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BY EMAIL and RESS

March 3, 2014

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2013-0321 – Ontario Power Generation Inc. – Interrogatories

We are counsel to the School Energy Coalition ("SEC"). Enclosed please find interrogatories on behalf of SEC in this proceeding.

Yours very truly,
Jay Shepherd P.C.

Original signed by

Mark Rubenstein

cc: Applicant and Intervenors (by email)

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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 Ontario Power
Generation Inc. for an order or orders approving payment amounts
for prescribed generating facilities commencing January 1, 2014.

INTERROGATORIES
ON BEHALF OF THE
SCHOOL ENERGY COALITION

[Note: All interrogatories have been assigned to issues. However, please provide answers that respond to each question in full, without being restricted by the issue or category. Many interrogatories have application to multiple issues, but all have been asked only once to avoid duplication.]

1. General

1.1 *Has OPG responded appropriately to all relevant Board directions from previous proceedings?*

1.1-SEC-1

[A2-1-1-Attach 1/p.23] The Applicant says, in its 2012 Annual Report:

“OPG is currently exploring long-term revenue options to recover its costs and earn an appropriate return, while moderating customer rates.”

Please provide details of this initiative to explore such options, including a list of all such options considered, and the analysis of their feasibility. Please provide any documents that describe or provide information on this initiative, and on the options available to the Applicant to increase revenues. Please provide any presentations to the Applicant’s board of directors related to this initiative.

1.2 *Are OPG’s economic and business planning assumptions for 2014-2015 appropriate?*

1.2-SEC-2

[A1-4-1/p.2] Please provide the most recent “3-5 year performance targets” referred to, including details of all “key measures” agreed upon with the Shareholder or the Minister of Finance, and including all benchmarking information related to those targets. Please provide all

presentations, memoranda or other documents used to explain those performance targets, key measures or benchmarking information to the Applicant's Board of Directors, to the Shareholder, or to the Minister of Finance.

1.2-SEC-3

[A1-4-1/p.3] Please provide the most recent "3-5 year investment plan" referred to. Please provide all presentations, memoranda or other documents used to explain that investment plan to the Applicant's Board of Directors, to the Shareholder, or to the Minister of Finance.

1.2-SEC-4

[A1-4-1/p.3] Please provide the last five "timely reports and information on major developments and issues" provided by OPG to the Shareholder pursuant to section E1. Please provide the last five reports under that section provided by the Shareholder to OPG.

1.2-SEC-5

[A2-1-1-Attach 1/p.6, and A4-1-1] Please provide the original plan setting out the Business Transformation Initiative, including any supporting sub-plans. Please provide the last three reports to the Board of Directors on the results of the Business Transformation Initiative.

1.2-SEC-6

[A4-1-1/p.1] Please advise whether the figures of 1300 staff and \$550 million include the newly regulated hydroelectric facilities. Please advise the number of staff, and dollars, associated with the newly regulated hydroelectric facilities, whether included in those totals or not.

1.2-SEC-7

[A4-1-1/p.2] Please provide a copy of the Efficiency Review referred to.

1.2-SEC-8

[A4-1-1/p.4] Please provide a brief description of each of the initiatives, included in the "initial list of initiatives" from the business units, that was not included in the final list of initiatives being implemented.

1.2-SEC-9

[A4-1-1/p.5] Please provide details of the number of reductions in FTEs achieved to date, and the portion of those reductions applicable to each of nuclear, previously regulated hydroelectric, and newly regulated hydroelectric.

1.2-SEC-10

[A4-1-1/p.5] Please confirm that, prior to 2010, the Applicant did not have a policy to ensure that "internal staff across the company were targeted first to fill vacancies prior to looking externally". If confirmed, please advise what the relevant policy was at that time.

1.2-SEC-11

[A4-1-1/p.6] Please confirm that the numbers at the bottom of the graph are intended to be the figures represented in the graph. Please explain the apparent anomalies between the graph positions and the numerical information.

1.2-SEC-12

[A4-1-1/p.6] Please list the “five new behaviours” referred to, and provide the primary document used to communicate these new behaviours to employees, including the “detailed descriptions” referred to.

1.2-SEC-13

[A4-1-1/p.7/8] Please provide, for each of the “organizational changes” listed, the FTEs and budget for those areas immediately before and immediately after the change, and the target FTEs and budget for each by the end of 2014.

1.2-SEC-14

[A4-1-1/Attach 1] Please provide, for each of the initiatives listed:

- (a) The current status of the initiative;
- (b) The amount of incremental spending invested to date to implement the initiative;
- (c) The amount of incremental spending included in the Application to implement the initiative;
- (d) The savings or other benefits achieved to date;
- (e) The savings or other benefits expected to be achieved in 2014 and 2015; and
- (f) The savings or other benefits expected to be achieved after 2015.

1.2-SEC-15

[A4-1-1/Attach 1] With respect to the individual initiatives:

- (a) Please explain more fully “The deliverable of this initiative is to optimize and expand the Administrative support ratio from 2:1 to 3/4:1.”
- (b) Please explain why the Applicant has 1100 “Apparent Cause Evaluators”. Please confirm that those individuals do not have that role as their sole or full-time role in the Company. Please provide more context to help understand why there were so many, and why the dramatic reduction in their numbers is appropriate while maintaining safety and reliability.
- (c) Please confirm that only support and planning related to training is being consolidated, and the individual business units will retain their own training functions.

1.2-SEC-16

[A2-1-1-Attach 1/p.23] The Applicant says, in its 2012 Annual Report:

“The OEB’s decision on OPG’s application for new regulated prices effective March 1, 2011 established significantly lower regulated prices than submitted by OPG. As such, the regulated prices do not fully reflect the recovery of the costs of the regulated operation and do not allow these operations to earn an appropriate rate of return, thereby negatively impacting OPG’s financial performance.”

Please provide full details of all steps taken by the Applicant, in response to the Board's decision in EB-2010-0008, to ensure that its costs were contained within the regulated prices approved by the Board, together with an estimate of the impact of each of those steps taken. Please provide any memoranda, reports, presentations or other documents prepared by or for delivery to the Executive Management Team of the Applicant, analysing or proposing steps to contain costs within the regulated prices approved by the Board in that proceeding.

