Board Staff Interrogatory #33

Interrogatory

Reference:
EB-2016-0152 / Exhibit B1 / Tab 1 / Schedule 1 / p. 1
Exhibit B1 / Tab 1 / Schedule 2 / p. 6

Preamble:

In its 2017-2021 Payment Amounts Proceeding, OPG stated that it continued to rely on its existing lead / lag methodology as the basis of the cash working capital given that: (1) the OEB accepted OPG's cash working capital calculation in the previous three hearings; (2) the amount of cash working capital remains very small relative to the overall size of rate base; (3) OPG's two main lead / lag day drivers (revenue from electricity generation and labour costs) are relatively stable; and (4) the OEB's existing filing guidelines[1] did not contemplate a new lead / lag study.

OPG stated that the passage of time since the original lead / lag study was conducted (2006) supported an updated assessment of the lead / lag days used to determine the cash working capital allowance.

Question(s):

a) Other than the passage of time since 2006, please detail the reasons / drivers warranting the need to update to the lead / lag days used to determine the cash working capital allowance. Please provide reasoning for the need to update with consideration to the reasoning provided in the 2017-2021 Payment Amounts Proceeding for not updating the lead / lag methodology.

Response

a) OPG did not have another reason to update the lead / lag assessment other than to provide more updated information as a result of the passage of time compared to its last cost-based application in EB-2016-0152. The four reasons OPG cited in EB-2016-0152 for continuing to rely on the original lead / lag assessment, as referenced in the preamble, were valid at the time and remain valid, including after the update reflected in this application. However, OPG believes that, while it would have been acceptable to continue to rely on the original assessment, using the

[1] EB-2011-0286.

updated information is inherently more accurate, particularly as the original study was conducted approximately 15 years prior to the filing of this application and will be approximately 20 years old by the end of the 2022-2026 IR term. As such, OPG decided it was appropriate to perform an updated analysis in support of its evidence in this proceeding.