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By EMAIL and RESS

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Our File: EB20200290

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
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Attn: Christine Long, Registrar

Dear Ms. Long:

Re: EB-2020-0290 – OPG Draft PAO – SEC Submissions

We are counsel to the School Energy Coalition ("SEC"). Pursuant to the Board's Decision with Reasons dated November 15th, this letter constitutes SEC's submissions with respect to the Draft Payment Amounts Order filed by the Applicant on November 29th.

SEC's submissions are limited to the D2O Project and the Rate Smoothing Proposal. On all other aspects of the DPAO, we have reviewed the components in detail, but we have no further submissions.

D2O Heavy Water Storage Facility

The Board's Decision with respect to the D2O Project has three components:

1. Disallowance of $94 million capital costs as of October 2014.
2. Disallowance of carrying costs on the entire balance from May 2017 to March 2020.
3. Change in the in-service dates from part in 2016 and part in 2019 to all in 2020.

$94 Million Disallowance. With respect to the first item, the Board's Decision was as follows:

> *"The OEB finds that the $114 million capital cost was not prudently incurred and permanently reduces the balance of allowed capital costs to $20 million as of October 2014…*

> *In the context of the final D2O Project and the services it provides, the OEB ascribes $20 million in value to ratepayers up to the termination of B&M in October 2014 as an addition to rate base."*[1]

However, in the DPAO OPG has reduced the capital cost, not as of October 2014, but as of 2020[2]. As a result, the calculation of the interest during construction includes interest on $94 million of disallowed costs from October 2014 to March 2020, the in-service date. While the full calculation of the carrying costs on the project does not appear to be provided in the DPAO, it is clear that carrying costs have not been reduced to reflect this disallowance, only the disallowance of all carrying costs from 2017 to 2020 (which was related to delay, not imprudent spending).

The disallowance of the carrying costs on the $94 million from 2017 to 2020 will presumably be included in the $19.7 million provided by OPG, but no adjustment appears to have been made for the period 2014 to 2017, the period in which $114 million of capital cost has been reduced by the Board to $20 million.

SEC estimates the impact of correcting this adjustment at about $11 million.

SEC submits that OPG should be required to file a full continuity schedule showing the capital expenditures on D2O each year, adjusted for the Board Decision, and the calculation of interest during construction each year showing the impact of the reduced carrying costs from October 2014 to 2017.

Interest Disallowance. The Board also denied recovery for all carrying costs from May 2017 to the in-service date of March 2020, saying:

> *"While the OEB accepts the design and construction costs incurred from October 2014 to completion, the OEB will not allow the recovery of any interest costs capitalized to the D2O Project between May 2017, which is the in-service date that was forecast in the 2015 Superseding Execution Release, and the date that the prudent cost is allowed into rate base.*[3]*"*

OPG has determined this to total $19.7 million[4]. SEC has been unable to find a calculation of this amount in the DPAO, and has been unable to replicate it separately. We have reviewed the submissions of OEB Staff, and have not seen any calculations in those submissions that support the $19.7 million figure from OPG, although OEB Staff say they have no concerns with OPG's implementation of the disallowance.

SEC therefore submits that OPG should be required to show their calculations of the carrying costs for 2017 to 2020 on a monthly basis, including identifying the monthly capital expenditure balances and interest rates used in those calculations.

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[1] Decision with Reasons, p. 35 and 37.
[2] DPAO, App. A, Table 9a, Note 3.
[3] Decision with Reasons, p. 45.
[4] DPAO, App. A, Table 9a, Note 3.

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Capacity Refurbishment Variance Account. SEC has reviewed the OPG recalculation[5] of the CRVA and it appears to be consistent with the Decision.

Rate Smoothing Proposal

SEC has had an opportunity to review the submissions of LPMA with respect to rate smoothing, and agrees with those submissions.

All of which is respectfully submitted.

Yours very truly,
Shepherd Rubenstein Professional Corporation

Jay Shepherd
cc: Ted Doherty, SEC (by email)
Interested Parties (by email)

[5] DPAO, App. D, Table 2.