

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, Sch. B, as amended;

AND IN THE MATTER OF the Application by Ontario
Power Generation Inc. For 2017-2021 Payment Amounts (the
“Application”), EB-2016-0152.

Proposed Issues List

Submissions of

Energy Probe Research Foundation

August 31, 2016

DRAFT ISSUES LIST (NON-PRIORITIZED)

1. GENERAL

- 1.1 Has OPG responded appropriately to all relevant Board directions from previous proceedings?
- 1.2 Are OPG's economic and business planning assumptions appropriate for the nuclear assets?
- 1.3 Is the overall increase in nuclear payment amounts reasonable given the overall bill impact on customers?

Comments: If OPG is considering limiting the impact of the nuclear payments to the impact on the overall bill, then that impact should be assessed without rate smoothing. Furthermore, Energy Probe submits that OPG's impact must be considered in relation to the increase in other parts of monthly bills and include any rate riders that the company may request over the life of the application. As has been pointed out in numerous other proceedings, simply focusing on the impacts of one part of the bill, and ignoring the many other increases that are occurring, trivializes the predicted bill impacts that customers are seeing every month.

We propose:

- 1.3 Is the overall increase in nuclear payment amounts, including any rate riders and excluding rate smoothing, reasonable given the bill impact on customers?

2. RATE BASE

- 2.1 Are the amounts proposed for nuclear rate base appropriate?

Comments. The Board should consider including the timing of the increase in rate base, given OPG's track record of delays on nuclear projects.

3. CAPITAL STRUCTURE AND COST OF CAPITAL

- 3.1 Are OPG's proposed capital structure and rate of return on equity appropriate?
- 3.2 Are OPG's proposed costs for the long-term and short-term debt components of its capital structure appropriate?

Comments. The first point should read:

- 3.1 "Are OPG's proposed capital structure and rate of return on equity appropriate, given the heightened financial and economic risks associated with nuclear refurbishment"?

4. CAPITAL PROJECTS

- 4.1 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?
- 4.2 Are the proposed nuclear capital expenditures and/or financial commitments reasonable?
- 4.3 Are the proposed test period in-service additions for nuclear projects (excluding those for the Darlington Refurbishment Program) appropriate?
- 4.4 Are the proposed test period in-service additions for the Darlington Refurbishment Program appropriate?

Comments: OPG's current estimates for the total cost of the DRP – \$12.8 billion – should be included in point 4.2. Intervenors and Board Staff should be able, throughout the proceeding, to question and provide evidence against (or in support) of OPG's estimate. If the final price tag of the DRP is higher than what OPG is currently proposing – and intervenors submitted evidence in support of that – the Board could use that evidence in any prudency review it may conduct at some future date.

We propose:

- 4.5 Is OPG's cost estimate of \$12.8 billion for the Darlington Refurbishment Project reasonable and appropriate?

5. PRODUCTION FORECASTS

- 5.1 Is the proposed nuclear production forecast appropriate?

Comments: This point should read:

“Is the proposed nuclear production forecast appropriate, given the heightened financial and technical risks associated nuclear refurbishment projects”?

6. OPERATING COSTS

- 6.1 Is the test period Operations, Maintenance and Administration budget for the nuclear facilities appropriate?
- 6.2 Are the benchmarking results and targets flowing from OPG's nuclear benchmarking reasonable?
- 6.3 Is the forecast of nuclear fuel costs appropriate?
- 6.4 Is the test period Operations, Maintenance and Administration budget for the
- 6.5 Are the test period expenditures related to extended operations for Pickering appropriate?

Corporate Costs

- 6.6 Are the test period human resource related costs for the nuclear facilities (wages, salaries, benefits, incentive payments, FTEs and pension costs) appropriate?

- 6.7 Are the corporate costs allocated to the nuclear businesses appropriate?
- 6.8 Are the centrally held costs allocated to the nuclear business appropriate?

Depreciation

- 6.9 Is the proposed test period nuclear depreciation expense appropriate?

Income and Property Taxes

- 6.10 Are the amounts proposed to be included in the test period nuclear revenue requirement for income and property taxes appropriate?

Other Costs

- 6.11 Are the asset service fee amounts charged to the nuclear businesses appropriate?

7. OTHER REVENUES

Nuclear

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

Bruce Nuclear Generating Station

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

8. NUCLEAR WASTE MANAGEMENT AND DECOMMISSIONING LIABILITIES

- 8.1 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?
- 9.2 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?
- 9.6 Are the deferral and variance accounts that OPG proposes to establish appropriate?

10. REPORTING AND RECORD KEEPING REQUIREMENTS

- 10.1 Are the proposed reporting and record keeping requirements appropriate?

11.METHODOLOGIES FOR SETTING PAYMENT AMOUNTS

11.1 Has OPG responded appropriately to OEB direction on establishing incentive regulation?

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

11.3 Is OPG's proposal for smoothing nuclear payment amounts consistent with O. Reg. 53/05?

Comments: Our primary concern is that the issue of OPG's productivity formula is not clearly presented as a distinct issue. OPG has proposed a Total Factor Productivity of 0.0%, although its evidence suggests that a negative TFP would be more appropriate. The appropriateness of OPG's proposed IR formula is a vital issue for Energy Probe, and not only in respect of setting payment amounts. Energy Probe believes that the TFP is a key component of incentive regulation and, as a result, should be its own issue, and not wrapped in the overall issue of setting of payment amounts.

We propose:

11.4. Is OPG's Total Factor Productivity proposal appropriate and in line with the Board's move to incentive regulation?

Alternatively, we suggest that the Board include OPG's Total Factor Productivity in either point 11.1 or 11.2.

Energy Probe also suggests a change in the wording of 11.3. While OPG has adhered to O. Reg. 53/05 in regards to rate smoothing, it's not clear that OPG's proposal is in the best interest of ratepayers.

We propose:

11.3 Is OPG's proposal for smoothing nuclear payment amounts consistent with O. Reg. 53/05 and *in the best of interests of ratepayers*?

12.IMPLEMENTATION

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