Board Staff Interrogatory #2

Interrogatory

Reference:
2020 Actuals

Preamble:

OEB staff notes that Procedural Order No. 1 established April 19, 2021 as the deadline for filing interrogatory responses. OEB staff expects that OPG will have 2020 actuals available by the time that the interrogatory responses are due.

Question(s):

a) For all aspects of the application, please file updated versions of the key tables that include 2020 actuals and explain any material differences to the amounts originally presented.

b) To the extent that the 2020 actuals impact the amounts forecast for the 2021 bridge year and proposed for the 2022-2026 Custom Incentive Rate-setting (Custom IR) term, please update the amounts in the tables throughout the application. Please explain any material differences for the 2021-2026 period relative to the amounts originally forecast / proposed.

   Please reflect the 2020 actual results (and any changes to the 2021 bridge year and 2022-2026 Custom IR term) in the interrogatory responses (where applicable).

Response

a) OPG has updated and provided key tables in Attachment 1, with 2020 actual results where they were previously filed with 2020 budget values.

   In addition to updating Ex. D2-1-2 Table 1 for 2020 actuals (Attachment 1, Table 9), it was observed that line 2 (Darlington Refurbishment Capital) was previously filed with incorrect values, though the corresponding values provided on the detailed source table (Ex. D2-2-9 Table 1) were correct. Line 2 values have been corrected in Attachment 1, Table 9.

Main variances in 2020 actual results compared to the 2020 budget reflected in the pre-filed evidence are as follows:

- Nuclear Production (+1.8TWh): The 2020 actual nuclear production was 43.8TWh compared to the budget of 42.0TWh. The variance was primarily due to higher generation as a result of earlier than planned return to service of Unit 2 at Darlington NGS[1] and better than target forced loss rate at both nuclear stations.

  Nuclear Operations Base OM&A (-$13.2M): The 2020 actual Nuclear Operations Base OM&A costs were $13.2M less than the 2020 budgeted amounts. The variance is primarily attributable to temporarily unfilled vacancies, unplanned CNSC fee credit due to COVID-19 and timing of CRVA-eligible work.

  Darlington Refurbishment Program OM&A (+$6.6M): The 2020 actual DRP OM&A costs were $6.6M higher than 2020 budget amounts. This variance is largely attributable to a write off of $8.8M for the Turbine Generator project, partly offset by $2.1M in timing of removal costs for Unit 3. This write-off is a result of the business decision to revise the Unit 3 execution strategy for both the stator rewind and shaft-line scopes, where the work was de-scoped from CanAtom and awarded to Alstom GE based on the vendor's experience and technical competency as the Original Equipment Manufacturer.

- New Nuclear (-$52.9M): The 2020 actual New Nuclear OM&A costs were $52.9M lower than the 2020 budgeted amount, due to timing of initial planning and preparation activities for SMR development at Darlington. The overall timeline for the work has not changed and the under-variance is expected to be incurred in 2021.

- Allocation of Corporate Costs (-$10.2M): The 2020 actual allocation of corporate costs for nuclear were $10.2M less than the 2020 budgeted amount. The variance is mainly attributable to temporarily unfilled vacancies in Finance, lower COVID-19 related net costs in Environment, Health & Safety, and timing of work programs. This was partly offset by higher Chief Information Officer base OM&A due to higher software licencing costs.

- Allocation of Centrally Held Costs (+$50.9M): Actual centrally held costs were higher than budget, mainly due to a larger than expected variance from current service pension and OPEB costs directly charged to the business units as well

[1] The 2020 Budget reflected the revised high confidence return to service date for Unit 2 of June 25, 2020 reforecast in August 2019 (Ex. D2-2-2) and incorporated into the 2020-2026 Business Plan. Unit 2 was returned to service on June 4, 2020.

as higher long-term disability costs reflecting a lower discount rate at the end of the year. Additionally, labour balancing adjustments were higher than plan.

- Other Revenues (+$9.2M): Actual 2020 nuclear non-energy revenues were $9.2M higher than budgeted. The increase is attributable to heavy water sales and processing, which were $10.8M higher than budget. Heavy water processing exceeded expectations as a result of a successful plan to accelerate shipments following the completion of an extended Tritium Removal Facility outage. This increase was partially offset by a decrease in isotope sales compared to budget by $4.3M due to the deferral of Cobalt-60 harvesting to Q1 2021 for equipment repair.

- Income Tax (+$94.1M): Regulatory income taxes for prescribed facilities were higher than budgeted, mainly due to the increase in regulatory earnings before tax as a result of higher nuclear production.

b) There are no material changes to OPG's 2021-2026 forecast of costs. As requested, where appropriate, the 2020 actual amounts have been reflected in the interrogatory responses.