Board Staff Interrogatory #18

Interrogatory

Reference:
Exhibit A2 / Tab 2 / Schedule 1 / p. 8
Exhibit D2 / Tab 2 / Schedule 1 / pp. 5-6
Exhibit H1 / Tab 1 / Schedule 1 / p. 37

Preamble:

OPG noted that the 2020-2026 Business Plan includes the impact of the actions taken to date in response to the COVID-19 pandemic, including a deferred DRP schedule and other associated changes in Darlington NGS outages, and certain incremental expenditures being incurred over the course of the pandemic.

OPG noted that the COVID-19 pandemic is currently estimated to have resulted in a $150 million increase in DRP costs. OPG stated that it is not seeking approval of any COVID-19 pandemic-related costs associated with the DRP in this application, and none are included in the in-service additions presented. Any ultimate variance to the $12.8 billion total DRP budget caused by the COVID-19 pandemic would be tracked separately and addressed through the CRVA in a future proceeding.

OPG also noted that the Impacts Arising from the COVID-19 Emergency Deferral Account (CEDA) was established by the OEB in its March 25, 2020 accounting order in acknowledgement that electricity and natural gas distributors may incur incremental costs as a result of the COVID-19 emergency. OPG noted that, in an April 29, 2020 letter, the OEB confirmed the applicability of the account to OPG and electricity transmitters. The account is effective March 24, 2020. OPG did not seek disposition of any balances recorded in the account in this application.

Question(s):

a) Please provide a breakdown of the $150 million impact on the DRP associated with the COVID-19 pandemic. Specifically, please describe the drivers of the incremental costs and advise whether the $150 million impact is a capital amount.

b) Please advise whether the $150 million impact on the DRP associated with the COVID-19 pandemic was incurred in 2020 or also includes estimates for 2021 and future years. If it reflects an estimate over multiple years, please provide the amount by year (and cost type – capital or OM&A) and provide the amount that is currently recorded in the CRVA.

c) Please explain why OPG is tracking the $150 million impact on the DRP associated with the COVID-19 pandemic in the CRVA (as opposed to the CEDA).

d) For the following categories of costs, please advise whether there are any 2020 or forecast 2021 impacts related to the COVID-19 pandemic recorded (or expected to be recorded) in the CRVA, the CEDA, or any other DVAs. Please specify which account includes the relevant balances and also quantify the amount already recorded and / or forecast to be recorded. Please also discuss the drivers of the COVID-19 pandemic related costs recorded in the CRVA, CEDA, or any other DVAs.

   i. CRVA eligible nuclear capital costs (non-DRP)

   ii. CRVA eligible nuclear OM&A costs (non-DRP)

   iii. Non-CRVA eligible nuclear capital costs

   iv. Non-CRVA eligible nuclear OM&A costs

   v. CRVA eligible hydroelectric capital costs

   vi. CRVA eligible hydroelectric OM&A costs

   vii. Non-CRVA eligible hydroelectric capital costs

   viii. Non-CRVA eligible hydroelectric OM&A costs

   Please also provide the total COVID-19 impact cost already recorded in the CRVA, CEDA and any other DVAs (inclusive of the $150 million impact of the COVID-19 pandemic on the DRP).

e) Please advise whether OPG intends to record any new COVID-19 pandemic related costs in either the CRVA or CEDA after December 31, 2021. If so, please explain why and quantify the expected balances.

f) For the following categories of capital costs, please advise whether the proposed 2022-2026 rate base amounts include any COVID-19 pandemic related costs. Please quantify the capital in-service additions associated with the impact of the COVID-19 pandemic included in rate base in each year of the proposed Custom IR term. Please also discuss the drivers of the COVID-19 pandemic related in-service additions included in rate base.

i. CRVA eligible nuclear capital costs (non-DRP)

ii. Non-CRVA eligible nuclear capital costs

g) For the follow categories of OM&A costs, please advise whether the proposed 2022-2026 OM&A budgets include any COVID-19 pandemic related costs. Please quantify the OM&A costs associated with the COVID-19 pandemic included in the revenue requirement in each year of the proposed Custom IR term. Please also discuss the drivers of the COVID-19 pandemic related OM&A costs included in the OM&A budgets.

i. CRVA eligible nuclear OM&A costs (non-DRP)

ii. Non-CRVA eligible nuclear OM&A costs

h) Please confirm that the impact of the COVID-19 pandemic has been reflected in OPG's nuclear production forecast for each year of the 2022-2026 Custom IR term.

Response

a) The breakdown of the $150 million estimated impact on the DRP of the COVID-19 pandemic is provided in Chart 1 below:

Chart 1: Breakdown of Estimated Impact on DRP Costs of the COVID-19 Pandemic

Description	Estimated Impact ($M)
Project Management Team Costs[1]	90
Direct and Indirect Labour Costs[2]	11
Material, Equipment and Other Costs	0.1
Interest, Escalation and Estimated Productivity Impacts[2]	49
Total	**150**

Notes:
1. Includes OPG and Contractor project resources required to re-plan and ensure readiness for the Remaining Units' refurbishment outages; facilities maintenance and enhancements.
2. Includes both contractor trades and OPG staff performing field execution work
3. Estimated productivity impacts are forecast impacts of physical distancing, mask usage, and other COVID-19 protocols on worker productivity

The primary driver of the incremental costs are costs OPG and contractor resources required to re-plan and ensure readiness for the Remaining Units' refurbishment outages, as a result of the deferral of the start date of the Unit 3. Other secondary

drivers were costs of retaining highly trained trades during the period of delay and the forecast impacts on productivity of both project management team staff and field staff.

