AMPCO Interrogatory #143

Interrogatory

Reference: Ex F2 T1 S1 Table 1

OPG forecasts Total Operating Costs of $3,504.2M in 2021.

Ref: EB-2016-0152 Final Draft Payment Amounts Order Appendix A Table 5

The OEB approved Total Operating Costs of $2,734.5M in 2021.

Please explain the $769.7M increase in forecast Total Operating Costs in 2021 since EB-2016-0152.

Response

The interrogatory references OEB approved Total Operating Costs of $2,734.5M for 2021. However, including Income Tax of -$18.4M, the overall total is $2,716.1M. The OPG forecast of Total Operating Costs of $3,504.2M cited includes Income Tax of -$17.6M.

Excluding New Nuclear OM&A of $206M related to the preliminary planning and preparation expenditures for an SMR generating facility at Darlington (Ex. F2-8-1), the comparable figure is $3,298.2M and the variance is therefore $582.1M. As discussed below, the variance is primarily due to timing of expenses, response to COVID-19 and non-discretionary costs.

The main drivers of the difference are as discussed below and as presented in Chart 1 below:

- Depreciation and Amortization Expenses ($259.2M) – primarily due to the extension of Pickering end-of-life dates for accounting purposes, effective December 31, 2017, beyond December 31, 2020 reflected in EB-2016-0152; inclusion in proposed rate base of the D2O Storage Project; and overall higher capital in-service amounts over the 2017-2021 period (Ex. F4-1-1; Ex. D2-2-10; Ex. D2-1-3). The higher depreciation and amortization expense related to the Pickering EOL date extension in 2021 is offset by correspondingly lower depreciation and amortization expenses for the 2018-2020 period that are recorded in the Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account.

- Outage OM&A ($122.6M) – primarily due to shifting of regular planned outages at Darlington from 2020 into 2021 and a new regular planned outage in 2021 as a result of adjustments to the Darlington Refurbishment Program Schedule in response to COVID-19, and timing of expenditures on Pickering Extended Operations due to shifting work from 2020 to 2021, partly offset by the shift of the Pickering VBO from 2021 to 2022 and the impact on outage schedule of moving to a 30-month outage cycle at Pickering (Ex. F2-4-2).
- Corporate Costs ($55.8M) – primarily due to lower net reductions in functional costs than the OEB directed disallowance of $45.0M. While OPG has implemented a number of efficiencies across corporate support costs, such as reduced staffing levels in Supply Chain, Finance and Environment, Health & Safety, and savings in real estate footprint costs through workplace transformation, these are partially offset by incremental IT project and software maintenance costs in support of the company's digital strategy and expenditures related to the COVID-19 response (Ex. F3-2-2; Ex. D3-1-2).
- Centrally-Held Costs ($43.5M) – mainly due to higher IESO non-energy charges reflecting higher than forecasted Global Adjustment rates (Ex. F4-4-1).

Chart 1

Operating Costs Summary - Nuclear ($M)

Line No.	Cost Item	2021 Budget	2021 OEB Approved	2021 Variance	Evidence Reference
	OM&A:				
	Nuclear Operations OM&A				
1	**Base OM&A**	1,311.3	1,353.5	(42.3)	F2-02-02
	OEB Disallowance		(56.2)	56.2	
	Base OM&A including Disallowance	1,311.3	1,297.3	14.0	
2	**Project OM&A**	122.3	86.9	35.4	F2-03-02
3	**Outage OM&A**	431.2	308.5	122.6	F2-04-02
4	**Subtotal Nuclear Operations OM&A**	1,864.8	1,692.7	172.0	
5	**Darlington Refurbishment OM&A**	42.9	25.9	17.0	F2-07-01
6	**Darlington New Nuclear OM&A**	206.0	1.3	204.7	F2-08-01
7	**Allocation of Corporate Costs**	396.1	385.3	10.8	F3-01-02
	OEB Disallowance		(45.0)	45.0	
	Corporate Costs including Disallowance	396.1	340.3	55.8	
8	**Allocation of Centrally Held Costs**	197.2	153.7	43.5	F4-04-01
9	**Asset Service Fees**	54.6	20.8	33.9	F3-02-02
10	**Subtotal Other OM&A**	896.8	541.9	354.9	
11	**Total OM&A**	2,761.5	2,234.7	526.9	
12	**Nuclear Fuel Costs**	202.5	196.8	5.7	F2-05-02
	Other Operating Cost Items:				
13	**Depreciation and Amortization**	545.2	286.0	259.2	F4-01-01
14	**Income Tax**	(17.6)	(18.4)	0.8	F4-02-01
15	**Property Tax**	12.6	17.0	(4.4)	F4-02-01
16	**Total Operating Costs**	3,504.2	2,716.1	788.1	