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Ontario Power Generation Inc.

Application for payment amounts for the period from
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Technical Conference
held virtually
on Thursday, June 18, 2026, commencing at 9:29 a.m.

Volume 6

A P P E A R A N C E S

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DAN DANE	Panel 2 - Concentric Energy Advisors
NICK CROWLEY	Panel 3 - Christensen Associates Energy Consulting
SHERRY WANG DAN MCLEOD	Panel 4 - Christensen Associates Energy Consulting
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CLEMENT LI	Building Owners and Managers Association (BOMA)
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TOM LADANYI	Energy Probe Research Foundation
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SCOTT WALKER	Ontario Association of Physical Plant Administrators (OAPPA)

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MARK GARNER	Vulnerable Energy Consumers Coalition (VECC)
COLM BOYLE	WTFN Investment Holdings LP

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1 Thursday, June 18, 2026

2 --- Upon resuming at 9:29 a.m.

3 M. MILLAR: Good morning, everyone. Welcome to
4 the second technical conference in the OPG proceeding
5 EB-2025-0297. My name is Michael Millar, I am
6 counsel for OEB Staff and will be acting as the host
7 today.

8 Ashley, could I turn to you for the land
9 acknowledgement.

10 **LAND ACKNOWLEDGEMENT**

11 A. SANASIE: The Ontario Energy Board
12 acknowledges that our headquarters in Toronto is
13 located on the traditional territory of many Nations
14 including the Mississaugas of the Credit, the
15 Anishinaabeg, the Chippewa, the Haudenosaunee, and
16 the Wendat peoples.

17 This area is now home to many diverse First
18 Nations, Inuit, and Métis peoples. We also
19 acknowledge that Toronto is covered by Treaty 13 with
20 the Mississaugas of the Credit. We are grateful for
21 the opportunity to gather and work on these lands and
22 recognize our shared responsibility to support and be
23 good stewards of them. Thanks.

24 M. MILLAR: Thank you, Ms. Sanasie.

25 I understand there are no preliminary matters,
26 so I am going to jump quickly into appearances, and
27 then we will get right to the questioning.

28 **APPEARANCES**

1 MR. MILLAR: As I said, I am Michael Millar, I
2 am counsel for OEB Staff. The other Staff members
3 with us today are Tom Eminowicz, Jeff Sauer, Fiona
4 O'Connell, and Ian Richler will be joining us as
5 well.

6 I will turn to the Company and then go to the
7 parties. Just a reminder, you only have to put in an
8 appearance if you expect to speak today on the
9 record. So if you are just sitting and watching you,
10 don't need to do an appearance.

11 Mr. Sternberg, could I turn to you.

12 A. STERNBERG: Yes. It is Arlen Sternberg,
13 counsel to the Applicants, accompanied by my
14 colleague Jon Silver. We are also here with two OPG
15 representatives, Ms. Zadeh and Ms. Brown, although I
16 don't expect that they will be speaking.

17 M. MILLAR: Thank you.

18 Mr. Walker.

19 S. WALKER: Good morning, Mr. Millar. Good
20 morning, everyone. My name is Scott Walker, and I am
21 the consultant for the Ontario universities in this
22 proceeding.

23 M. MILLAR: Thank you.

24 Mr. Shepherd, I see you are up now.

25 J. SHEPHERD: Jay Shepherd for the School Energy
26 Coalition, and joining me is Mark Rubenstein.

27 M. MILLAR: Okay. I am going to kind of go
28 through who I see on the screen here.

1 Mr. Gluck.

2 L. GLUCK: Lawrie Gluck on behalf of the
3 Consumers Council of Canada.

4 M. MILLAR: Good morning. I see Mr. Silver
5 already has an appearance put in, so I will move to
6 Mr. Ladanyi.

7 T. LADANYI: Good morning. Tom Ladanyi on
8 behalf of Energy Probe and Coalition of Concerned
9 Manufacturers and Businesses of Canada. I will be
10 asking questions on behalf of Energy Probe this
11 afternoon. I have no questions this morning.

12 M. MILLAR: Okay. Thank you, Mr. Ladanyi.
13 Mr. Garner.

14 M. GARNER: Mark Garner on behalf of VECC.

15 M. MILLAR: Mr. Rubenstein. I think it is Mark
16 Rubenstein. He may have just stepped away for a
17 moment.

18 M. RUBENSTEIN: I believe Mr. Shepherd put me
19 in.

20 M. MILLAR: Oh, did he put you in? I am sorry.
21 I didn't even hear.

22 I see Mr. McLeod. Are you there?

23 Okay. Mr. Vollmer.

24 D. VOLLMER: Good morning. Daniel Vollmer,
25 counsel for Minogi Corp.

26 M. MILLAR: Mr. Li, are you there?

27 C. LI: Yes, yes. Clement Li on behalf of BOMA
28 Toronto.

1 M. MILLAR: Great.

2 Ms. Grice.

3 S. GRICE: Sorry about that. Good morning.

4 Shelley Grice on behalf of AMPCO.

5 M. MILLAR: And Mr. Boyle.

6 C. BOYLE: Good morning. Colm Boyle here on
7 behalf of WTFN. I will figure out my camera by this
8 afternoon.

9 M. MILLAR: Okay. Thank you, Mr. Boyle.

10 Is there anyone else who needs to put in an
11 appearance? Okay. Hearing no one, I think we can
12 turn it right over to the witnesses -- or the
13 witness. I think it is LEI who is up first. Mr.
14 Sternberg, would you like to introduce your witness,
15 and then we can get straight to the questions.

