SEC Interrogatory #122

Interrogatory

Reference: F2-1-1, Attachment 4

With respect to the ScottMadden, Methodology to Adjust For Refurbishment and Validation of Implementation Report, please confirm that Scenario 4 assumes that the costs scale in a linear fashion with the number of Operating Units. If confirmed, please explain why this is appropriate and how ScottMadden validated this approach.

Response

The following response has been provided by ScottMadden:

In order to provide a methodology to adjust for Refurbishment, ScottMadden developed an understanding of current cost attribution methods employed by OPG as part of an overall cost allocation methodology previously accepted by the Ontario Energy Board ("OEB"). Under Scenario 4, the OPG methodology attributes certain costs to DNGS and PNGS at 40% and 60% based on the number of operating units between the two stations. Given this allocation approach is based on the number of operating units, the methodology to adjust for Refurbishment follows the same logic by directing that DNGS costs can be reduced by "(number of operating units in Refurbishment) divided by (total number of operating units at DNGS)." ScottMadden confirms that this implies scaling in a linear fashion.

The scope of ScottMadden's support did not include evaluation of the design or application of OPG's cost allocation methodology. Rather, the cost allocation methodology was considered in developing the basis for reducing costs by removing them or reallocating away from unit(s) in Refurbishment. ScottMadden does not imply the performance of any additional, specific research beyond what is described in the document.