1.2-SEC-17

[F4-3-1/p.23] Please provide OPG's 'Corporate Balanced Scorecard'.

1.3 Has OPG appropriately applied USGAAP accounting requirements, including identification of all accounting treatment differences from its last payment order proceeding?

1.3-SEC-18

[A2-1-1/p.4] Please provide a table showing the calculation of the base rent revenue, and the Bruce Lease Net Revenues, annually, from the beginning of the lease until the end of 2015, as well as any associated tax impacts, in each of CGAAP and USGAAP. Please confirm that the effect of the change to USGAAP is to decrease revenues recognized on or after April 1, 2008, and increase revenues recognized before April 1, 2008. Please provide details of the accounting entries used to reflect that adjustment at the time of implementation of USGAAP.

1.3-SEC-19

[A2-1-1/p.4] Please indicate where, in EB-2011-0432, the Applicant disclosed to the Board that the transition to USGAAP would have an impact on accounting for Bruce Lease Net Revenues. If this was not disclosed in that Application, please indicate when the Applicant first disclosed this impact to the Board, and provide a copy of that disclosure. Please provide details of all analysis, study, or other work done by or on behalf of the Applicant prior to March 2, 2012 relating to the impact of the transition to USGAAP on Bruce Lease Net Revenues, and provide copies of any memoranda or other documentation relating to that work, whether the documentation is dated before or after March 2, 2012.

1.4 Is the overall increase in 2014 and 2015 revenue requirement reasonable given the overall bill impact on customers?

1.4-SEC-20

Please provide a copy of all documents provided to the Board of Directors in approving this application.

1.4-SEC-21

Please provide copies of all benchmarking studies, surveys, reports and analysis, undertaken since 2010 by OPG, which have not already been provided in the application or other interrogatory responses.

1.4-SEC-22

[A1-3-1/p.5] Please update the graph marked "Comparison of OPG and non-OPG Electricity Prices" for the year ended December 31, 2013. Please provide all calculations used to determine

the amounts listed, with sources. Please restate the graph, with all supporting calculations, on the assumption that all stranded debt relating to the prescribed facilities (including the newly regulated hydroelectric facilities) were included in the capital of the Applicant, and that portion of the cost continued to be included in rate base.

2. Rate Base

2.1 Are the amounts proposed for rate base appropriate?

2.1-SEC-23

[B1-1-2] OPG notes that it has used the same Lead/Lag methodology as in EB-2007-0905 and EB-2010-0008. Are the Revenue Lag Days and Expense Lead Days in Chart 2 identical to those last applied in EB-2010-0008? If not please provide revised Charts 2 through 5 with the addition of two columns showing the 2010 Lead/Lag days and the revised 2012 days. Please explain any variance.

3. Capital Structure and Cost of Capital

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-SEC-24

[A1-2-2/p.1] Please provide all evidence available to the Applicant to show that the 53% debt, 47% equity deemed capital structure continues to be reflective of the Applicant's business risks after the addition to the regulated business of the previously unregulated hydroelectric facilities.

3.1-SEC-25

[A1-2-2/p.1] Please provide all studies, analyses, forecasts, presentations or other documents relating in whole or in part to the Applicant's expected, planned or forecast debt/equity ratio over the period 2014-2018.

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

3.3 Are OPG's proposed costs for its long-term and short-term debt components of its capital structure appropriate?

4. Capital Projects

Regulated Hydroelectric

4.1 Do the costs associated with the regulated hydroelectric projects that are subject to section 6(2)4 of O. Reg. 53/05 and proposed for recovery (excluding the Niagara Tunnel Project), meet the requirements of that section?

4.2 Are the proposed regulated hydroelectric capital expenditures and/or financial commitments appropriate?

4.2-SEC-26

[D1/1/1/p.27] Please provide a variance analysis for 2013 actuals versus 2013 budgeted amounts.

4.2-SEC-27

[D1/1/1/p.16] How does OPG determine the budget for the Tier 1 projects at each stage of the budgeting process?

4.2-SEC-28

[D1/1/2p.2] Does OPG have any reports from its Internal Audit section/division which reviews the processes and practices? If so, please provide details. Please also provide any reports on any hydroelectric capital projects closing to rate base for 2014-15 or hydroelectric capital projects being undertaken in 2014-15.

4.2-SEC-29

[D1/1/2/Attachment 1/Tab 1/p.7] Please provide details about the “independent panel of international experts” engaged by OPG to provide technical advice on the SAB PGS Reservoir Refurbishment projects. What advice have they provided to date and how will it reduce project risk? Please provide any reports or other written input provided by the panel.

4.3 *Are the proposed test period in-service additions for regulated hydroelectric projects (excluding the Niagara Tunnel Project) appropriate?*

4.3-SEC-30

[D1/1/2/p.10] Please provide a table for each Tier 1 and Tier 2 hydroelectric in-service addition, showing actuals versus budget amounts.

4.3-SEC-31

[D1/1/2/Table 2] With regards to the SAB 2 - Execution System Update, please explain what aspect of the project will be going into service in each of 2014 and 2015.

4.4 *Do the costs associated with the Niagara Tunnel Project that are subject to section 6(2)4 of O. Reg. 53/05 and proposed for recovery, meet the requirements of that section?*

4.5 *Are the proposed test period in-service additions for the Niagara Tunnel Project appropriate?*

4.5-SEC-32

[D1/2/1/p.26] How does OPG determine if an honorarium to a specific RFP participant should be provided?

4.5-SEC-33

[D1/2/1/p.28] How did OPG determine the appropriate contingency for the Niagara Tunnel Project?

4.5-SEC-34

[D1/2/1/p.29] Please provide the detailed evaluation criteria used in selecting the Niagara Tunnel Project contractor.

4.5-SEC-35

[D1/2/1/p.44] Please provide a summary of the qualification's and experience of the Niagara Tunnel Project Director(s).

4.5-SEC-36

[D1/2/1/p.45] Was Hatch Acres selected to be the Owner's Representative through an RFP? If so, please provide a copy of the RFP.

4.5-SEC-37

[D1/2/1/p.79] Please provide any reports provided to OPG by Straburg or the Owner's Representative regarding the September 11, 2009 incident.

