. [H1/1/1, Table 15] Please confirm that the Applicant proposes to recover $16.3 million ($7.4+8.9) from ratepayers out of this account because nuclear production over the period March 2011 to December 2012 is forecast to be 3.7 TWh (4.0%) below forecast, resulting in an under-recovery of deferral and variance account balances from prior periods.

<u>ISSUE 2</u>: Are the balances for recovery in each of the deferral and variance accounts appropriate?

No additional questions. See Issue 1.

<u>ISSUE 3</u>: Are the proposed rate riders and disposition periods to dispose of the account balances appropriate?

25. [H1/2/1, p. 3] Please explain why the Applicant is proposing to recover the balances in the Pension and OPEB Variance Account over four years, and the Impact of USGAAP Deferral Account over two years, rather than in each case recovering those balances over the remaining average service lives of the employees. Please calculate the impacts on the hydroelectric and nuclear rate riders proposed (i.e. $2.42 and $8.51) of using remaining average service lives. Please provide a table showing the annual amounts recoverable from ratepayers, excluding interest, a) as proposed by the Applicant, and b) based on remaining average service lives. In the table, please include c) a column showing the annual cash costs (contributions or other actual payments) expected in each of those years related to pensions, OPEBs, and LTD, and d) a column showing the annual accounting costs, on an accrual basis, expected in each of those years for those categories of costs, assuming no change in input assumptions.

26. [H1/2/1, p. 4] Please explain why the Applicant is proposing to recover the balance in the Bruce Lease Net Revenues Account over four years, rather than over the remaining term of the lease (including the expected extension to 2036). Please calculate the impacts on the hydroelectric and nuclear rate riders proposed (i.e. $2.42 and $8.51) of using the remaining term of the lease including extension. Please provide a table showing the annual amounts recoverable from ratepayers, excluding interest, a) as proposed by the Applicant, and b) based on using the remaining term of the lease including extension.

27. [H2/1/2, p. 2] Please confirm that nothing in OReg 53/05 limits the period of time over which the Board can order recovery of Bruce-related costs.

28. [H1/2/1, p. 4] Please explain the reasons for the delay in filing, i.e. filing an Application for January 1st rate riders on September 24th. Please confirm that the Application does not contemplate the possibility of new rate riders as of January 1st, as the final numbers would not in any case be available until February or later. Please explain why the Applicant did not either a) file earlier and seek new rate riders as of January 1, 2013 based on forecast balances, or b) file later and seek new rate riders effective July 1, 2013 based on actual balances.

29. [H1/2/1, Tables 1 and 2] Please confirm that the Applicant is proposing to collect from ratepayers, in 2013 and 2014, an incremental amount of $963.7 million on 141.6 TWh of forecast production, for an average cost of $6.81/MWh.

30. [H1/3/1, p.5] Please explain the rationale for applying interest to the monthly opening balances of accounts such as the Pension and OPEBs Variance Account or the Bruce Lease Net Revenues Variance Account, when those accounts are made up almost exclusively of non-cash obligations.

31. [L/1/1, Staff 14] Please provide the Applicant's forward cash flow analysis to demonstrate, with respect to the proposed recovery of the Pension/OPEB account, that "such recovery is necessary to ensure that OPG has adequate cash resources for financial sustainability".

<u>ISSUE 4</u>: Is the proposed continuation of the Pension and OPEB Cost Variance Account until the effective date of the next payment amounts order appropriate?

32. [H2/1/3, p. 1] Please provide the Applicant's most current long term forecast of interest and discount rates, i.e. the forecast currently in use for strategic planning or similar purposes.

<u>ISSUE 5</u>: Is the proposed continuation of other deferral and variance accounts appropriate?

No additional questions.

<u>ISSUE 6</u>: Is the request to adopt USGAAP for regulatory accounting, reporting and rate-making purposes appropriate?

No additional questions.

<u>ISSUE</u> 7: Is OPG's forecast of accounting differences between CGAAP and USGAAP appropriate?

33. [A3/1/2, p. 4] Please confirm that the $31.4 million of LTD costs referred to in Chart 1 represents unamortized net actuarial losses and pas service costs from the period prior to 2011, which as a result of the conversion to USGAAP are required to be charged to AOCI as of January 1, 2012. Please confirm that the amount of $9.3 million is a similar adjustment for amounts arising in 2011 and required to be charged to AOCI as of January 1, 2012. Please confirm that the amount of $3.2 million is a similar adjustment for amounts expected to arise in 2012 and required to be charged to AOCI as of January 1, 2013.

34. [A3/1/2, p.5] Please confirm that the timing of the tax cost of $14.6 million is driven by the period over which the proposed amounts in the deferral account are collected. Please confirm that, subject to changes in income tax rates, the relationship between the period of recovery and the incidence of the additional tax is linear, i.e. if recovered over 2 years, the tax cost is $7.3 million per year, and if recovered over 10 years, the cost is $1.46 million per year.

35. [A3/1/2, p.6,and L/6/1, Staff 37] Please confirm that the impact described in 4.2.2 is not being recorded in the Impact of USGAAP Deferral Account, but will have an impact on the Bruce Lease Net Revenues Variance Account. Please provide a table showing a) the actual/forecast total annual base rent, b) the amount recognized under CGAAP, and c) the amount that would have been recognized under USGAAP, for each year from the beginning of the Bruce Lease to 2015.

Submitted by the School Energy Coalition December 22, 2012.

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