

INTERROGATORIES FOR ONTARIO POWER GENERATION
FROM THE CONSUMERS COUNCIL OF CANADA

EB-2013-0321

2014-2015 PAYMENT AMOUNTS FOR OPG'S PRESCRIBED FACILITIES

GENERAL

0-CCC-1

(Exhibit A1/T2/S2)

Please provide an update to the above-referenced exhibit, labeled "Approvals", that reflects the December 6, 2013 update. In effect, please explain how the approvals sought have changed as a result of the update.

0-CCC-2

Please explain how OPG undertakes "customer engagement activities". To what extent does OPG consider the views of Ontario consumers with respect to its operations beyond those related to rate impacts? How does OPG assess what rate impacts for end-use consumers are appropriate?

0-CCC-3

(Ex. A1/T4/S2/p. 8)

OPG's regulated hydroelectric facilities are subject to international treaties between Canada and the US, federal and provincial legislation and regulatory requirements, as well as several contractual arrangements with third parties. The evidence states that collectively, these result in additional costs and program needs with respect to the operation and management of the regulated facilities. Please explain to what extent, if at all, any of these treaties, legislation, regulatory requirements or contractual arrangements has changed since OPG's last application to the OEB. To the extent they have changed please explain the impact of the changes on the revenue requirements in each year.

Issue 1.2 – Are OPG's economic and business planning assumptions for 2014-2015 appropriate?

1.2-CCC-4

(Ex. A2/T2/S1/p. 3) Please provide copies of all of the "guidelines" for the 2013-2015 business planning process.

1.2-CCC-5

(Ex. A4/T1/S1/p. 2) Please provide a copy of the KPMG Efficiency Review of OPG.

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

1.4-CCC-6

(Ex. N1/T1/S1/p. 2, Ex. A1/T4/S1/p. 5))

OPG's evidence is the impact on a typical customer's monthly bill of OPG's application is now \$5.94/month, which reflects an increase from the \$5.36/month as set out in the September filing. This reflects the 2014-2016 Business Plan that was approved by OPG's Board of Directors on November 14, 2013.

- a) Please explain to what extent the Government of Ontario, OPG's shareholder, has explicitly or implicitly approved the initial increase.
- b) Please explain to what extent the Government of Ontario, OPG's shareholder, has explicitly or implicitly approved the current increase.
- c) Please explain how the Government of Ontario interacts with OPG in terms of making decisions regarding OPG's operations.
- d) Please provide all materials provided to the Government of Ontario regarding the current application.
- e) Please provide a list of any "shareholder" directives that have impacted the 2014-2015 application.
- f) Is the \$5.94/month increase inclusive or exclusive of the deferral and variance account impacts?
- g) How much of a typical customer's bill relates to OPG-specific amounts? Please provide all assumptions.

1.3-CCC-7

(Ex. N1.T1/S1/p. 2)

In the update provided on December 6, 2013, OPG has identified an amount of \$33 million that reflects an increase in the 2014-2015 revenue requirement as a result of the new business plan. OPG is not seeking to recover those amounts in the revised payment amounts and riders. How will those amounts be recovered?

1.3-CCC-8

(Ex. N1.T1/S1/p. 22) What is the overall bill impact on a typical customer's monthly bill that relates specifically to the inclusion of the newly regulated hydroelectric facilities?

1.3-CCC-9

(Ex. A2/T2/S1/p. 2) The evidence states that, "OPG recognizes the impact of its operations on ratepayers and takes into consideration such impacts when setting its business planning targets and guidelines." Please provide a detailed explanation as to how OPG considers the impacts on ratepayers when setting targets. To what extent has a consideration of ratepayer impacts affected this application?

RATE BASE

Issue 2.1 – Are the amounts proposed for rate base appropriate?

2.1-CCC-10

(Ex. B1/T1/S1/p. 4 – Chart 1) The chart referenced sets out forecast in-service capital additions for the years 2013 to 2015. For each of the years that OPG has been regulated by the OEB please set out the forecast and actual in-service additions for the relevant categories (previously regulated hydroelectric, nuclear and support service capital).

2.1-CCC-11

(Ex. B1/T1/S2/p. 1) The evidence states that the cash working capital is determined using the lead/lag analysis conducted in EB-2007-0905. From OPG's perspective when would it be appropriate to refresh or reassess its methodology for determining cash working capital? Please provide evidence to justify using the same methodology for the newly regulated hydroelectric assets.

CAPITAL STRUCTURE AND COST OF CAPITAL

Issue 3.2 – Are OPG's proposed costs for its long-term and short-term debt components of its capital structure appropriate?

3.2-CCC-12

(Ex. C1/T1/S2/p. 1) OPG assigns all existing and planned project-related financing to regulated or unregulated operations based on whether the project is related to its regulated assets. Please explain to what extent, if any, there is a differential between the cost of debt for OPG's regulated and unregulated operations. If so, what is the reason for the differential?

