UNDERTAKING JT2.39

Undertaking

TO CLARIFY WHETHER UNIT 2 WAS FULLY DEPRECIATED AND/OR STILL IN RATE BASE WHILE IT WAS NOT IN SERVICE

Response

OPG confirms that Darlington Unit 2 was included in rate base and continued to be depreciated during the refurbishment outage, consistent with the rate base and depreciation amounts approved by the OEB in EB-2016-0152. This treatment is also consistent with the manner in which depreciation has been recorded in OPG's audited consolidated financial statements and the audited financial statements for the prescribed facilities in accordance with US GAAP,[1] and the fact that OPG does not temporarily suspend rate base and depreciation treatment on nuclear units while they are undergoing other types of outages. Further, while under refurbishment, Unit 2 supports overall station operations through interconnections with the adjacent operating units that provide system redundancy as part of an overall Single Line of Defence protection for the plant.

In responding to this question, OPG also consulted with its external depreciation expert, Concentric Advisors ULC ("Concentric"),[2] for their views on the appropriate treatment of the Unit 2 assets in view of the refurbishment outage. Concentric confirmed that retaining Unit 2 assets in rate base and continuing depreciation is appropriate and aligns with the application of the "used and useful standard," given that the need for the refurbishment outage stems from the nature and design of the CANDU reactors and therefore is required to enable the safe operation of the Unit over its estimated service life.

[1] Ex. A2-1-1.
[2] Ex. F4-1-1, Attachment 1.