16 A. STERNBERG: Sure. The first witness for this
17 morning is Julia Frayer of London Economics
18 International, LEI, who is on the line with us, and I
19 think we are ready to proceed with intervenor's
20 questions.

21 M. MILLAR: Great. We had circulated a schedule
22 last night. I think OAPPA and CCC are actually going
23 to switch in the order. So we have OAPPA up first.
24 So I will turn it over to Scott. And I have got you
25 down for 40 minutes.

26 S. WALKER: I will do my best to try and stay
27 under that, Mr. Millar.

28 M. MILLAR: Okay. We do very much want to

1 finish today, and we are at -- we are past 4:00, I
2 think, to finish. In any event, I will ask everyone
3 to do their diligent best to be within their time
4 limits, and I will be poking you if people are going
5 long.

6 Okay. Over to you, Scott.

7 **PANEL 1**

8 **CROSS-EXAMINATION BY S. WALKER (OAPPA):**

9 S. WALKER: Thank you, Ms. Frayer, for being
10 here and for your indulgence today with our
11 additional questions. I was fascinated by the study
12 you undertook for OPG specific to the I minus X
13 hydraulic rate adjustment mechanism, so my questions
14 principally concern the determination of the
15 productivity factor as in the X component of the
16 adjustment equation.

17 So can I please ask that we bring up Exhibit A1,
18 Tab 3, Schedule 2, Attachment 2, page 26.

19 Maybe while that is coming up, Ms. Frayer, I
20 wanted to share with you that I was probably one of
21 the few people who read your report like it was a
22 John Grisham novel. I was absolutely enthralled by a
23 seemingly harmless gathering of 36 peers coming
24 together for a weekend retreat on a private island in
25 the St. Lawrence River hosted by OPG.

26 And then the peers start dropping like flies.
27 Somebody insults the French ambassador. There is
28 even a covert government conspiracy causing all the

1 Canadian guests to leave the island.

2 But eventually the reader grows attached to a
3 smaller subset of peers who are staying on the
4 island, gets enthralled with their characters, and
5 really enjoys and is engaged by the rigour and
6 thoughtfulness of your analysis.

7 And then, boom, plot twist. The story concludes
8 with OPG saying, yeah, thanks, but no thanks. We are
9 just going to do nothing. It is just zero. I mean,
10 sure, everyone gets off the island safely, but still.
11 Were you disappointed by that outcome?

12 J. FRAYER: I --

13 A. STERNBERG: Sorry, that is not -- sorry.
14 Just give me a moment to unmute. I don't think that
15 is an appropriate question, whether she is personally
16 disappointed about something or not. But if you have
17 got a question that relates to the work she did in
18 her report, by all means, please.

19 S. WALKER: Sorry. Do you agree with the
20 outcome of what OPG did with your report, Ms. Frayer?

21 A. STERNBERG: Well, yes, I don't think that is
22 -- or if you have really argue questions about what
23 OPG did or why it is appropriate, if -- I think Ms.
24 Frayer is here to talk about the study she did and
25 the report she prepared, not what OPG subsequently
26 did in respect of the rate framework or the reasoning
27 for their proposals.

28 S. WALKER: Okay. And, again, subject to

1 correction here by Mr. Sternberg, but why do you
2 suppose OPG would go to all the trouble of
3 commissioning a study from you, and then ignore all
4 your recommendations?

5 A. STERNBERG: Well, I don't think it is an
6 appropriate question. I also don't agree with the
7 characterization. I don't think they ignored the
8 recommendations. And I think OPG's evidence explains
9 the way in which the study informed the proposal they
10 have put forward.

11 S. WALKER: I guess, Ms. Frayer, what I was
12 trying to get at was did OPG potentially expect a
13 different outcome from your study.

14 A. STERNBERG: Well, I think that is a question
15 for OPG. I am not sure it would be relevant either,
16 but it certainly would not be for Ms. Frayer to
17 speculate on what OPG was or was not expecting.

18 S. WALKER: Okay. Well, this is probably even a
19 dumber question, then, Mr. Sternberg.

20 Ms. Frayer, I would just like to confirm that a
21 negative growth factor actually chooses to escalate
22 the rate adjustment mechanism; is that correct?

23 J. FRAYER: So, Mr. Walker, I just want to make
24 sure I understand your question. You are asking
25 about the mechanics of how a finding of a negative X
26 factor would work within an IR framework?

27 S. WALKER: Exactly.

28 J. FRAYER: So a negative X would -- if adopted,

1 would translate into an increase in rates so long as
2 the value of the -- well, I think it -- there is a
3 relationship there as well with inflation. So the
4 formula is I minus X. So if we have minus a negative
5 number that is increasing it, of course there could
6 be hypothetically deflation. But we won't get there.

