Board Staff Interrogatory #32

Interrogatory

Reference:
Exhibit B3 / Tab 4 / Schedule 1 / Tables 1-2

Question(s):

a) Please advise whether the capital in-service additions include capitalized borrowing costs (i.e. interest on Construction Work in Progress balances). If not, please explain. If so, please provide a breakdown of the capitalized borrowing costs for each year 2017-2026 and explain the methodology applied to calculate those borrowing costs.

Response

a) Capital in-service additions include capitalized borrowing costs. The breakdown of the interest capitalized on expenditures for the nuclear facilities in each year over the 2017-2026 period is provided in Chart 1 below:

Chart 1
Nuclear Interest Capitalized $M

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Plan	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Nuclear Operations	18.1	13.7	14.6	16.0	22.3	24.4	23.8	22.7	20.3	15.1
Darlington Refurbishment	133.4	166.7	193.2	83.9	83.9	126.3	134.2	64.9	61.5	47.6
Corporate Support	0.5	0.7	0.9	0.6	2.2	1.5	1.3	1.1	1.6	1.4
Total Interest Capitalized	**151.9**	**181.1**	**208.6**	**100.5**	**108.3**	**152.2**	**159.4**	**88.7**	**83.3**	**64.1**

OPG determines the amount of actual interest capitalized by applying an interest capitalization rate to the monthly construction work in progress balances for each project. For planning purposes, OPG similarly estimates capitalized interest on the basis of forecasted construction work in progress amounts, where possible. The interest capitalization rate is based on the weighted average interest rate on OPG's long-term debt, excluding project specific financing.