4.5-SEC-38

[D1/2/1/p.94] Please provide a copy of the adjuster's letter and report.

4.5-SEC-39

[D1/2/1/p.97] Please provide a copy of Dispute Notices 001 and 002.

4.5-SEC-40

[D1/2/1/p.103] Please provide a copy of both OPG and Strabag's Notices of Arbitration.

4.5-SEC-41

[D1/2/1/p.119-2013] Please provide copies of the 2009, 2010, 2011 and 2012 Audit Reports. Please also provide any other audit (internal or external) undertaken regarding the Niagara Tunnel Project.

4.5-SEC-42

[D1/2/1/p.125] What was the outcome of the further auction scheduled to take place in September 2013?

4.5-SEC-43

[D1/2/1/p.128] Please update Table 8 to include year-end 2013 costs.

4.5-SEC-44

[D1/2/p.138] Did OPG not undertake any other geotechnical investigations after 1993?

Nuclear

4.6 *Do the costs associated with the nuclear projects that are subject to section 6(2)4 of O. Reg. 53/05 and proposed for recovery, meet the requirements of that section?*

4.7 Are the proposed nuclear capital expenditures and/or financial commitments appropriate?

4.7-SEC-45

[D2-1-1/p.2 /N1-1-1/Attachment 5] OPG states that it is reassessing its 2015 project portfolio budget for 2015 (\$280 million), and anticipates increasing it. At N1 (Nuclear Business Plan) it shows the 2015 portfolio as \$200.0 million. Please reconcile these presentations of the project portfolio budget and clarify whether OPG intends to propose an increase for these projects in 2015.

4.7-SEC-46

[D2-1-2/p.2] The purpose of this interrogatory is to understand the difference between the forecast unallocated portfolio projects and the actual amount spent in a given year. Table 2 shows no unallocated projects in 2010 through 2012. Please explain why. Please provide the 2010 through 2013 unallocated Portfolio project amount from the OPG budget for each year and the actual amount expended for that category of project.

4.7-SEC-47

[D2-1-3] For all Tier 1 projects for years 2010 through 2013, please provide the original approved project cost (as approved by the AISC), the actual cost, the projected in-service date provided and the actual in-service date.

4.7-SEC-48

[D2-1-2-Table 2] Please update Table 2 to show 2013 actual capital expenditures.

4.7-SEC-49

[D2-1-2-Table 2] Please revise Table 2 to add a column for each year to show the original budget and portion of budget that was forecast as contingency. For example, in 2010 Darlington NGS actual expenditures were \$33.8 million. In the OPG budget of 2009 for 2010 what was the forecast of expenditures for NGS and what was the forecast contingency for NGS? Repeat for all categories in Table 2. The result should show the actual expenditures (already shown), the budget forecast and the budget contingency for each line number.

4.7-SEC-50

[D2-1-3-Tables 1 - 4] Please update the tables to show project costs for actual 2013 in-service date and costs and, if necessary, any adjustment to 2014 and 2015 in-service dates.

4.7-SEC-51

Does OPG have any reports from its Internal Audit section/division which review the processes and practices? If so, please provide details. Please also provide any reports on any nuclear capital projects closing to rate base for 2014-15 or nuclear capital projects being undertaken in 2014-15.

4.8 Are the proposed test period in-service additions for nuclear projects (excluding those for the Darlington Refurbishment Project) appropriate?

4.8-SEC-52

[N1-1-1/p18] Please provide a table showing the originally filed cost and in-service dates, and the revised costs and revised in-service dates, for the Emergency Power Generator and the Containment Filtered Venting System. Please update the current status of both projects.

4.9 *Are the proposed test period in-service additions for the Darlington Refurbishment Project appropriate?*

4.9-SEC-53

What is the status of all legal proceedings challenging the Joint Review Panel's report regarding the Darlington Refurbishment Project? What effect, if any, will legal challenges have on the proposed test year in-service dates of the Darlington Refurbishment Project.

4.10 *Are the proposed test period capital expenditures associated with the Darlington Refurbishment Project reasonable?*

4.10-SEC-54

[D2-2-1/Updated/p.7] Please provide a table showing, for each year 2010 through to the end of 2013 of the DRP, the actual and the current forecast amounts for:

- (a) Retube and Feeder Replacement
- (b) Fuel Handling
- (c) Turbine Generators
- (d) Steam Generators
- (e) Facility and Infrastructure
- (f) Balance of Plant
- (g) Project Management and Administration
- (h) Other (define).

4.10-SEC-55

[D2-2-1-Attachment 5 Updated]. Please calculate the LUEC for the DRP under the following scenarios: \$820 million life-to-date costs to the end of 2013 and each of: (a) \$10 Billion total capital costs; (b) \$11.5 billion total capital costs; (c) \$12.5 billion total capital costs (2013\$ including corporate overheads). Please provide all assumptions.

4.10-SEC-56

[D2-2-1-Attachment 5 Updated/p.3] Please provide the assumptions and calculations for the estimate of 8.5 cents/kWh LUEC for Bruce Units 1 and 2.

4.10-SEC-57

[D2-2-1-Attachment 5 Updated/p.3]. Please reconcile the figures shown on page 3 of the DRP Business Plan with Table 1 at D2-1-2/Table 1 Capital Expenditure Summary.

4.10-SEC-58

[D2-2-1-Attachment 5] What is the cost of reconstruction of the Holt Bridge? Please describe the location of this bridge and the need for this project.

4.10-SEC-59

[D2-2-1-Attachment 5 Updated/p.9]. Please provide the CCA (component condition assessments) and their summary results.

4.10-SEC-60

[D2-2-1-Attachment 5 Updated/p.9]. Please explain what regulatory changes OPG has discussed with the Province to assure cost recovery of the DRP.

4.10-SEC-61

[D2-2-1-Attachment 5 Updated/p.17]. Please provide the assumptions and summary analysis supporting the present values shown in Table 1 of the DRP Business Plan.

