CCC Interrogatory #20

Interrogatory

Reference: Ex. A2/T2/S1/p. 21

OPG has retained Innovative Research Group (Innovative) to conduct a multi-phase customer engagement process to seek input from customers to help inform the company's Business Plan. In undertaking the Innovative customer engagement work please explain why the customers views were not sought on the following:

a) The fact that embedded in the payment amounts is a return on equity of over 8%;
b) The fact that OPG is seeking to increase the amount of equity in its capital structure to 50% which will increase the payment amounts;
c) The fact that OPG is embarking on an initiative to develop a Small Modular Reactor at the Darlington site and will incur over $270 million in 2020 and 2021 for preliminary planning and preparation of the SMR.

Response

a) and b)

Return on equity and OPG's deemed capital structure are not set pursuant to the company's business planning process but rather are determined by the OEB based on policy, expert analysis, and the fair return standard. These are not business planning decisions. In addition, the return on equity is established outside of payment amounts proceedings under the OEB's annual formula.

c) When the customer engagement process was being developed in 2018 and early 2019, the development of an SMR at Darlington was not being actively explored within OPG. OPG had not identified any options or specific trade-offs that could be presented to customers.

The development of an SMR at Darlington is a significant undertaking that is subject to its own dedicated public and Indigenous engagement processes. The Darlington SMR project is currently in the initial planning and preparation phase. During this phase, OPG has engaged with a wide range of stakeholders, including the IESO, Indigenous communities, elected leaders at all levels of government, and the broader public, receiving support from stakeholders and community representatives.

OPG is committed to continuing to engage through the progress of project using various means, such as information sessions and online forums. OPG will also continue ongoing engagement with federal, provincial and municipal elected officials, Indigenous communities, and community representatives. In addition, Canadian Nuclear Safety Commission ("CNSC") regulatory requirements mandate that OPG conduct various public and Indigenous engagement activities as the project progresses, as discussed in Ex. L-A2-02-CME-004, part a.[1]

Further, OPG is not seeking approval of the referenced costs in this application. As described in Ex. F2-8-1, the OM&A expenditures OPG forecasts over the IR Term are to preserve the option to build new nuclear generation at the Darlington site, consistent with prior government direction. The costs of preliminary planning and preparation for an SMR at Darlington will be recorded in the Nuclear Development Variance Account established by O. Reg. 53/05, s. 5.4.

[1] CNSC REGDOC-3.2.1 and 3.2.2