The forecast costs impacts are all capital costs.

b) The projected $150M impact on the DRP of the COVID-19 pandemic were not all incurred in 2020. Chart 2 below shows the estimated annual amounts over 2020 to 2026 as included in OPG's business plan. The actual amount incurred in 2020 was $82.2M. There are forecast impacts in 2021 and future years, as a result of the cascading changes to the schedule for executing the Units 3, 1, and 4 refurbishment outages. As noted in part a), all costs are capital. None of these amounts have been placed in-service and, therefore, none are currently recorded in the CRVA.

Chart 2: Forecast Annual DRP COVID-19 Pandemic Cost Impacts ($M)[1]

2020	2021	2022	2023	2024	2025	2026	**Total**
101.7	(2.2)	(3.8)	33.9	18.4	0.0	1.9	150.0

Notes:
1. At the time of this forecast, projected reductions in interest costs as a result of the changes to the DRP schedule for Units 3, 1, and 4 in response to the pandemic more than offset the projected increases in 2021 and 2022, hence the negative total in 2021 and 2022.

c) As noted above, none of the above cost impacts of the COVID-19 pandemic on the DRP are currently recorded in the CRVA as no such costs have been placed in service. OPG's statement that any ultimate cost impact of the COVID-19 pandemic to the DRP would be addressed through the CRVA flows from O. Reg. 53/05 requirements. Specifically, the OEB is required to ensure that OPG recovers its capital cost with respect to the DRP pursuant to section 6(2)4 of O. Reg. 53/05, which are the provisions that give rise to the CRVA. Recovery of costs recorded in the CRVA is subject to a prudence review by the OEB.

d) As set out in Chart 3 below, OPG has recorded incremental costs (net of savings) related to the COVID-19 pandemic in 2020 and forecasts recording such costs 2021 in the CRVA (non-DRP) and the CEDA. All of these are non-capital costs. There are no capital impacts recorded in these accounts related to the COVID-19 pandemic. There are no COVID-19 related costs recorded in 2020, or forecasted to be recorded in 2021, in any other deferral and variance accounts.

Chart 3

Debt/(Credit)	Note	2020 Actual Nuclear	2020 Actual Reg. Hydro	2020 Actual Total	2021 Plan Nuclear	2021 Plan Reg. Hydro	2021 Plan Total
		(a)	(b)	(c)	(d)	(e)	(f)
CRVA (Non-DRP)	L-A2-02-CCC-013, Lines 12-14	(1.8)	0.0	(1.8)	3.6	0.0	3.6
CEDA	L-A2-02-CCC-013, Line 10	16.5	(0.0)	16.4	14.6	0.7	15.3
Total COVID-19 Related Imacts		14.7	(0.0)	14.6	18.2	0.7	18.9

Amounts recorded in the CEDA primarily relate to the following:

- Costs for additional personnel to carry out enhanced cleaning protocols
- Costs for procurement of personal protective equipment and supplies
- Savings from lower business travel and related expenses
- Savings in facilities maintenance and utilities costs due to reduced occupancy
- CNSC fee credit as a result of reduced travel

Amounts recorded in the CRVA primarily relate to key resource retention due to the movement of the Darlington Unit 3 single fuel channel replacement outage that immediately preceded the start of Unit 3 refurbishment.

e) To the extent that any incremental COVID-19 costs are incurred in the future, OPG would record any CRVA eligible impacts in the CRVA, as discussed above. If the CEDA account is available, OPG would record any such non-CRVA costs consistent with any parameters approved by the OEB with respect to the account.

f) There are no impacts to the proposed 2022-2026 rate base amounts associated with COVID-19 for CRVA eligible nuclear capital costs (non-DRP) or Non-CRVA eligible nuclear capital costs. For clarity, there are also no DRP-related capital costs included in the proposed 2022-2026 rate base amounts.

g) There are no impacts to the 2022-2026 OM&A budgets associated with COVID-19 for CRVA eligible nuclear costs (non-DRP). The only such impact on Non-CRVA eligible nuclear costs[1] is due to the change in timing of Cyclical Outage costs for Darlington units during refurbishment. The change is driven by adjustments to the refurbishment schedule as a result of the Unit 3 deferral in 2020, with approximately $12.4M in incremental OM&A costs planned over the IR term as a result.

h) OPG confirms that the impact of the COVID-19 pandemic to date has been reflected in OPG's nuclear production forecast for the 2022-2026 IR term. See Ex. L-E2-01-SEC-114 for further detail.

[1] See Ex. L-F4-03-Staff-312 for a discussion of COVID-19 impacts on pension and OPEB costs.