Board Staff Interrogatory #23

Interrogatory

Reference:
Exhibit A2 / Tab 2 / Schedule 1 / Attachment 4 / pp. 7, 9-11

Question(s):

a) The Innovative Research Group report stated that "most Ontarians know little about OPG and the energy system more broadly." Considering this, please elaborate on the validity and applicability of the survey results with regard to OPG's business planning process. Further, please discuss the validity and applicability of the survey results received on the complex topics presented in Phase 2 of the process (i.e. rate smoothing, Niagara frequency conversion, Darlington vapour recovery system improvement, air compressor replacement & crane group project).

b) Please describe the process used to select the Business Decisions and Investment Trade-off topics presented to participants in Phase 2 of the customer engagement process.

c) Please comment on the value and insights OPG gained from the completion of this customer engagement process.

d) Please comment on whether OPG currently intends to complete additional or supplemental customer engagements in support of business planning activities in the future.

Response

a) The response to this sub-part was prepared by INNOVATIVE:

An individual can only focus on so much information at any one time. Most people know very little about many of the major services in our lives whether that be financial investments, our health system or electricity. However, the public opinion literature shows that people are able to learn in a survey context. One of the key literatures that speaks to this is deliberative democracy which shows people can start with little knowledge but end up with an "informed opinion."

As noted in the summary report (Ex. A2-2-1, Attachment 4, p. 13), Innovative used a workbook approach to provide the basic information customers needed to make value trade-offs. The workbook does not ask customers to be experts. Rather, the workbook focuses on choices between outcomes. For instance, on rate smoothing, we asked whether the company should propose an approach that would require customers to “pay more now, but less over time”, or “pay less now, but more overall”? That is a value question that customers are able to answer.

Some of OPG’s projects were more technical than Innovative often sees in electricity customer engagements. As a result, as noted on page 18, Innovative developed a new question format that provided pros and cons in table format. Testing showed customers felt the new approach helped to understand the choices before them more easily. The ability to provide these choices in this format and to allow customers the time to respond at their own pace was facilitated by the use of an online methodology in the second phase.

The ultimate test of whether the workbook provided the right balance of information is the opinion of the customers who completed the workbook. Three quarters (75%) of residential customers had a favourable impression of the workbook and 78% felt the balance on information was just right, with almost equal numbers saying too little or too much.

b) The specific business decisions and investment trade-offs presented to customers in the second phase of the consultation were identified through discussions with various groups within the company.

The goal of these discussions was to identify upcoming potential business decisions with sufficiently defined options that would present examples of meaningful value trade-offs from a customer perspective, and which could meaningfully be used to inform the upcoming business plan. This process was challenging, since this consultation is the first time that OPG has attempted to consult broadly with Ontario electricity customers on specific business decisions in this level of detail.

Identifying appropriate topics was difficult since relatively few of OPG’s business decisions present a clear value trade-off for customers, due to the lack of a direct, transactional relationship with electricity customers. Identifying example projects for the consultation was particularly challenging, since OPG’s investments do not directly affect customers’ service reliability, nor is there a

simple relationship between the capital investments and customer bills.[1] In addition, many of OPG's capital investment decisions are non-discretionary and present limited trade-offs from a customer perspective. While some projects may present value trade-offs for customers from a bill impact perspective, they may also entail important operational, safety or regulatory issues that are ultimately OPG's responsibility to manage. For example, the customer engagement included questions on proactive vs. reactive approaches to the replacement of air compressors at Darlington NGS (Ex. A2-2-1, Attachment 4, p. 55). While these alternatives present a value trade-off from a customer bill perspective, they also relate to issues that OPG cannot delegate, such as potential worker safety and radiation exposure risks. This is a challenge that would be common to other potential nuclear project investments.

The topic of rate-smoothing was a more natural fit with the consultation since it presents a comparatively clear value trade-off from a customer perspective (i.e., more stable rates in the near-term, but increased long-term cost due to higher interest).

c) The most valuable insight that OPG gained from the customer engagement process was the feedback on the company's approach to rate-smoothing. Unlike many of OPG's capital investment decisions, many of which are non-discretionary and present limited trade-offs from a customer perspective, OPG has greater optionality in rate-smoothing approaches, with a more clear customer impact.

The engagement also included a high-level question on the pace of making the Pickering NGS site available for other uses. While OPG obtained insights that customers were generally willing to pay something to make the site available sooner, there was a wide range of views and respondents expressed a need for more information. In OPG's view, the responses to this question indicate that there may be limited value in engaging customers on preliminary issues without defined scope or cost.

d) OPG has historically sought input from electricity customers and stakeholders through various means and will continue to do so. The company will be guided by the OEB's decision in this application as it considers the form and scope of future consultations.

[1] For example, if OPG is able to defer investment in a nuclear project there may be a relative reduction on OPG's rate base. However, this deferral may be offset by another necessary investment. Moreover, if the deferred work subsequently requires OPG to take an unplanned outage, it is difficult to predict the bill and environmental impact, since the cost and environmental impact of replacement energy is variable.