4.10-SEC-62

[D2-2-1-Attachment 5 Updated]. Please reconcile the figures shown on page 3 of the DRP Business Plan with Table 1 at D2-1-2/Table 1 Capital Expenditure Summary

4.10-SEC-63

[D2-2-1-Attachment 5 Updated/p39]

Please also provide the analysis which supports the Darlington Units achieving 235,000 EFPH.

4.11 Are the commercial and contracting strategies used in the Darlington Refurbishment Project reasonable?

4.11-SEC-64

[D2-2-1/p.17] Explain how target pricing works.

4.11-SEC-65

[D2-2-1/p.20] For each of 2010 through 2013 what is the total amount of contracts that have been awarded to GEH-C? For each historical year what was that vendor's cost overrun or underspending on each contract.

4.11-SEC-66

[D2-2-1 For each of year of the DRP please show what percentage of the budget is sole sourced to each of SLN/Aecon, GEH-C and Alstom?

4.11-SEC-67

[D2-2-1/p.23] Please provide information on the leased facilities that will be eliminated when the Darlington Energy Complex reverts to other uses after the DRP. Specifically, where are these facilities and what are their current cost?

4.11-SEC-68

[D2-2-1-Attachment 7/p.6] The Concentric Report identifies a major risk of OPG's multi-prime contracting strategy being OPG's retention of the role of managing prime contractor. They state "*Ontario Power Generation's coordination of the various work tasks will require extensive planning to prevent claims of delay or increased costs caused by Ontario Power Generation's failure to adequately plan and coordinate the work or interference from another vendor.*"

Concentric goes on to state that OPG has limited experience in managing vendors. Please describe the steps OPG is taking to mitigate this risk.

4.12 Does OPG’s nuclear refurbishment process align appropriately with the principles stated in the Government of Ontario’s Long Term Energy Plan issued on December 2, 2013?

5. Production Forecasts

Regulated Hydroelectric

5.1 Is the proposed regulated hydroelectric production forecast appropriate?

5.2 Is the estimate of surplus baseload generation appropriate?

5.3 Has the incentive mechanism encouraged appropriate use of the regulated hydroelectric facilities to supply energy in response to market prices?

5.4 Is the proposed new incentive mechanism appropriate?

5.4-SEC-69

[E1-2-1/p.11] Please provide a full calculation of the results of each of the HIM, eHIM, eHBF, and IM using the actual water flows and production for 2013, on the assumption in each case that the mechanism had applied in 2013 to both the previously regulated and the newly regulated facilities. Please provide a breakdown for each mechanism of the results for each of the previously regulated and newly regulated facilities separately. Please confirm that the Applicant’s expert, Mr. Hamel, did not test any of the mechanisms against actual data for 2013 and any prior year.

5.4-SEC-70

[E1-2-1/p.3] Please explain how the “total volume of spill” is calculated, and how each of the components listed is calculated.

5.4-SEC-71

[E1-2-1/p.4] Please confirm that the PGS can be used to reduce SBG spill at all of the Applicant’s hydroelectric facilities. Please describe how pumping activity is co-ordinated with load following activities of the newly regulated hydroelectric facilities.

5.4-SEC-72

[E1-2-1/p.13] Please confirm that the “X-factor” is a fixed amount based on a forecast of SBG in each of 2014 and 2015. Please confirm that the Applicant does not intend to adjust the X factor for actual SBG in those years.

5.4-SEC-73

[E1-2-1/p.14] Please explain why the proposed eHIM (as well as the previous HIM), is based on monthly averages, rather than weekly, annual, or some other period. Please confirm that the amount of the incentive payment should be the same, regardless of the period over which the incentive payment and volatility is measured. Please provide calculations showing the derivation

of the figures of \$27 million for 2014, and \$30 million for 2015, and alternate calculations using weekly and annual periods as the basis for the incentive.

Nuclear

5.5 *Is the proposed nuclear production forecast appropriate?*

5.5-SEC-74

[N1-1-1/p.12] At the reference OPG states “*OPG’s senior management directed generation planning staff to reassess the plan based on OPG’s historical performance in which significant production forecast variances have occurred (i.e., actual generation has been lower than forecast over the past nine years including 2013).*” Please provide data and analysis which Senior Management reviewed in making their determination that the original outage forecast should be reviewed. Please also provide all e-mails between senior management (or their offices) and generation planning staff in respect to the request to revisit the forecast.

5.5-SEC-75

[N1-1-1/p14] Please provide the cost-benefit analysis or other economic analysis which was undertaken to support the policy change in 2012 to implement mid-cycle planned outages. Please provide the FLR forecast for 2012.

5.5-SEC-76

[N1-1-1/p15] OPG revised the forecast planned outages for Pickering by 28.6 days based on the 2005 to 2013 performance. Please provide the outage average if based on 2008 to 2013 (most recent 5 year period). Please provide a description of the reasons for, and length of, outages for Pickering in each month of 2005 through 2013.

5.5-SEC-77

[N1-1-1/p15] Please provide the basis for updating Lake Ontario water temperatures (.28 TWH reductions). Also provide OPG’s budget forecasts for the last 5 years for lake temperature forecast and the actual average. Please describe the relationship between lake temperature and generation output (e.g. in terms of temperature vs. output).

5.5-SEC-78

[N1-1-1/p14] Please provide a table showing all the projects for the VBO in the original forecast and, in a separate column, the projects included in the revised forecast. Please explain why any incremental projects cannot be completed concurrently with the originally planned VBO projects.

5.5-SEC-79

[N1-1-1/p16] OPG notes in its revised forecast that it increased the planned outages for Darlington by 22 days based on historical performance between 2005-2013.

- (a) Please provide the basis of the original forecast
- (b) Please explain what mechanisms have been implemented to reduce forced extensions to planned outages. In particular, please identify contractor penalties and employment performance payments which are associated with planned outage performance.

- (c) Please provide the forecast if the years 2008-2013 are used (most recent 5 year historical period).

5.5-SEC-80

[N1-1-1/p16] OPG states that the nuclear fuel bundle cost was reduced in the December update “primarily” as a result of lower forecast production. What if any, other changes were made?

5.5-SEC-81

[E2-T1-S1/p.6] OPG states that “[T]he six Pickering units are on a two year planned outage cycle and therefore Pickering will be subject to 3 planned outages in both 2014 and 2015. In addition there is one mid cycle planned outage in 2014.” Please clarify that the total number of outages for Pickering is 4. What is the difference between the normal planned outage and the mid-cycle planned outage?

