Board Staff Interrogatory #212

Interrogatory

Reference:
Exhibit F2 / Tab 1 / Schedule 1 / pp. 25, 27
Exhibit H1 / Tab 1 / Schedule 1 / p. 38

Preamble:

OPG proposed $50 million of enabling costs to support the Pickering Optimized Shutdown. These enabling costs are reflected in nuclear base, outage and project OM&A.

OPG also proposed the establishment of the Pickering Closure Costs Deferral Account in accordance with Section 5.6 2 of O. Reg. 53/05. This account will record any employment-related costs, and non-capital costs related to third party service providers incurred by OPG that arise from any Pickering closure activities.

OPG noted that O. Reg 53/05 specifies that Pickering NGS closure costs can be incurred before or after the closure of a Pickering NGS unit, but does not include costs that are eligible for reimbursement to OPG under the ONFA.

Question(s):

a) Please confirm that the requested $50 million in enabling costs in support of Pickering Optimized Shutdown are intended solely for ensuring continued operations of Pickering NGS until 2025 and that no costs associated with closure and decommissioning are included in these enabling costs. If there are costs associated with closure and decommissioning that are included in the enabling costs, please identify and provide the respective cost.

b) Please confirm that OPG intends to record all Pickering NGS closure-related costs in the proposed Pickering Closure Costs Deferral Account (and no Pickering NGS closure-related costs are reflected elsewhere in the proposed revenue requirement).

c) Please provide a detailed listing of the types of closure-related costs that OPG expects to incur (e.g. severance, training, etc.). Please also provide a high-level estimate of the closure-related costs (by cost type) that OPG expects to incur. Please discuss how OPG intends to minimize these closure costs.

d) Please provide a draft accounting order for the Pickering Closure Cost Deferral Account.

e) Please provide the period over which OPG expects that it will seek to dispose of any balance in the Pickering Closure Cost Deferral Account.

f) Please advise whether an estimate of the Pickering NGS closure-related costs has been considered as part of OPG's rate smoothing proposal. If not, please explain why.

g) Please identify where the Pickering NGS decommissioning costs are reflected in OPG's revenue requirement and confirm that none of these costs are reflected in the enabling costs or will be recorded in in the Pickering Closure Costs Deferral Account.

h) Please confirm that OPG intends to record any variances between the proposed $50 million of Pickering NGS enabling costs and the actual costs in the CRVA.

i) Using the template provided below, please provide an itemized listing and brief description of all material initiatives (capital and non-capital) included as part of the requested $50 million of Pickering Optimized Shutdown enabling costs.

Initiative Name	Initiative Description	Total Cost ($)

Response

a) Confirmed.

b) Confirmed.

c) OPG does not yet have a detailed listing or forecast of the types of costs that it expects to record in the Pickering Closure Costs Deferral Account. OPG will record such costs in compliance with the requirements of O. Reg. 53/05, Section 5.6.

For financial planning purposes, OPG's business plan identifies an order-of-magnitude total estimate of the downsizing costs. However, as noted in the plan, this figure will continue to evolve over time as detailed estimates are developed and

remains subject to a range of uncertainties and OPG's ongoing planning and mitigation efforts.[1]

OPG is proactively working to minimize the disruption and financial liability associated with the downsizing. Such measures currently include:

- Employment of PWU Term employees and Society Extended Temporary Employees ("ETEs") in place of regular staff in circumstances where the position is likely to be eliminated as a result of the Pickering shutdown. As noted at Ex. F4-3-1, Term employees and ETEs reduce regular hiring and consequently the overall costs associated with future severance and redeployment impacts. The estimated savings associated with the use of these classifications are identified at Ex. L-F4-3-1-Staff-276.
- Proactive transfer of employees from Pickering to Darlington. Any staff transfers in advance of Pickering shutdown are done within operational constraints and collective agreement provisions.
- Identifying opportunities to leverage attrition-based headcount reductions and optimize resources to achieve cost reduction targets over the business plan period.

d) See Attachment 1.

e) OPG will seek to dispose of the balance of the Pickering Closure Costs Deferral Account in a manner that accords to s. 5.6 of O. Reg. 53/05, which requires recovery over a period not to exceed ten years following the end of electricity generation at the Pickering NGS. OPG has not otherwise identified the period over which it expects that it will seek to dispose of any account balance.

f) An estimate of the Pickering NGS closure-related costs has not been considered as part of OPG's rate smoothing proposal. As noted at Ex. I1-3-2, Section 3.0, and as required by O. Reg. 53/05, the OEB must approve nuclear revenue requirements and a portion of such revenue requirements to defer in the Rate Smoothing Deferral Account with a view to making more stable the year-over-year changes in the OPG weighted average payment amount over each calculation period. Pickering NGS closure-related costs are not included in the 2022-2026 nuclear revenue requirements and, thus, have not been considered in the evaluation of the rate smoothing proposal and rate smoothing alternatives in this application.

g) Recovery of costs associated with the decommissioning of OPG's nuclear stations in the revenue requirement is discussed and set out at Ex. C2-1-1. OPG confirms that these costs are not included in the scope of the Pickering Optimized Shutdown

[1] See Ex. A2-2-1, Attachment 1, pp. 28-29. OPG has requested confidential treatment for this financial information and has not reproduced it in this response.

initiative and associated enabling costs. OPG also confirms that decommissioning costs for the Pickering NGS will be not be recorded in the Pickering Closure Costs Deferral Account in accordance with O. Reg. 53/05, subsection 5.6(2).

h) Confirmed.

i) Please see Chart 1 below for an itemized listing and brief description of all material initiatives included as part of the requested $50 million for Pickering Optimized Shutdown enabling costs. All of these costs are expected to be non-capital in nature.

Chart 1

Initiative Name	Initiative Description	Total Cost ($M)
Program Management & Licencing	This initiative is composed of the PSR2-A to identify Gaps and resolutions, its management and interface submission to the Canadian Nuclear Safety Commission ("CNSC") for the Pickering licence amendment for an extra year of commercial operations.	5.6
IIP Actions	As per part (a), the PSR2A is underway; the IIP is targeted for completion by 2022. The funds will be used to complete the IIP actions identified and accepted by the CNSC as part of this process.	13.6
Unit 1 Elongation Phase II	This initiative will shift the fuel channels for continued operations of Unit 1 on bearings through 2024.	8.9
Boiler Tubes In-Situ Pressure Test	This initiative will provide the capability to pressure test Pickering Steam Generators and confirm fitness for service.	1.5
Unit 5 to Unit 8 Incremental Inspections	Incremental inspections will ensure Major components such as Fuel Channels, Feeders and steam Generators are fit for service until the end of 2025.	20.5
Total		**50.0**