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March 22, 2021

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Long

**Re: Ontario Power Generation Inc. (“OPG”)
2022-2026 Payment Amounts Application
Board File #: EB-2020-0290**

Pursuant to Procedural Order No. 1 dated February 17, 2021, we submit the following Interrogatories for OPG on behalf of Canadian Manufacturers & Exporters (“CME”).

Yours very truly

A handwritten signature in blue ink, appearing to read 'Scott Pollock', is written over a light blue horizontal line.

Scott Pollock

enclosure

c. Evelyn Wong (OPG)
Aimee Collier (OPG)
Charles Keizer (Torys LLP)
Crawford Smith (Lax O’Sullivan Lisus Gottlieb)
EB-2020-0290 Intervenors
Alex Greco (CME)

120546037:v1

ONTARIO ENERGY BOARD

Enbridge Gas Inc.

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Ontario Power Generation Inc. for an order or orders approving payment amounts for prescribed generating facilities commencing January 1, 2021.

**INTERROGATORIES OF
CANADIAN MANUFACTURERS & EXPORTERS (“CME”)
TO ONTARIO POWER GENERATION INC. (“OPG”)**

CME # 1

Ref: N/A

- (a) Please provide a summary of all audit reports, whether internal or external that have occurred since EB-2016-0152, including recommendations and any resulting actions taken by OPG to address those findings.

CME # 2

Ref: N/A

CME wishes to better understand OPG's business planning and budgeting process that unpins this application. To this end:

- (a) Please provide all presentations, PowerPoint slides, briefing notes or other written memoranda prepared by the business units developing their business plans and presented to OPG's senior management;
- (b) Please provide all written questions, comments or directions provided by OPG's senior management to OPG's business units relating to any presentations, PowerPoint slides, briefing notes, other written memoranda or draft business plans;
- (c) Please provide all presentations, PowerPoint slides, briefing notes, or other written memoranda prepared by OPG for OPG's Board of Directors relating to the business planning and budgeting process, including draft corporate level consolidated information, summarized financial plans, operational targets, and key initiatives for OPG's major business units;
- (d) Please provide all written questions, comments or directions provided by OPG's Board of Directors to OPG relating to the information set out in (c) above

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CME # 3**Ref: Exhibit A, Tab 2, Schedule 1, p. 24.**

At page 24, OPG stated "These customer outcome priorities were presented to senior management within the company in order to help inform business planning decisions."

- (a) Please provide any presentations or business planning instructions provided to management and OPG's investment planners showing customer outcome priorities.
- (b) How does Innovative understand customer preferences with respect to Charts 4 and 5? For instance, operating in a safe manner is listed as "extremely important" but 4th in the outcome priorities in Chart 5.

CME # 4**Ref: Exhibit A, Tab 2, Schedule 1, p. 31.**

At page 31, OPG stated "For larger projects, OPG's community outreach can be quite broad, including town hall meetings to discuss potential impacts and solicit customer input...Where possible, community feedback will be taken into account and reflected in the project plan."

At page 31, OPG also stated "Not all projects require dedicated consultations; it would not be efficient or cost effective for OPG to hold town hall meetings for smaller projects that occur exclusively within OPG's facilities and have no material impact on the community."

- (a) For any of the projects outlined in this application, please identify instances where community feedback has been taken into account, and reflected in the project plan.
- (b) How does OPG define materiality? Please provide an example.

CME # 5**Ref: Exhibit A, Tab 2, Schedule 2, Attachment 4.**

- (a) With respect to innovative customer consultations, did Innovative contact any industrial or commercial 'customers' to discuss their views and preferences?
- (b) If the answer to a) is no, why not?
- (c) If the answer to a) is yes, please provide, to the extent possible, industrial customers' responses and preferences with respect to the valuations and questions asked by Innovative.
- (d) During the 'pre-consultation' phase, what was already known about customer needs and preferences and how was that knowledge integrated into the consultation process?

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CME # 6**Ref: N/A**

To the extent that they are not already on the record, please provide all documents relied upon by OPG's experts in providing their evidence/report. These reports would include:

- (a) Innovative Customer Engagement Report
- (b) Ontario Power Generation Common Equity Ration Study by Concentric Energy Advisors
- (c) Pegasus Global Holdings, Inc. – Testimony of Dr. Patricia D. Galloway
- (d) Bates White Economic Consulting - Report
- (e) ScottMadden Evaluation of OPG Nuclear Benchmarking
- (f) OPG Nuclear Cost Performance Benchmarking – Methodology to Adjust for Refurbishment and Validation of Implementation (ScottMadden)
- (g) OPG Nuclear Cost Performance Benchmarking – A Study of Factors Impacting TGC/MWH Performance with Normalizing Adjustments to Facilitate Closer Comparison (ScottMadden)
- (h) 2019 Goodnight Nuclear Staffing Benchmarking Analysis

CME # 7**Ref: Exhibit D2, Tab 2, Schedule 11, Attachment 1.**

- (a) To the extent that they are not already on the record, please provide all Burns & McDonnell/Modus and Refurbishment Construction Review Board reports/findings/recommendations or other similar documents related to auditing or overseeing the DRP.
- (b) Please provide the Burns & McDonnell/Modus evaluation of the process used by OPG in developing the control budget and schedule for Unit 3, which 21 was completed in November 2019.