6. Operating Costs

Regulated Hydroelectric

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

6.1-SEC-82

[F1/1/1/p.5-10] Please provide revised Charts 1a, 1b, 2c and 2d to include 2013 targets and actuals.

6.1-SEC-83

[F1/2/1/p.4, F1/2/2/p.3] Please provide a breakdown of OM&A costs for each year between 2012-2015 for the Niagara Bridge Divestiture Program.

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-SEC-84

[F1/1/1/p.12] Please provide copies of all documents, reports, presentations, and any other analysis for hydroelectric benchmarking undertaken by OPG, including without limitation those conducted by:

- (a) EUCG Inc.
- (b) Navigant Consulting (GKS Hydro Benchmarking)
- (c) Canadian Electrical Association (“CEA”)

Nuclear

6.3 *Is the test period Operations, Maintenance and Administration budget for the nuclear facilities appropriate?*

6.3-SEC-85

[A1-3-2/p.4] Please confirm that the Applicant is proposing to reverse the Board's disallowance of \$145 million of nuclear compensation costs from EB-2010-0008 on a going forward basis. Please provide details of all steps the Applicant has taken to reduce nuclear compensation costs by \$145 million, and quantify the success of each of those steps in dollars per year of compensation reductions. If no steps have been taken to reduce nuclear compensation costs in response to the Board's disallowance, please explain why.

6.3-SEC-86

[A1-6-1/p.9] Please file the legislation referred to in Section 8.2.

6.3-SEC-87

[N1-1-1 -Attachment 4 / A2-2-1-Attachment 1 / OPG_F4-03-01 Attachment 6] The headcount reductions for Nuclear Operations and Nuclear Projects for 2013 through 2015 have changed significantly in the updated business plan. Please provide an explanation for the variance. Please reconcile the 2014-16 Nuclear Business Plan FTEs with those shown in the updated Appendix 2k

6.3-SEC-88

[N1-1-1 -Attachment 5] Please explain what the OM&A "ceilings" refer to in the 2014-16 Nuclear Business Plan (page 20 of plan).

6.3-SEC-89

[Attachment 5] The Auditor General Report found that there was an imbalance between overstaffed (support) and understaffed (operations) in OPG's Nuclear operations. Please explain how this is addressed in the rate proposal.

6.3-SEC-90

[F2-1-1/Table 1] Please update Table 1 to show 2013 actuals (unaudited).

6.3-SEC-91

[F2-2-2] For Base Nuclear OM&A please provide a cost driver table showing the sources of the increase as between 2012 Board approved - adjusted for Business transformation (i.e. \$1,032.2) to 2014 forecast (i.e. \$1,151).

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

6.4-SEC-92

[F2-T1-S1/p.5] Please provide the Nuclear Benchmarks as shown at page 5, for 2010, 2012, and 2013.

6.4-SEC-93

[F2-1-1/p.10/F5-1-1]

- (a) Please explain the reason for making an adjustment in the work week to 35 weeks. Please describe the impact of this adjustment. That is, if OPG assumed a 40 hour week (or equivalent of comparators).
- (b) Did Goodnight provide analysis based on a common 40 hour work week? If so please provide. Please also provide a revised analysis showing the effect of benchmarking based on common work hours.

6.4-SEC-94

[F2-1-1] The Goodnight Study recommended staff reductions in appropriate overstaffed functions. OPG's plan to reduce staff is through attrition. Please explain how this addresses the Study's recommendation.

6.4-SEC-95

[F5-1-1]

The Goodnight Benchmarking study shows OPG to be above its comparables in 23 functional areas.

- (a) For each area please provide the total compensation costs (including benefits) of the positions above the benchmark. For example, the table at page 27 of the Summary shows that OPG has approximately 250 more staff above the benchmark in the functional area of maintenance and construction support. What is the 2014 cost of the FTEs in 2014 in this area? Please provide the same response for the remaining 23 areas above the benchmark.
- (b) For each of the 23 functional areas please provide the total number of staff, the percentage of staff who have annual salary/wage with benefits of above \$100,000, and separately, those above \$150,000 per annum.
- (c) For of the 23 functional areas above the benchmark please provide the percentage of staff represented by each bargaining unit.

6.4-SEC-96

[F5-1-1] Please provide all memos and directions issued by the CNO subsequent to the February 3, 2012 Benchmark Update Presentation related to staff reductions.

6.4-SEC-97

[F5-1-1] Please provide the number of Public Affairs positions in each of 2010 through 2015. Please provide the total cost (including pension and benefits) for these positions for each of these years. Please provide the number of roles with total compensation above \$100,000 in this area. Please explain what role and responsibility these staff have in respect to nuclear operations.

6.4-SEC-98

[F5-1-1, part b] The Updated Goodnight Benchmarking Report found a remaining 8% gap in the FTEs against comparables.

- (a) Please provide the plan which reduces this overstaffing to 0 by 2015. If this is to be achieved through attrition as indicated by OPG please show the plan showing how

OPG will align the Benchmark studies overstaffing in functional areas with expected attrition.

- (b) If no such plan exists please explain how OPG is managing to downsize staff in accordance with the findings of the Goodnight study.
- (c) If OPG disagrees with the any of the findings of the study please explain.

6.4-SEC-99

[F5-1-1]

- (a) Please provide the total cost of Security FTEs (including benefits) for each of the years 2010 through 2015. If OPG is unwilling to provide this data please explain why and how it might compromise security.
- (b) Please provide the percentage increase in security spending for each year between 2000 and 2015.
- (c) Was Goodnight Consulting able to provide benchmarking data with respect to comparable utilities for security compensation? If yes please provide the total comparable cost of security FTES for the benchmark study.
- (d) If this was not provided please enquire from Goodnight Consulting whether such data is available.

6.4-SEC-100

[F2-1-1-Attachment 1] Both Pickering and Darlington Stations are below the median for On-Line Corrective Maintenance Backlog. What steps has OPG taken to address this issue?

