CME Interrogatory #16

Interrogatory

Reference:
Exhibit F2, Tab 1, Schedule 1, Attachment 5

As CME understands it, ScottMadden's econometric analysis reviewed the impact of site conditions on total generating costs. In the normalization adjustments however, not only does ScottMadden adjust the total generating cost metric, but it also adjusts the non-fuel operating cost per MWh and the capital cost per MW DER.

(a) Please describe the impact, if any, of this methodology being used to adjust non-fuel operating costs and capital costs, but not fuel costs per MWh.

Response

a) The ScottMadden normalization methodology for reactor type and age-related factors does not apply to non-fuel operating cost per megawatt-hour ("NFOC per MWh") or capital cost per megawatt design electrical rating ("MW DER") metrics. Rather, normalized NFOC per MWh and normalized capital cost per MW DER incorporate ScottMadden's normalization methodology for refurbishment costs only. A summary of the normalization methodology adjustments to the 2019 value for money metrics is set out in Ex. F2-1-1, Chart 1.

As ScottMadden stated in its Evaluation of 2019 OPG Nuclear Benchmarking (Ex. F2-1-1, Attachment 3, p. 7):

> OPG calculates Normalized NFOC per MWh and Normalized Capital Cost per MW DER consistent with the ScottMadden Methodology to Adjust for Refurbishment, which excludes costs which can reasonably be attributed to Darlington unit(s) in Refurbishment. As noted above, these two metrics are not adjusted for the outage study or the econometric analysis because the analytical methodology used to quantify the normalizing adjustments was not performed for NFOC or Capital Cost.

Similarly, the analytical methodology that ScottMadden used to quantify the normalizing adjustments for reactor type and age-related factors was also not performed for the fuel cost per MWh metric.