Board Staff Interrogatory #344

Interrogatory

Reference:
Exhibit I1 / Tab 3 / Schedule 2 / pp. 8, 15
Exhibit I1 / Tab 1 / Schedule 2 / Tables 1-2

Preamble:

OPG provided a chart highlighting the impact of its rate smoothing proposal (relative to four alternatives) on a number of relevant indicators in Chart 3 at Exhibit I1 / Tab 3 / Schedule 2 / p. 8.

Question(s):

a) For each alternative (A-D), provide the same information as is provided in Chart 4 at Exhibit I1 / Tab 3 / Schedule 2 / p. 15.

b) Please advise whether the total interest line reflects the total amount of interest that will be paid by ratepayers to the end of the Rate Smoothing Deferral Account (RSDA) disposition period. Please confirm that OPG expects that the RSDA balance will be fully disposed by the end of 2036.

c) Please provide a detailed calculation supporting the interest cost / deferred revenue ratio for each alternative.

d) Please confirm that the nuclear payment amount transition impact post-2036 is measuring the expected bill impacts between 2036 and 2037.

e) Please provide the same information as is provided in Charts 3 and 4 at Exhibit I1 / Tab 3 / Schedule 2 / pp. 8, 15 for the following alternatives:

   i. No deferred revenue requirement during the 2022-2026 Custom IR term.

   ii. Deferring the proposed $241.2 million of revenue requirement in 2022 but no deferred revenue requirement in any other years of the 2022-2026 Custom IR term.

   iii. Ensuring that the total interest costs do not exceed $500 million (to the end of the disposition period – Line 5 in Chart 3 at Exhibit I1 / Tab 3 / Schedule 2 / p. 8) and deferring revenue requirement in a manner that minimizes year-over-year changes in bill impacts.

f) Please provide the average annual bill impact tables in the same format as Exhibit I1 / Tab 1 / Schedule 2 / Tables 1-2 for the 2022-2026 period for each of the alternative rate smoothing options (and the additional alternatives that OEB staff has requested in part (e)).

Response

a) The requested charts have been provided in Attachment 1. For reference, Chart 4 of Ex. I1-3-1 is also reproduced. Note that the Proposed Revenue Requirement and Forecast Production is the same across all alternatives.

b) The total interest line reflects the total amount of interest that is projected to be recorded in the RSDA and recovered from ratepayers by the end of the disposition period. OPG confirms that, as required under O. Reg. 53/05, it expects that the RSDA balance will be fully disposed by the end of 2036.

c) See Attachment 2.

d) Not confirmed. The nuclear payment amount transition impact post-2036 is measuring the difference in the expected nuclear payment amount in 2037 vs 2036, not the expected bill impacts between 2036 and 2037.

e) See Attachment 3.

Where Board Staff has requested that OPG provide a scenario that ensures total interest costs do not exceed $500M, OPG has provided two scenarios. Scenario H ensures that the total interest does not exceed $500M, and has the same WAPA increase in each year from 2022-2026. This scenario fails OPG's credit metrics criteria. As such, OPG has also included Scenario I, where the WAPA is increased by 4% in 2022, and by 1.7% in each year from 2023-2026, with total interest not exceeding $500M.

OPG has noted a formula error in its smoothing model, which has a minor impact on some of the information in Ex. I1-3-2, Chart 3. The changes do not impact the 2022-2026 deferrals or the overall evaluation of the rate smoothing alternatives as set out in Ex. I1-3-2. The corrected values are included in Attachment 3, Table 1, along with OEB Staff's proposed alternatives.

f) See Attachment 4. In addition, OPG has added an average bill impact column to all versions of Ex. I1-1-2, Table 1.