Board Staff Interrogatory #35

Interrogatory

Reference:
Exhibit B1 / Tab 1 / Schedule 2 / pp. 2-3
Exhibit F2 / Tab 1 / Schedule 1 / p. 25

Preamble:

At the end of 2025, OPG plans that the shutdown of Pickering NGS will be completed. OPG calculated the cash working capital for the Generation Revenue component for the nuclear business to be $14.2 million. This value is proposed to be used for the Custom IR term.

Question(s):

a) Please explain the impact that accounting for the shutdown of Pickering NGS will have on the Generation Revenue component in 2025 and 2026, and ultimately, the cash working capital.

Response

As noted in Ex. B1-1-2, OPG used cash working capital calculations based on the most recent available historical year for revenue requirement purposes in this application. As such, OPG has not performed a specific calculation of the impact of the shutdown of the Pickering NGS on cash working capital in future years. Qualitatively, OPG expects that the station's shutdown will impact both the Generation Revenue and HST components of cash working capital, as described below.

OPG expects the Generation Revenue component to be impacted due to the reduction in the expense amounts as a result of the shutdown of the Pickering NGS. These expense amount are applied the net lead/lag days as part of the Generation Revenue component calculation. As the number and direction of lead/lag days for different expense categories varies (Ex. B1-1-2, Chart 2), it cannot be definitively predicted whether the Generation Revenue component will decrease or increase, on balance.

OPG expects the HST component to be impacted due to the reduction in expenses through a corresponding decrease in estimated HST paid, and the reduction in generation revenue through a corresponding decrease in HST collected, as a result of the shutdown of the Pickering NGS. The amounts of HST paid and HST collected are applied to the HST lag and lead days, respectively, as part of the HST component

calculation. Due to the opposite direction of these impacts, it cannot be definitively predicted whether the HST component will decrease or increase, on balance.