CME # 8**Ref: Exhibit A1, Tab 3, Schedule 1, page 8.**

- (a) To the extent that they are not already on the record, please provide all reports/findings/recommendations or similar documents from the Asset Management Oversight and Project Management Oversight Committees with respect to the specific projects at issue in this proceeding.
- (b) Please define the role of the PMOC and AMOC in greater detail. Does either committee sign off on specific projects, provide recommendations or internal audit functions?

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CME # 9**Ref: Exhibit A1, Tab 3, Schedule 1, page 10.**

OPG proposed that the “OEB set deferral amounts with the goal of achieving a 4% increase to the weighted average payment amounts (“WAPA”) in 2022, followed by a 1% increase to the WAPA in each year from 2023-2026, resulting in a five-year average increase of 1.6% in OPG’s WAPA over the 2022-2026 period.”

- (a) With an increase of 4% in 2022 followed by a succession of much smaller increases, please explain how the proposed WAPA increases set out in this application are responsive to customer needs and preferences.

CME # 10**Ref: Exhibit A1, Tab 3, Schedule 1, page 13.**

OPG proposed that the “OPG has calculated the requested return on equity (“ROE”) based on the ROE rate published in the OEB’s 2021 Cost of Capital Parameters, applied to the regulated rate base using a capital structure of 50% common equity and 50% debt.”

- (a) Please recalculate the return on equity using OPG’s existing capital structure of 45% equity and 55% debt.

CME # 11**Ref: Exhibit A1, Tab 3, Schedule 2, page 1.**

OPG proposed that the “three adjustments to the nuclear stretch factor to account for the closure of Pickering during the term of this application. Specifically, OPG proposes that the stretch factor (i) be calculated based on the individual cost performance of the two nuclear facilities, (ii) be determined using the normalized nuclear cost benchmarking approach developed by ScottMadden Management Consultants (“ScottMadden”), and (iii) for 2026, be based solely on the performance of the Darlington Nuclear Generating Station (“Darlington”).”

Please provide the nuclear stretch factor, and the resulting revenue requirement for each year of the plan period assuming that it is not adjusted for:

- (a) Joint cost performance of the two nuclear facilities;
- (b) Using non-normalized nuclear cost benchmarking;
- (c) For 2026 to be based on the performance of both generating stations;
- (d) All three adjustments.

CME # 12**Ref: Exhibit A2, Tab 2, Schedule 1, Attachment 1**

OPG stated that it is targeting an estimated cumulative savings in 2% inflation-adjusted Base OM&A costs in addition to the costs reductions attributable to the shutdown of the Pickering units.

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OPG stated that the savings referred to in the business plan are attributable to four drivers – technology and innovation, organizational design, asset optimization, and real estate footprint. With respect to these savings:

- (a) Please confirm if the savings referred to in the business are the savings that OPG estimates will be worth \$180 million in Exhibit A2, Tab 2, Schedule 1;
- (b) For each driver/category, please break out each initiative or project that OPG is, or is planning to undertake, and describe each one;
- (c) Please provide the estimated savings for each initiative;
- (d) Please provide any costs of the initiative.

CME # 13**Ref: Exhibit A2, Tab 2, Schedule 1, Attachment 1**

OPG stated that “Through implementation of operational efficiencies to enable achievement of the business plan targets, OPG will, to a significant extent, mitigate the need to reallocate operations and corporate support costs currently tied to Pickering to the remaining operations.”

- (a) To the extent that it is not already set out in the application, please define the operational efficiencies that will mitigate the need to reallocate operations and corporate support costs currently tied to Pickering to the remaining operations;
- (b) For each efficiency, please break out each initiative or project that OPG is, or is planning to undertake, and describe each one;
- (c) Please provide the estimated savings for each initiative;
- (d) Please provide any costs of the initiative.

CME # 14**Ref: Exhibit F2, Tab 1, Schedule 1, Attachment 3**

ScottMadden stated in its Evaluation that “OPG has significantly increased its analysis of value for money performance since our 2015 review.”

- (a) What additional analysis of value for money performance has OPG implemented?
- (b) Please provide all documentation related to the analysis (or analyses) undertaken by OPG with respect to value for money that is not already part of the pre-filed evidence.

CME # 15**Ref: Exhibit F2, Tab 1, Schedule 1, Attachment 5**

ScottMadden stated in its econometric analysis that it analyzed EUCG data to understand and quantify the impacts of site characteristics on the total generating cost and cost performance.

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Specifically, it used 63 nuclear sites and 567 data points broken down into three different types of reactor, with 37 PWRs, 23 BWRs and 3 CANDU sites.

