SEC Interrogatory #49

Interrogatory

Reference: D2-1

After the Board made certain disallowances to the proposed 2017-2021 nuclear capital budget in its Decision and Order in EB-2016-0152, please explain how OPG modified its capital plan to account for the revised amounts approved by the Board. In your response, please not only explain the specific modifications made, but also the process taken to come to the changes.

Response

In its EB-2016-0152 Decision and Order, the OEB made disallowances to OPG's forecasted capital in-service amounts and did not comment in respect of OPG's planned capital expenditures over the 2017-2021 period.

When establishing capital expenditures targets for 2018 to 2021 during its annual business planning process, OPG considered a number of factors including the OEB's disallowances to capital in-service amounts. Other factors, which are typically considered as part of the annual business planning process, include reviewing regulatory requirements, investments needed to support equipment reliability and the associated capital expenditures necessary to execute multi-year projects that address these needs and requirements.

Capital expenditure plans over the 2018 to 2021 period also needed to consider continued investment to prepare for Darlington 'second life' operations. While the capital spending for Darlington operations is separate and distinct from capital spending on refurbishment, once the decision to refurbish Darlington to extend its life was approved, OPG began an extensive program to replace obsolete and/or life-expired plant equipment resulting in higher project related investments at Darlington (Ex. D2-1-2, pp. 3-4). Investing in life cycle management and other sustaining infrastructure investments at Darlington will help to position the station towards the long-term goal of returning to top-quartile TGC post refurbishment (Ex. F2-1-1, p. 2).

OPG's specific capital expenditure targets are reflected in OPG's business plans developed over the 2018-2020 period.