CAPITAL PROJECTS:

Regulated Hydroelectric:

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

4.3-CCC-13

(Ex. D1/T1) The Council is interested in assessing OPG's record with respect to the ability to forecast in-service dates and costs with respect to its hydroelectric projects. Please set out a schedule for each Tier 1 project undertaken in the 2010-2013 period that provides initial proposed in-service date, actual in-service date, initial forecast cost and actual cost (to the extent possible).

Nuclear:

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

4.8-CCC-14

(Ex. D2/T1) The Council is interested in assessing OPG's record with respect to the ability to forecast in-service dates and costs with respect to its projects. Please set out a schedule for each major project undertaken in the 2010-2013 period that provides an initial proposed in-service date, actual in-service date, initial forecast cost and actual cost (to the extent possible).

Issue 4.12 – Does OPG's nuclear refurbishment process align appropriately with the principles state in the Government of Ontario's Long Term Energy Plan issue on December 2, 2013?

4.12-CCC-15

Please provide a detailed description of how OPG's plans for nuclear refurbishment as provided in the updated evidence are aligned with the principles set out in The Government of Ontario's LTEP.

OPERATING COSTS

Regulated Hydroelectric

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

6.1-CCC-16

(Ex. A1/T3/S1/p. 6) Please define what OPG considers to be "controllable costs" and what OPG considers to be "non-controllable costs". Please set out all of the ways in which OPG seeks, on an ongoing basis to minimize its controllable costs.

6.1-CCC-17

(Ex. F1/T1/S1/Table 1) Please complete Table I by providing forecast costs for 2010, 2011, 2012 and 2013.

6.1-CCC-18

(Ex. F1/T1/S1/Table 2) Please complete Table 2 by providing forecast costs for 2010, 2011, 2012 and 2013.

6.1-CCC-19

(Ex. F1/T3/S1/Table 1) Please complete Table 1 by providing forecast costs for 2010, 2011, 2012 and 2013.

Corporate Costs

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

6.8-CCC-20

On December 10, 2013, the Auditor General of Ontario issued her 2013 Report. In Chapter 3 of that Report the Auditor General set out a series of key findings and recommendations. For each of the recommendations please file an updated, detailed response as to how OPG is addressing the concerns expressed by the Auditor General. Please indicate to what extent the initiatives OPG will be undertaking in response to the Auditor General's Report may impact the 2014-2015 payment amounts.

6.8-CCC-21

On December 10, 2013, the Government of Ontario announced it would be introducing legislation to reform pensions at OPG and other public entities. What is the status of that legislation? To what extent could it impact the 2014 and 2015 payment amounts?

6.8-CCC-22

(Ex. A1/T3/S1/p. 6)

OPG has indicated that through the BT initiative it has put in place a framework that will allow OPG to reduce its headcount through attrition by 200 employees by the end of the test period, resulting in a reduction to OM&A of \$700 million between 2011 and 2015. Please provide a detailed calculation for the \$700 million. How will it impact the 2014 and 2015 payment amounts?

6.8-CCC-23

(Ex. A1/T3/S1/p. 6)

The evidence states that OPG cannot unilaterally reduce the compensation of its represented employees nor make staffing reductions affecting its represented employees beyond those permitted by its collective agreements. Within the constraints of these agreements, OPG has adopted a "net zero" mandate in its recent collective bargaining negotiations with the PWU and the Society.

- a) When were the most recent collective agreements entered into? How long are those current agreements in place?
- b) Please explain what a "net zero" mandate is.
- c) Has the Government of Ontario provided any directions regarding OPG's collective agreements?

6.8-CCC-24

(Ex. F4/T4/S1/p. 5) Please provide a complete detailed description of all of OPG's policies regarding performance incentives. For each year in the last five-year period please provide a list of overall performance incentives paid out in each employment category. Please include the number of employees in each of those categories.

6.8-CCC-24

(Ex. F4/T3/S1) Please provide copies all of OPG employee expense policies.

Issue 9.6 – Is EGD’s proposal to not clear deferral and variance account balances in this proceeding appropriate?

9.6-CCC-25

(Ex. A1/T3/S1, p. 3)

OPG has indicated that it only proposes to clear the audited, year-end 2013 balances for four accounts where review was deferred to a future proceeding in EB-2012-0002. Please explain, in detail, why OPG is limiting clearance to these four accounts, leaving the balances in the other accounts to be cleared through a separate application in 2014. What is the full range of options that OPG considered with respect to deferral and variance account clearances? For each option considered please explain why it was rejected?

Issue 9.7 - Is OPG’s proposal to make existing hydroelectric variance accounts applicable to the new regulated facilities appropriate?

9.7-CCC-26

Please explain whether the proposal to “regulate” the new hydroelectric facilities is better for Ontario ratepayers relative to a proposal that keeps those assets unregulated. If it is not better for Ontario ratepayers why is the proposal justified?

METHODOLOGIES FOR SETTING PAYMENT AMOUNTS

Issue 11.1 – Has OPG responded appropriately to Board direction on establishing incentive regulation?

11.1-CCC

(Ex. A3/T1/S1) Please provide OPG’s current perspective on the applicability of Incentive Regulation to OPG. Has that view changed since the last consultation the Board held on Incentive Regulation for OPG? If it has changed please why.