- (a) Please confirm that the three CANDU sites used in this analysis were Pickering, Darlington and Bruce.
- (b) Did ScottMadden attempt to reach out to the 19 CANDU plants that were contacted with respect to the outage benchmarking study for information related to the total generating cost and cost performance? If so, please provide their response. If not, why not?

CME # 16**Ref: Exhibit F2, Tab 1, Schedule 1, Attachment 5**

As CME understands it, ScottMadden's econometric analysis reviewed the impact of site conditions on total generating costs. In the normalization adjustments however, not only does ScottMadden adjust the total generating cost metric, but it also adjusts the non-fuel operating cost per MWh and the capital cost per MW DER.

- (a) Please describe the impact, if any, of this methodology being used to adjust non-fuel operating costs and capital costs, but not fuel costs per MWh.

CME # 17**Ref: Exhibit A1, Tab 3, Schedule 2, Attachment 1**

- (a) Why does OPG include a Normalized Capital Cost per MW Design Electrical rating? What information does it provide from a performance outcome perspective that are not already covered by the additional metrics.

CME # 18**Ref: N/A**

- (a) Please describe the ways that OPG's application was designed, or changed as a result of its over-earning on its ROE by 645 basis points in 2019, as outlined in EB-2020-0248.

CME # 19**Ref: Exhibit D2, Tab 2, Schedule 10**

With respect to the D20 Storage Project:

- (a) Please provide all reports or documents by Modus/Burns McDonnell with respect to the D20 project;
- (b) Please provide all reports or other documents created by OPG's P&M group with respect to the D20 project.

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CME # 20**Ref: Exhibit D2, Tab 2, Schedule 10**

With respect to the D20 Storage Project, OPG stated "One of the other alternatives that scored well was to split the refurbishment storage from the operational improvement storage, but that alternative was ultimately rejected as more expensive and less practical than the current project location. The workshop concluded that the current project location was the preferred site."

- (a) Please provide the forecast cost of the split refurbishment storage solution.
- (b) Please provide the forecast cost of the other alternatives that scored well but were ultimately rejected.

CME # 21**Ref: Exhibit D2, Tab 2, Schedule 11, Attachment 3**

Bates and White states "RSMeans is the standard source for routine construction cost data throughout North America. The RSMeans online cost database was our primary source of cost data. This database provided the Canadian dollar denominated prices for the materials and parts, as well as typical union labour rates in the Toronto metropolitan area for late 2019. For items not priced in the RSMeans database, we obtained vendor prices from vendors' online sites."

- (a) Please provide the RSMeans score for Toronto, as well as other cities in Ontario, including Oshawa and the surrounding cities (as available).
- (b) With respect to OPG's contractor productivity, please provide the studies listed at footnote 24.

CME # 22**Ref: Exhibit D2, Tab 2, Schedule 11, Attachment 3, page 18.**

Bates and White stated that their "opinion regarding their (vendor invoices) reasonableness rests upon four considerations."

- (a) With respect to competitive procurements, please explain the comment in the first bullet point. Does it mean that while Bates and White did attempt to replicate the competitive procurement and got certain results?
- (b) If the answer to (a) is yes, confirm if Bates and White compared the results to the actual purchases.
- (c) In its analysis, how does Bates and White reconcile the starting position of perfect knowledge, with the additional amounts provided for contingency. Please explain.

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CME # 23**Ref: Exhibit D2, Tab 2, Schedule 11, Attachment 1**

Dr. Galloway stated: "As noted during the Unit 2 assessment regarding OPG's policies and procedures, I found that the set of policies and procedures used to govern the execution of the Program *often* matched or exceeded industry standards and practice in their thoroughness and are appropriate for a Program of this size and complexity."

- (a) Please provide a description of all instances where the policies and procedures used to govern the execution of the Program did not match or exceed industry standard and practice.

CME # 24**Ref: Exhibit C1, Tab 1, Schedule 1, Attachment 1**

Concentric stated "This view is supported by our interviews with equity and credit analysts covering the North American utility industry who indicated that any differences in business risk, including regulatory risk, between utilities in Canada and the U.S. are not sufficient to justify the historically wide gap in equity ratios between the two countries."

- (a) Please provide the survey questions and full answers provided from the analysts interviewed as part of your report.

CME # 25**Ref: Exhibit C1, Tab 1, Schedule 1, Attachment 1**

Concentric stated "Before turning to the changes in OPG-specific nuclear risks, we note that recent events in the nuclear construction business since EB-2016-0152 have further raised the perceived risk of large nuclear facility projects among investors and credit rating agencies. In particular, two new nuclear projects in the U.S. (i.e., the Vogtle Plant in Georgia and the now-cancelled Summer Plant in South Carolina), both of which were being pursued under favorable legislative and regulatory frameworks, have run into cost and schedule issues."

- (a) Please confirm whether OPG's actual risks have changed as a result of the nuclear projects elsewhere, rather than simply the 'perceived risk.'
- (b) With respect to budget and schedule issues, has Concentric reviewed the evidence in this proceeding or otherwise submitted to the board regarding the DRP in order to examine whether OPG may encounter any of the same difficulties as the Vogtle and Summer plant projects?