Board Staff Interrogatory #332

Interrogatory

Reference:
Exhibit H1 / Tab 1 / Schedule 1 / Table 15

Question(s):

a) Please further explain Note 3 in the corrected version of Exhibit H1 / Tab 1 / Schedule 1 / Table 15.

b) Please explain the changes made to Lines 22 and 28 at Exhibit H1 / Tab 1 / Schedule 1 / Table 15 in the corrected evidence.

c) Please explain all the changes made to Note 1 in the corrected evidence.

d) Note 6 states that 2016 includes a catch up of $3.1 million relating to 2015 spending on Darlington Spacer Retrieval Tooling Project that was not previously recorded in the CRVA. Please explain why this amount was not previously recorded and why it is appropriate to record this amount in the current proceeding.

e) Note 7 states that the Pickering Extended Operations actual non-capital costs include $1.2 million related to a non-CRVA eligible project that was inadvertently booked to the account in 2017. OPG noted that this amount will be corrected in 2020 (inclusive of all interest as of the original date of booking). Please explain why OPG is not proposing to make this adjustment as part of the disposition requested in the current proceeding.

Response

a) Note 3 in the corrected version of Ex. H1-1-1, Table 15 covers additions made to the Capacity Refurbishment Variance Account ("CRVA") for the period up to June 1, 2017, which were governed by the EB-2013-0321 and EB-2014-0370 Payment Amounts Orders. The note describes adjustments that are included at the corrected line 28 and collectively work to reduce amounts recoverable from ratepayers by $16.7M for 2016 and $5.3M for 2017, in line with the above orders and previously approved balances. These adjustments are described below.

The first sentence of Note 3 indicates that these orders required OPG to ensure it did not use the CRVA to true up for certain amounts it had agreed not to seek in

the EB-2013-0321 proceeding. This means that when recording variances in the CRVA, OPG was to adjust out certain pre-determined amounts totaling $11.8M annually, related to the Fuel Channel Life Cycle Management Project ("FCLM") ($0.9M), the Pickering Continued Operations initiative ($1.0M) and the Fuel Channel Life Extension Project ("FCLE") ($9.9M). These amounts are as reported in prior proceedings and remain unchanged (for example, see EB-2016-0152, Ex. H1-1-1, Table 11a, Note 1, line 9a).

The second and third sentences of Note 3 indicate that to the extent the above adjustment does not eliminate the amount recoverable for the FCLE, line 28 reflects a further adjustment that limits this amount to the over-variance in total nuclear project OM&A portfolio from OPG's 2014-2016 Business Plan. As in EB-2014-0370 (Ex. H1-1-2, Table 12a, note 4) and EB-2016-0152 (Ex. H1-1-1, Table 11a, note 2), this adjustment recognized that a forecast for the FCLE was not identified separately from the unallocated portion of the project OM&A portfolio in the EB-2013-0321 approved forecast. Between this adjustment and the first adjustment above, the ultimate recoverable amount for the FCLE for 2016 and the first five months of 2017 is zero.

b) The changes made to lines 22 and 28 at the corrected Table 15 were solely to align the presentation of the adjustments discussed in part a) with their presentation in prior applications. In particular, line 28 only reflected the above adjustments for the FCLM and Pickering Continued Operations, whereas the adjustment for the FCLE was netted against line 22. The corrected Table 15 moved the FCLE adjustment to line 28, with no net effect on the account addition at line 32.

c) Note 1 in Ex. H1-1-1, Table 15 is intended to show the derivation of the forecast non-capital costs presented in lines 1 to 8 of the table. Due to inadvertent inclusion of the first adjustment identified in part a) above at line 3a, the resulting amount at line 5a did not match the correct corresponding forecast amounts shown at lines 1, 2 and 4 in the January to May 2017 column. The correction removed the original line 3a and the resulting redundant sub-total at line 4a, and correspondingly adjusted the amount at line 5a (which now became line 3a) to match the above noted forecast amounts.

The other correction in Note 1 was to move the 2017 full-year forecast of $25.6M from column (b) (Pickering Continued Operations) to column (c) (Pickering Extended Operations). The forecast amount pertains to Pickering Extended Operations and was initially reported in column (b) in error. The 2017 forecast for Pickering Extended Operations was already correctly reflected at line 3 in the main table (on a partial year basis).

Footnote '#' on line 2a was removed because it was unnecessary and provided an incorrect reference; the amount at line 2a is derived from line 1a as noted.

d) OPG identified the Darlington Spacer Retrieval Tooling Project as CRVA eligible in EB-2016-0152 Ex. L-4.1-1 Staff-024. The project was determined to be CRVA eligible as part of preparing the response to that interrogatory during 2016, at which time OPG identified that an associated entry should have been recorded to the account in 2015. Although the year-end 2015 account balance requested in that application[1] had not yet been disposed of at the time of preparing the above interrogatory, out of consideration for proceeding efficiency and consistency with financial accounting records, OPG did not update the application for this relatively modest change. Instead, OPG recorded the amount as a 2016 account addition.

The amount is appropriately recorded in the CRVA consistent with the OEB's decision and payment amount order in effect at the time and OPG is entitled to recover the amount (subject to prudence). The amount recorded is an amount that OPG is entitled to recover under Section 6(2)4 of O. Reg. 53/05.

e) OPG identified the referenced $1.2M error and made the corresponding correction (inclusive of all interest as of the original date of booking) during its 2020 financial year. For similar reasons as identified in part d) above, OPG proposes to treat this adjustment as a 2020 entry into the account rather than a retroactive entry. This allows the company to continue to maintain one set of records for regulatory and financial accounting purposes, as the correction was recorded in the company's financial accounting records as a 2020 amount. Given the relatively modest size of the adjustment and the fact that it will continue to attract interest until returned to ratepayers, OPG believes that this approach reasonably balances fairness and efficiency.

[1] EB-2016-0152, Ex. H1-1-1, Table 11.