Energy Probe Interrogatory #66

Interrogatory

References:
Exhibit G2, Tab 2, Schedule 1, Page 2, and Table 1, and Table 2

Preamble: "Sections 6(2)9 and 6(2)10 of the O. Reg. 53/05 provide that the OEB shall ensure that OPG recovers all the costs it incurs with respect to the Bruce Nuclear Generating Stations, and that any revenues earned from the Bruce Lease in excess of costs be used to offset the nuclear payment amounts."

a) Please discuss why Bruce Lease Net revenues are significantly reduced in 2022?

b) Why is the Bruce Lease a losing financial proposition for OPG and ratepayers?

c) Please provide a schedule showing the total increase in Net Costs and the Total Loss projected for 2020-2026.

d) If costs continue to increase, why should not the Lease Amount be increased to a break-even proposition?

e) Provide all relevant factors resulting in the Lease losses: legislative, lease terms, and other factors driving the loss and preventing an increase in the Lease amount.

Response

a) The primary driver of the reduction in Bruce Lease net revenues between 2021 and 2022 is a decrease in low and intermediate level waste services revenue received from Bruce Power in return for managing said waste materials. As noted at Ex. G2-2-1, Section 3.5, OPG projects revenues under the L&ILW Agreement based on waste volume projections received from Bruce Power, which drives variability in forecasted levels of revenue. Additionally, as noted at that evidence, the revenue forecast for 2021 includes incremental revenue under a Supplemental Waste Agreement related to the Bruce Unit 6 Major Component Replacement and is therefore higher than in other years.

b) OPG applies Bruce Lease net revenues to the revenue requirement for OPG's prescribed nuclear assets in accordance with sections 6(9) and 6(10) of O. Reg. 53/05. To the extent the Bruce Lease net revenues are positive, applying them against the nuclear revenue requirement reduces it. If the Bruce Lease net

revenues are negative, their application to the nuclear revenue requirement serves to increase it. This treatment was indicated in the OEB's EB-2007-0905 Decision with Reasons:

> When OPG earns a profit (measured in accordance with GAAP) on its Bruce activities, the Board's approach calls for all of that profit to be used to reduce the payment amounts for Pickering and Darlington. […] If OPG were to incur a loss on its Bruce activities, which could happen if there are significant increases in the Bruce nuclear liabilities in the future, that loss would increase the payment amounts for the prescribed assets under the Board's approach. (p. 111)

As noted at Ex. G2-2-1, p. 6, the fluctuations in revenues from the Bruce Lease over the period are driven primarily by variability in low and intermediate level waste volumes and fuel bundles being discharged from the Bruce reactors, including impacts arising from the refurbishment of these units. These revenues are determined in accordance with the terms of the Bruce lease and associated agreements. The cost levels are primarily driven by the application of financial accounting requirements to calculate component expenses associated with OPG's nuclear liabilities related to the Bruce facilities (as described in Ex. C2-1-1), including changes to these liabilities recorded over time. Together, these factors result in the forecast amount of Bruce Lease net revenues applied to the nuclear revenue requirements in this application.

c) Refer to Attachment 1, which is presented in the form of Ex. G2-2-1, Table 1, as updated for 2020 actual results, with columns added to provide total values over the 2020-2026 period and the change in the values as between 2020 and 2026.

d) and e)

Refer to part b). OPG declines to provide the further requested information on the basis of relevance. Further details of the Bruce Lease agreement are not relevant to the issues in this application for reasons set out in the OEB's decision in EB-2007-0905 (Decision with Reasons, pp. 99-106) where the OEB held, among other things, that the Bruce Lease is an unregulated commercial contract and that "[t]he Board has no authority to set or review the terms of the lease between OPG and Bruce Power." (p. 99).