VECC Interrogatory #6

Interrogatory

Reference:
Exhibit B1-01-02, p.4

"*Navigant determined it was appropriate to include interest on long-term debt in the cash working capital calculation as it represents a cash expense for the business and has been included as an expense lead in all previous cash working capital studies conducted by Navigant*."

a) Was interest on long-term debt included in the previous lead-lag studies performed for OPG?
b) Has Navigant included long-term debt interest in any of the lead-lag studies it has undertaken for Ontario distributors?
c) What is the financial impact of excluding/including interest on long-term debt?

Response

a) No. Interest on long-term debt was not included in the one previous lead-lag study for OPG, which was performed by OPG internally for its first payment amounts proceeding, EB-2007-0905.

b) Yes, OPG has confirmed with Navigant that it has included long-term debt interest in all previous cash working capital studies it has undertaken for Ontario electricity distributors. Further, as noted at Ex. B1-1-2, Attachment 1, p. 9, footnote 3: "In all previous cash working capital studies conducted by Guidehouse, interest expense has been included as an expense lead."

c) Including interest on long-term debt in the cash working capital calculation increases OPG's proposed cash working capital allowance as part of nuclear rate base by $4.4M (Ex. B1-1-2, Chart 2, line 13, col. (e)). This translates into an approximately $0.4M annual revenue requirement impact.