VECC Interrogatory #37

Interrogatory

Reference:
Exhibit I1, T1, Schedule 1, Table 1 /Tab 2, Schedule 1, Table 1

a) The Application notes that the revenue requirement is net of a stretch factor. We are unable to locate evidence on OPG's proposed stretch factor. Please provide the stretch factor for each year of the plan and the formula which calculates the dollar sum of the stretch factor (line 24).
b) Please describe which parts of the OPG revenue requirement the stretch factor is applied to.
c) Please explain how the proposed revenue requirement request for the 2021 to 2026 period is indicative of an incentive price plan. Specifically explain which parts of the OM&A and Capital budgets a stretch factor or other incentive factor is being applied to.

Response

The proposed nuclear rate-setting framework, including the proposed stretch factor, is described in detail in Ex. A1-3-2 ("Nuclear Rate-setting Framework and Performance Reporting"), section 2. The formula which calculates the stretch factor is described in section 2.2.1 ("Derivation of Proposed Stretch Factor"), and the application of the stretch factor to nuclear revenue requirement is described in section 2.2.2 ("Proposed Stretch Reduction Amounts"), including the specific OM&A and capital cost components to which OPG proposes the stretch factor be applied. The cost components to which the stretch factor would apply are discussed further in OPG's response to Ex. L-A1-03-Staff-004.

The nuclear revenue requirements proposed in this application for the 2022-2026 period include a capital and OM&A stretch factor that is based on the same Custom Incentive Rate-setting framework approved by the OEB for the 2017-2021 IR Term, with limited adjustments to reflect the closure of Pickering station during the term of this application. As described in Ex. A1-3-2 and set out in Chart 4 of that evidence, the annual stretch factor proposal would reduce OPG's nuclear revenue requirements by $71.7M, in aggregate, over the term of the application. This reduced revenue requirement is incremental to the cost reductions that will be required to achieve the company's OM&A targets in the business plan (described in Ex. A2-2-1).