6.5 *Is the forecast of nuclear fuel costs appropriate? Has OPG responded appropriately to the suggestions and recommendations in the Uranium Procurement Program Assessment report?*

6.5-SEC-101

[F2-5-1/Table 1] Please update Table 1 to show the 2013 actual nuclear fuel costs.

6.6 *Are the test period expenditures related to continued operations for Pickering Units 5 to 8 appropriate?*

6.6-SEC-102

[F2-2-3] OPG explains that for technical and economic reasons it will not operate Pickering Units 1 and 4 if more than 2 of Units 5-8 are shut down. Over the past four years (2010-2013) how has this scenario occurred? Please also provide the duration of these events.

6.7 *Is the test period Operations, Maintenance and Administration budget for the Darlington Refurbishment Project appropriate?*

Corporate Costs

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

6.8-SEC-103

[A2-1-1/Attach 1, p.129] Please provide the most recent actuarial valuations of the registered pension plans.

6.8-SEC-104

[D1/1/2/Attachment 1/Tab 1/p.9] Please explain the Chestnut Park Accord.

6.8-SEC-105

[F4-3-1, p.9] Please provide all documents, including but not limited to strategies, proposals, memorandums, opinions, expert analysis, utilized during the negotiations of the last collective agreement with the PWU (Apr 1, 2012 to March 31, 2015).

6.8-SEC-106

[F4-3-1/p.13] Please provide a copy of the interest arbitration award that set out the wage increases for the 2013-2015 period between OPG and the Society.

6.8-SEC-107

[F4-3-1] Please provide a copy of the current collective agreement between:

- a) OPG and the PWU
- b) OPG and the Society

6.8-SEC-108

[F4-3-1/p.20-21] Please provide details of the approvals and oversight process for determining management compensation? Please provide copies of any relevant policies and/or procedures.

6.8-SEC-109

[F4-3-1/p.23] What types of information are provided to the Compensation and Human Resources Committee when providing oversight of the management compensation program?

6.8-SEC-110

[F4-3-1-Attach 1] With respect to “An Assessment of the Industrial Relations Context and Outcomes at OPG” prepared by Richard P.Chaykowski, please provide copy of:

- (a) the engagement letter and/or retainer between OPG and Mr. Chaykowski.
- (b) the Electricity Sector Council (2012) cited in footnote 48.
- (c) the Memorandum of Settlement Between OPG and the PWU (March 20, 2012) cited in footnote 56
- (d) the Albertyn Award (2013) cited in footnote 57
- (e) the Burkett Award (2011) cited in footnote 60

6.8-SEC-111

[F4-3-1-Attach 6] Please provide a revised copy of Appendix 2-K which sets out the average per employee of the total salary & wages, including overtime, incentive pay and fiscal year adjustment.

6.8-SEC-112

[F4-3-1] Please provide a breakdown of FTEs for a) nuclear, b) hydroelectric-previously regulated, c) hydroelectric- newly regulated and d) corporate, by function.

6.8-SEC-113

[F5-1-1 Part a] Please provide a copy of the engagement letter and/or retainer between OPG and Goodnight Consulting.

6.8-SEC-114

[F5-4-1] In 2011, OPG undertook stakeholder consultations regarding its Terms of Reference for the compensation study. Please provide a copy of all submissions and materials from that consultation.

6.8-SEC-115

[F5-4-1] With respect to the Aon Hewitt “National Utility Survey Ontario Power Generation”:

- (a) Please provide a copy of the Terms of Reference.
- (b) Please explain how the Terms of Reference differ from the *Total Compensation Study Terms of Reference*, dated August 30, 2011, which were provided to stakeholders for comment as required by the EB-2010-0008 Decision.
- (c) Why did Aon Hewitt not benchmark non-power generation specific positions (public relations, finance, human resource, IT) to non-utility comparator organizations.

6.8-SEC-116

[Auditor General’s 2013 Annual Report/p.162] In response to Recommendation 1, OPG stated that: “In 2012, the Ministry of Energy engaged a consulting firm to assess OPG’s existing benchmarking studies, and to identify organization and structural opportunity for savings”. Please provide a copy of the referenced report.

6.8-SEC-117

[Auditor General’s 2013 Annual Report/p.170] In response to Recommendation 2, OPG stated that: “Annual Incentive Plan (AIP) awards are based on individual, business unit and corporate performance. As recommended by the Auditor General, OPG will assess options to further reinforce this linkage.” Please provide details about how OPG plans to do this for the test period.

6.8-SEC-118

[Auditor General’s 2013 Annual Report/p.171] Please provide a copy of the 2011 review of OPG’s pension and benefit plan.

6.8-SEC-119

[Auditor General’s 2013 Annual Report/p.175] In response to Recommendation 4, OPG stated that it, “will conduct a cost-benefit analysis to explore various ways, including schedule and hiring staff and/or contractors, to minimize overtime costs”. Please provide a copy of all cost-benefit analysis OPG has conducted to minimize overtime costs.

6.8-SEC-120

[Auditor General’s 2013 Annual Report/p.75] In response to Recommendation 5, OPG stated that it “will review its sick leave plans and assess the costs and benefits of any changes that are required through collective agreements”. Please provide a copy of any analysis conducted regarding its sick leave plans.

6.8-SEC-121

[Auditor General's 2013 Annual Report] Please provide the aggregate OM&A reduction for the test period resulting from any proposed changes that are an outcome of the Auditor General's report.

6.8-SEC-122

[Auditor General's 2013 Annual Report/p.154,161] Please explain what policy changes OPG has implemented to address the concern of the Ontario Auditor General that OPG's recruitment of employee family members may not have been conducted through the normal recruitment process.

6.9 *Are the corporate costs allocated to the regulated hydroelectric and nuclear businesses appropriate?*

6.9-SEC-123

[F3/1/p.11, EB-2010-0008 F5/3/2/p.33] Please provide a copy of the most recent "World Class Progress Report".

