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October 3, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

RE: EB-2016-0152- Interrogatories of London Property Management Association

Please find attached the interrogatories of the London Property Management Association ("LPMA") in the above noted application.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Ontario Power Generation Inc. (OPG)
2017-2021 Payment Amounts

INTERROGATORIES OF
THE LONDON PROPERTY MANAGEMENT ASSOCIATION ("LPMA")

3. CAPITAL STRUCTURE AND COST OF CAPITAL

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

3.2-LPMA-1
Ref: Exhibit C1, Tab 1, Schedule 2

a) Please update Charts 1 and 2 to reflect the most recent Global Insight forecast available, including actual 10 year Long Canada Bond Rates for the first three quarters of 2016.

b) Please provide the 3 month and 12 month ahead forecast for 10 year Long Canada Bond Rates from the most recent Consensus Forecasts for the period available from that publication.

3.2-LPMA-2
Ref: Exhibit C1, Tab 1, Schedule 2, Table 5a

a) What is the status of the two notes shown in the table (Issue 29 & 30) with issue dates of 3/22/2016 and 9/22/2016?

b) Please update the tables shown for Issues 29 and 30 that shows the GOC and OPG Spread.

c) Does OPG propose to fix the forecast rate for the new long term debt issues as part of this application, or would they be updated annually to reflect actual issuances and rates and the forecast issuances and rates for the following year, as is the proposal for the return on equity?

3.2-LPMA-3
Ref: Exhibit C1, Tab 1, Schedule 2, Tables 5 through 10

For each year in 2016 through 2021 as shown in Tables 5 through 10, respectively, please show the percentage of long term debt that is currently issued and the percentage of long term debt that is forecast to be issued, but has not yet been issued.

3.2-LPMA-4
Ref: Exhibit C1, Tab 3, Schedule 2

The evidence states that the borrowing rate under the commercial paper program is based on a 10 basis point dealer fee and a corporate spread over the bankers' acceptances rate of 5 basis points.

a) What bankers' acceptance rate is being referred to (1 month, 3 month)?

b) Please provide the most recent forecast available from Global Insight for the bankers acceptance rate used in the calculation.

c) Does OPG propose to fix the forecast for the short term debt rate as part of this application, or would the short term rate be updated annually as is the return on equity?

9. DEFERRAL AND VARIANCE ACCOUNTS

Issue 9.5
Is the disposition methodology appropriate?

9.5-LPMA-5
Ref: Exhibit H1, Tab 2, Schedule 1

OPG proposes to recover the regulated hydroelectric variance accounts over 24 months beginning January 1, 2017 based on payment rider calculated using 2015 actual hydroelectric output from the regulated hydroelectric facilities.

Given that the actual hydroelectric output in 2017 and 2018 is not likely to be identical to the actual 2015 output, what happens to the variance in the amount to be recovered that results from the output difference under the OPG proposal?

9.5-LPMA-6
Ref: Exhibit H1, Tab 2, Schedule 1

OPG proposes to recover the nuclear variance accounts over 24 months beginning January 1, 2017 based on payment rider calculated using the 2017-2018forecast nuclear output from the nuclear facilities.

Given that the actual nuclear output in 2017 and 2018 is not likely to be identical to the forecast output over that period, what happens to the variance in the amount to be recovered that results from the output difference under the OPG proposal?

Issue 9.8
Should any newly proposed deferral and variance accounts be approved by the OEB?

9.8-LPMA-7
Ref: Exhibit H1, Tab 1, Schedule 1, pages 32-33

With respect to the Hydroelectric Capital Structure Variance Account, please provide the following:

a) The numerical value of the average 2014-2015 regulated hydroelectric rate base forecast approved by the OEB in EB-2013-0321;

b) The numerical value of the actual average 2014-2015 regulated hydroelectric rate base, and

c) Please provide an example of the calculation of the annual hydroelectric revenue requirement impact of the difference between the 45% equity/55% debt capital structure approved by the OEB in EB-2013-0321and the capital structure proposed in this application of 49% equity/51% debt. Please show all assumptions and calculations used.

11. METHODOLOGIES FOR SETTING PAYMENT AMOUNTS

Hydroelectric

Issue 11.1
Is OPG's approach to incentive rate-setting for establishing the regulated hydroelectric payment amounts appropriate?

11.1-LPMA-8
Ref: Exhibit A1, Tab 3, Schedule 2, page 14

OPG's proposed annual adjustment mechanism uses generation industry weighting for the inflation factor rather than company specific weighting. It is stated that this is consistent with the OEB determination of using a weighting of distribution industry sub-indices. Are there any other reasons that OPG determined that the industry weighting was more appropriate than the company specific weighting?

11.1-LPMA-9
Ref: Exhibit A1, Tab 3, Schedule 2, page 22

a) Please provide an example of the materiality threshold calculation that would be required for an ICM application for inclusion as a 2020 rate rider.

b) In particular, please identify what figures would be used for each of the variables in the materiality threshold formula as set out in the *Report of the OEB: New Policy Options for the Funding of Capital Investments: Supplemental Report* (EB-2014-0219), issued January 24, 2016. For example, would the rate base, depreciation and growth factors be specific to the regulated hydroelectric assets or would they include the nuclear side of the business as well?

c) Does OPG accept the means test as set out in the *Report of the Board: New Policy Options for the Funding of Capital Investments* (EB-2014-0219), issued September 18, 2014? If no, please explain why not. If yes, please explain why OPG believes that the 300 basis point figure is appropriate for OPG.

d) Would the means test be based on the regulated hydroelectric earnings only or would it be based on the entire company, including the nuclear assets?

11.1-LPMA-10
Ref: Exhibit A1, Tab 3, Schedule 2, page 22

a) Please provide some examples of unforeseen events that OPG believes would qualify as a Z-factor.

b) Would a change in income tax rates, capital cost allowance rates or tax credits be an unforeseen event that would qualify as a Z-factor? Please explain fully.

Nuclear

Issue 11.3
Is OPG's approach to incentive rate-setting for establishing the nuclear payment amounts appropriate?

11.3-LPMA-11
Ref: Exhibit A1, Tab 3, Schedule 2, page 34

a) Please explain why the revenue requirement impact of the variance between the forecast ROE approved for 2018 to 2021 in this application and the actual ROE that the OEB will specify annually for 2018 to 2021 would be recorded in the proposed Nuclear ROE Variance Account rather than be reflected in rates for each of 2018 to 2021, at the same time as OPG files for the updated inflation factor for the regulated hydroelectric assets.

b) Would the amount included in the Nuclear ROE Variance Account be based only on the difference in the ROE percentage?

c) Would the amount included in the Nuclear ROE Variance Account be based on the forecasted and approved nuclear rate base or would actual nuclear rate base be used? Please explain fully.

General

Issue 11.7
Is OPG's proposed off-ramp appropriate?

11.7-LPMA-12
Ref: Exhibit A1, Tab 3, Schedule 2, page 23

With respect to the off-ramp, would the calculation be based on the calculation of the ROE for OPG in total or only on the ROE for the regulated hydroelectric portion of OPG? If the former, please confirm that the ROE for the regulated hydroelectric portion of OPG could exceed 300 basis points above the approved ROE while that for the entire company could be under the 300 basis points trigger.