Energy Probe Interrogatory #53

Interrogatory

Reference:
Exhibit F2, Tab1, Schedule 1, Attachment 5, Scott Madden Benchmarking Report

a) Please Confirm the Normalized 2017 PNGS and DGS Benchmarks TGC/MWh.

b) Please provide the average for the Peer Group.

c) Please provide a Schedule that shows the calculation of the PNG and DGS Stretch factors based on the Scott Madden Benchmarks.

d) Is there a Trend variable in the Scot Madden Econometric Model? If so, what is the predicted 2021 difference between PGNS and DGS and the peer group. If there is no Trend Variable why not?

e) Using the Scot Madden Benchmarks, provide the calculations for the combined Stretch Factor for the 2021-2026 period.

Response

a) The 2017 normalized three-year total generating cost per megawatt-hour ("TGC/MWh") amounts are $49.26/MWh for Pickering and $37.94/MWh for Darlington (Ex. F2-1-1, Attachment 5, p. 13).

b) The average 2017 normalized three-year TGC/MWh for the peer group is $42.43/MWh.

c) Please see OPG's response to Ex. L-A1-3-Staff-006, part a).

d) The following response has been provided by ScottMadden:

While the ScottMadden econometric analysis used nine years of data, it did not treat this data as a time series and thus did not derive a trend variable. Instead, before performing the analysis, ScottMadden adjusted dollar values for inflation to ensure that the analysis could establish mathematical relationships that persisted across the nine-year dataset.

e) The combined stretch factor as proposed in this application for 2023-2026 is calculated using the normalized TGC/MWh benchmarking performance as set out in the 2020 Nuclear Benchmarking Report, consistent with the methodology

developed by ScottMadden. The derivation of the proposed combined stretch factor for 2023-2026, based on the ScottMadden benchmarking methodology, is set out in Ex. A1-3-2, Sections. 2.2.1.

The 0.6% stretch factor applicable to OPG's nuclear revenue requirement in 2021 was determined in EB-2016-0152 based on the nuclear benchmarking performance filed in that application and is outside the scope of this application.

Like the Custom IR approach approved by the OEB for the 2017-2021 period, the Custom IR approach proposed in this application does not include a stretch factor for year 1 (2022) of the IR Term, since is not reasonable to expect OPG to achieve incremental "stretch" cost efficiencies between the OEB's decision in this proceeding and the execution of the company's work program next year. This approach is consistent with the rate-setting approaches in the Renewed Regulatory Framework.