6.10 *Are the centrally held costs allocated to the regulated hydroelectric business and nuclear business appropriate?*

Depreciation

6.11 *Is the proposed test period depreciation expense appropriate?*

6.12 *Are the depreciation studies and associated proposed changes to depreciation expense appropriate?*

6.13 *Are the amounts proposed to be included in the test period revenue requirement for income and property taxes appropriate?*

Other Costs

6.14 *Are the asset service fee amounts charged to the regulated hydroelectric and nuclear businesses appropriate?*

6.15 *Are the amounts proposed to be included in the test period revenue requirement for other operating cost items appropriate?*

7. Other Revenues

Regulated Hydroelectric

7.1 *Are the proposed test period revenues from ancillary services, segregated mode of operation and water transactions appropriate?*

Nuclear

7.2 *Are the forecasts of nuclear business non-energy revenues appropriate?*

7.2-SEC-124

[G2-T1-S1-Table 1] Please update Table 1 to show actual 2013 actual results and include columns for all Board Approved amounts.

Bruce Nuclear Generating Station

7.3 *Are the test period costs related to the Bruce Nuclear Generating Station, and costs and revenues related to the Bruce lease appropriate?*

7.3-SEC-125

[A1-3-2/p.6] Please provide a detailed calculation of the impact on nuclear payment amounts in the Test Year of all reductions to the Bruce Lease Net Revenues. Please include the gross revenues, before reductions, an explanation of each cost component that reduces or increases those revenues (including the \$190.8 million new reduction listed in the table), the revenue requirement impact of all reductions, and the resulting increase in payment amounts. (The intent of this question is to determine the difference between the impact on the payment amounts of the Bruce Lease before reductions in lease payments, and the impact after those reductions, and thus the level of payment amounts that would arise if the Bruce Lease did not require the Applicant and its ratepayers to bear some of the costs of Bruce Power.)

7.3-SEC-126

[G2-2-1/Table 4] Please advise, for each year, the amount of Bruce Net Fixed Assets that are included in the Applicant's rate base for ratemaking purposes. For each year, please calculate the amount of applicable equity, the return on that equity, and the associated PILs, and advise how much, if any, of that total was or will be included in rates in that year.

7.3-SEC-127

[A1-4-1/p.8] Please confirm that the Bruce Derivative is a current accounting charge reflecting the present value of the expected future reductions in Supplementary Lease Revenues from Bruce Power. Please confirm that the Supplementary Lease Revenues are not accounted for on a current basis, with the result that there is a mismatch, in which the reductions are recorded currently, but the revenues being reduced are not being recorded currently. Please confirm that the Settlement Agreement and Board Order in EB-2012-0002, under Issue 3, are intended to have the effect of matching the recovery of the amount of the derivative in the same year that each rebate of Supplementary Lease Revenues occurs, and that the Applicant continues to believe this is appropriate.

7.3-SEC-128

[G2-2-1/Table 8] Please confirm that prior to 2014 taxable income from the Bruce Net Revenues could be reduced through the application of the Applicant's prior year tax losses, but that commencing in 2014 there are no longer available tax loss carry forwards to apply. Please confirm that, as a result, there is a tax liability relating to the Bruce Net Revenues of \$37.3 million taxes on net revenues of \$48.2 million in 2014, and \$39.2 million taxes on net revenues of \$49.4 million in 2015. Please confirm that, prior to the application of deferred taxes, those tax liabilities have to be grossed-up for ratemaking purposes, resulting in charges to rates of \$49.7 million in 2014 (compared to \$48.2 million of revenues), and \$52.3 million in 2015 (compared to \$49.4 million of revenues). Please confirm that these tax impacts are reduced because \$28.8

million of current taxes in 2014 can be offset by \$28.8 million of deferred taxes, representing timing differences between accounting income and taxable income, and \$30.4 million of current taxes in 2014 can be offset by \$30.4 million of deferred taxes in 2015, for the same reason.

8. Bruce Nuclear Generating Station

8.1 *Is the revenue requirement methodology for recovering nuclear liabilities in relation to nuclear waste management and decommissioning costs appropriate? If not, what alternative methodology should be considered?*

8.2 *Is the revenue requirement impact of the nuclear liabilities appropriately determined?*

9. Deferral and Variance Accounts

9.1 *Is the nature or type of costs recorded in the deferral and variance accounts appropriate?*

9.1-SEC-129

[C2-1-1/p.4] Please confirm that the accretion rate of 5.37% is based on 2012 cost of capital. Please provide full calculations for the accretion rate for each of 2013 through 2015.

9.1-SEC-130

[C2-1-1/Table 1a] With respect to this table:

- (a) Please confirm that Line 1b is essentially the amount included in rates with respect to nuclear liabilities, before any tax impact, and Line 2b is the amount that the Applicant actually has to contribute to the Nuclear Segregated Funds.
- (b) Please confirm that the Applicant proposes to collect \$456.1 million (\$214.6+213.2+14.8+13.5) from ratepayers in 2014 and 2015 for nuclear liabilities, but only contribute \$342.9 million (\$170.1+172.8) to the Nuclear Segregated Funds for the same period.
- (c) Please advise how the Applicant accounts in its financial and regulatory accounts for the \$113.2 million difference.
- (d) Please explain how the accounting for these items differs in the case of the Bruce Facilities.

9.1-SEC-131

[H1-1-1/Table 7] Please provide the full calculation of the rate base amount on line 1, including the amounts of additions, the month each addition became used and useful, and all related calculations.

9.1-SEC-132

[H1-2-1/p.1] Please file the audited balances in all deferral and variance accounts.

9.2 *Are the balances for recovery in each of the deferral and variance accounts appropriate?*

9.3 *Are the proposed disposition amounts appropriate?*

9.4 *Is the disposition methodology appropriate?*

9.5 *Is the proposed continuation of deferral and variance accounts appropriate?*

9.5-SEC-133

[H1-1-1/Table 2] Please explain why it is appropriate to measure the variance in water conditions using hydroelectric production, rather than variations in water flow.

9.5-SEC-134

[H1-3-1/p.9] Please confirm that amounts in the Pension and OPEB Cost Variance Account – Future Recovery and 2013 Additions components - are not current cash costs. Please explain why interest should be charged on those amounts.

