Society of Energy Professionals Interrogatories
Ontario Power Generation Inc. ("OPG")
2014-2015 Payment Amounts
EB-2013-0321
February 28, 2014

Issue 3.1
What is the appropriate capital structure and rate of return on equity for the currently regulated facilities and newly regulated facilities?

3.1-SEP-1
Ref: Exh C-1-1-1,
(a)The application at page 4, lines 28-31, indicates that there have been no changes to the, `risks faced by OPG's regulated asset portfolio that are not otherwise 29 addressed by proposals to establish new variance and/or deferral accounts.` Please describe the specific risks that require a high percentage of equity, given that OPG is owned by the government of Ontario. Does OPG consider a change in the governing party for Ontario to be a risk?

(b) Please calculate the change in the revenue requirement for OPG`s regulated asset portfolio from the current debt-equity ratio (53:47) to 70:30 (i.e. 70% debt) and 90:10, all other financial parameters kept the same.

Issue 3.2
Is OPG's proposal for return on equity appropriate for the currently regulated facilities and for the newly regulated facilities?

3.2-SEP-2
Please calculate, using *ceteris paribus* assumptions, the change in the revenue requirement for OPG`s regulated asset portfolio for ROEs of 8% and 7%. Please calculate the corresponding changes in the revenue requirement for these ROEs under the debt-equity ratios in 3.1-SEP-1b (i.e. 70:30 and 90:10).

3.2-SEP-3
Ref: EB-2009-0084 **Report of the Board on the Cost of Capital for Ontario`s Regulated Utilities**
On page iii of the Executive Summary to the Board report, the Board says, `If the application of these methods produces numerical results that, in the view of the Board, raise doubt that the Fair Return Standard is met, the Board may then use its discretion to begin a consultative process.`

The Board`s Report was issued in the aftermath of the 2008 financial crisis and the subsequent 2009 economic recession. Are there any considerations that OPG could identify that would justify the Board Panel, in the current proceeding, examining the basis on which the ROE is set?

Issue 6.1
Is the test period Operations, Maintenance and Administration budget for the regulated hydroelectric facilities appropriate?

6.1-SEP-4
Ref: Exh F-1-1-1
The application, in Attachment 1 at page 11, provides a graphic figure. Please confirm that the Capital Expenditures in the chart are in as-spent or nominal dollars. If so please provide a chart with the Capital Expenditures shown in real dollars, preferably $2013 or $2012.

Issue 6.2
Is the benchmarking methodology reasonable? Are the benchmarking results and targets flowing from those results for the regulated hydroelectric facilities reasonable?

6.2-SEP-5
Ref: Exh F-1-1-1
T page 11 the application lists three sources of benchmarking data. Are there other sources? If so, what considerations led to the selection of the three sources cited? Does OPG perform checks on the validity and accuracy of data on non-OPG hydroelectric operations or retain independent assistance in carrying out such checks?

Issue 6.4
Is the benchmarking methodology reasonable? Are the benchmarking results and targets flowing from those results for the nuclear facilities reasonable?

6.4-SEP-6
Refs: Exh F-2-1-1; EB-2010-0008, OPG Application Exh F-5-1-2
Page 8 of the application indicates that benchmarking of nuclear staffing used the services of Goodnight Consulting Inc.. In EB-2010-0008 these services were provided by Scott Madden Inc.. Please provide a comparison of the key findings of these two reports.

6.4-SEP-7
Is OPG aware of any service that `benchmarks the benchmarkers`? Does OPG conduct any independent research on the validity and accuracy of the benchmarking data used by firms such as Goodnight and ScottMadden?

6.4-SEP-8

Ref: Exh F-1-2-2

Page 2 of the application at lines 19-25 indicates that CANDU staffing levels have been reduced relative to industry peers. Does OPG examine the capital maintenance spending of its industry peers? If so, please provide a comparison of OPG`s capital maintenance spending relative to the same peers that provide the comparison group for staffing.

Issue 6.8

Are the 2014 and 2015 human resource related costs (wages, salaries, benefits, incentive payments, FTEs and pension costs) appropriate?

6.8-SEP-9

Ref: Exh F-5-4-1

Does OPG carry out any independent assessments of the validity and accuracy of the benchmarking data used by AON Hewitt and similar firms?

6.8-SEP-10

Ref: Exh F-2-1-1

At page 13, line 8, the application says,

Safe and reliable operations remain OPG's top priority. OPG will not put at risk its efforts to improve performance reliability by moving too quickly to eliminate staff as improved plant reliability will improve OPG's TGC/MWh metric. OPG is using the Goodnight study to monitor attrition reductions to assess those functions identified as being at or below benchmark. One of the challenges of using an attrition-based model to reduce FTEs is that attrition does not always occur in areas that are over the benchmark. As such, a controlled hiring process was implemented to ensure critical functions do not fall too far below functional benchmarks so that they can continue to meet performance expectations and mitigate risks.

Is OPG aware of any industry studies that examine the tradeoff between skilled staffing levels and the cornerstone metrics (including safety)? Has OPG carried out any such studies? Is OPG concerned that there may be thresholds or critical masses of certain types of staff that, if crossed or diminished, respectively, impair performance beyond recovery or without extreme expense?