9.6 *Is OPG's proposal to not clear deferral and variance account balances in this proceeding (other than the four accounts directed for clearance in EB-2012-0002) appropriate?*

9.6-SEC-135

[H1-1-1/Table 1] With respect to the deferral and variance accounts that the Applicant proposes not to clear in this proceeding:

- (a) Please confirm that, pursuant to the Settlement Agreement and Board Order in EB-2012-0002:
 - i. The Pension and OPEB Cost Variance Account – Hydroelectric – Historic (\$1.0 million) and the Pension and OPEB Cost Variance Account – Nuclear - Historic (\$20.5 million) are being cleared pursuant to rate riders ending December 31, 2014.
 - ii. The Pension and OPEB Cost Variance Account – Hydroelectric – Future (\$11.3 million) and the Pension and OPEB Cost Variance Account – Nuclear - Future (\$231.8 million) are being cleared pursuant to rate riders ending December 31, 2024.
 - iii. The Tax Loss Variance Account – Hydroelectric (\$19.8 million) and the Tax Loss Variance Account – Nuclear (\$014.0 million) are being cleared pursuant to rate riders ending December 31, 2014.
 - iv. The Impact for USGAAP Deferral Account – Hydroelectric (\$1.2 million) and the Impact for USGAAP Deferral Account – Nuclear (\$24.8 million) are being cleared pursuant to rate riders ending December 31, 2014.

- v. The Bruce Lease Net Revenues Derivative Sub-Account is being cleared pursuant to a specialize mechanism matching clearance to rebates of Supplemental Lease Revenues.
- (b) Please explain why, consistent with the Settlement Agreement and Board Order in EB-2012-0002, the amounts in the Pension and OPEB Cost Variance Account – Hydroelectric – 2013 Additions (\$21.5 million) and the Pension and OPEB Cost Variance Account – Nuclear – 2013 Additions (\$375.9 million) are not being cleared over the next twelve years ending December 31, 2025, using the EARS� period approved in EB-2012-0002.
- (c) Please advise whether the balance of \$42.7 million in the Hydroelectric Water Conditions Variance Account is based on final data, or provide the final balance in the account. Please advise the amount that will be collected for this account in 2014 under the EB-2012-0002 Payment Amounts Order.
- (d) Please advise whether the balance of \$35.3 million in the Ancillary Services Net Revenue Variance Account - Hydroelectric is based on final data, or provide the final balance in the account. Please advise the amount that will be collected for this account in 2014 under the EB-2012-0002 Payment Amounts Order.
- (e) Please advise whether the balance of \$1.8 million in the Ancillary Services Net Revenue Variance Account - Nuclear is based on final data, or provide the final balance in the account. Please advise the amount that will be collected for this account in 2014 under the EB-2012-0002 Payment Amounts Order.
- (f) Please explain why the Income and Other Taxes Variance Account – Hydroelectric (-\$1.1 million) and the Income and Other Taxes Variance Account – Nuclear (-\$14.7 million) should not be cleared in this proceeding. Please provide details of the “debit entry related to the portion of nuclear waste management expenditures deemed to be capital”, including the year under audit, the initial position taken, and the resolution of the dispute.
- (g) With respect to the Capacity Refurbishment Variance Account – Nuclear, please explain how the Darlington Energy Complex and the related Water and Sewer Projects should be considered used and useful in 2012 and/or 2013.
- (h) Please confirm that, pursuant to the Settlement Agreement and Board Order in EB-2012-0002, the amount of \$81.4 million “deferred” in the Nuclear Liability Account was to reflect a credit to that account with respect to the expected extension of the service lives of the Prescribed Facilities. Please explain why that credit has not reduced the balance in the account by that amount. Please advise the amount that will be collected for this account in 2014 under the EB-2012-0002 Payment Amounts Order.

- (i) Please advise the amount that will be collected for the Bruce Lease Net Revenues – Non-Derivative Account in 2014 under the EB-2012-0002 Payment Amounts Order. Please explain why the Applicant is not proposing to recover additional amounts for the \$87 million debit to the account in 2013.
- (j) Please explain why it is not appropriate to recover the amount of \$9.5 million in the Pickering Life Extension Variance Account in the current proceeding.

9.7 Is OPG's proposal to make existing hydroelectric variance accounts applicable to the newly regulated hydroelectric generation facilities appropriate?

9.7-SEC-136

[H1-3-1/p.2] Please describe how the variability of water conditions in each of the newly regulated hydroelectric facilities compares to the variability of water conditions on the Niagara and St. Lawrence Rivers.

9.7-SEC-137

[H1-3-1/p.4] Please provide details of past Ancillary Services Revenues from the newly regulated hydroelectric facilities, and compare those revenues to the revenues from the previously regulated hydroelectric facilities.

9.7-SEC-138

[H1-3-1/p.7] Please provide details of past CCA taken on the newly regulated hydroelectric facilities, and for each such facility compare the CCA to date with the depreciation to date. Please calculate the future tax liability associated with the timing differences.

9.7-SEC-139

[H1-3-1/p.7] Please confirm that the Applicant is proposing to cause the ratepayers to be at risk for tax reassessments relating to the newly regulated hydroelectric facilities, for periods prior to the regulation of those facilities.

9.8 Is the proposal to discontinue the Hydroelectric Incentive Mechanism Variance Account appropriate?

9.9 What other deferral accounts, if any, should be established for the test period?

10. Reporting and Record Keeping Requirements
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10.1 What additional reporting and record keeping requirements should be established for OPG?

11. Methodologies For Setting Payment Amounts
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11.1 Has OPG responded appropriately to Board direction from the previous proceeding regarding benchmarking of generation performance with an intention to establishing incentive regulation?

11.2 Is the design of the regulated hydroelectric and nuclear payment amounts appropriate?

11.3 To what extent, if any, should OPG implement mitigation of any rate increases determined by the Board? If mitigation should be implemented, what is the appropriate mechanism that should be used?

12. Implementation

12.1 Are the effective dates for new payment amounts and riders appropriate?

12.1-SEC-140

[A1-2-1/p.2] Please provide a full explanation for the date of filing of the Application, and all other evidence available to support the reasonableness of a January 1, 2014 effective date for the payment amounts and rate riders, rather than a date after the completion of the proceeding.

Submitted by the School Energy Coalition on this 3rd day of March, 2014

Original signed by

Mark Rubenstein
Counsel for the School Energy Coalition