7 But in the context of positive inflation, it
8 would mean a further increase on top of inflation.

9 S. WALKER: Thank you. That was my
10 understanding. I just wanted to clarify that a
11 negative negative actually serves to add to the
12 overall escalation factor; correct?

13 J. FRAYER: Yes.

14 S. WALKER: Okay. Awesome. Thank you.

15 So just looking at the list here in -- boy, I
16 hope you can see that. I am a little bit challenged.
17 I was surprised that none of the former Niagara
18 Mohawk generation assets were on the list.

19 So a lot of those 77 stations would share many
20 of the characteristics of OPG's, similar climate,
21 asset vintages, and, in certain circumstances, the
22 same river sources. Why did you not consider any of
23 those specific assets in your study?

24 J. FRAYER: So our list of industry peers was
25 developed, as we discuss in the report, based on the
26 available data. So we did start with a much wider
27 universe, as described in the report, of
28 hydroelectric operators but were not able to collect

1 the data from -- that would be necessary to conduct
2 the study over the time frame of that study.

3 So we described pretty extensively the companies
4 we sought to collect data from in both the U.S. and
5 Canada. And if the data was unavailable for a period
6 of time of our study or inadequate, we had concerns
7 around it and we couldn't get those concerns
8 addressed, although, in many cases, we actually
9 called the company to do so, that company couldn't be
10 part of the study.

11 S. WALKER: Okay. Fair enough.

12 So how many people in this list actually use an
13 I minus X hydraulic rate adjustment mechanism?

14 J. FRAYER: I don't believe other than OPG,
15 which is -- I don't think we see it on the screen,
16 but it is part of the TFP study. Other hydroelectric
17 operators in the U.S. don't explicitly use an I minus
18 X.

19 S. WALKER: Sorry. So is that everybody on this
20 list uses an I minus X?

21 J. FRAYER: No. The opposite.

22 S. WALKER: Nobody uses it?

23 J. FRAYER: Nobody on this list other than OPG
24 use an I minus X regime explicitly.

25 S. WALKER: Okay. So there is no ability to
26 sort of infer amongst these participants in your list
27 whether they were, in fact, changed their
28 productivity as a consequence of an I minus X factor,

1 then?

2 J. FRAYER: As is common practice among
3 practitioners of total factor productivity studies
4 for industries, we do not divide up the industry
5 based on regulatory regime when looking at long-term
6 average trends for total factor productivity. It is
7 an interesting question, but we don't do that.

8 S. WALKER: Right, right. Purely speculative,
9 then. So any sort of suggestion around a Hawthorne
10 effect or a quantum Zeno effect on that group because
11 they had an I minus X really wasn't part of what you
12 considered?

13 J. FRAYER: Our scope did not consider the items
14 you just have just mentioned.

15 S. WALKER: Yeah. Fair enough. Okay. Thank
16 you for that.

17 Excepting the Western Area Power Administration,
18 or WAPA in this list, OPG is otherwise the big dog in
19 this group of peers; agreed?

20 J. FRAYER: Yes. In terms of absolute capacity,
21 as this table shows, OPG would come in number 2.

22 S. WALKER: Thank you.

23 So ignoring my wife's opinion on the matter, can
24 you tell me if size actually matters within the
25 context of productivity?

26 J. FRAYER: We actually establish that answer in
27 our total cost benchmarking study for purposes of
28 relative efficiency and relative productivity.

1 But this study that we are looking at right now,
2 an industry total factor productivity study does not
3 examine productivity levels. What it examines is the
4 trend in TFP.

5 And for purposes of the trend in TFP over long
6 periods of time, it is inconclusive whether economies
7 of scale would accelerate or decelerate. We have
8 actually seen deceleration as well or diminishing
9 returns.

10 S. WALKER: So just in kind layman's terms, a
11 30-megawatt station may or may not be more or less
12 productive than a 100-megawatt station? Sorry, in
13 your expert exposure.

14 J. FRAYER: Again, I think that you are perhaps
15 misunderstanding the focus of this study. It isn't
16 to establish relative productivity. It is to look at
17 productivity over time, changes in productivity for
18 the industry as a whole over time. And these
19 generators have a range of power plants, some small,
20 some large.

21 What we are targeting to do with an industry
22 study in total factor productivity trends is to
23 analyze a variety of hydroelectric operators who may
24 have a variety of different types of hydroelectric
25 plants and look at the progress or change in
26 productivity over time rather than establish
27 productivity levels at a specific point in time.

28 S. WALKER: I think I understand what you just

1 said.

2 So would my asking a question about how OPG's
3 productivity compared to WAPA's -- we love the
4 acronym, by the way -- be a relevant question? Are
5 you able to tell me if OPG had a similar productivity
6 to WAPA in your study?

7 J. FRAYER: So a total factor productivity
8 study, again, what we are looking at right now would
9 not address that question. It looks at trends over
10 time for the industry as a whole. That is the -- and
11 I -- there are sections of the report we can go to
12 that describe that being the goal, given the purpose
13 to inform the calibration of a productivity target in
14 an I minus X framework. A benchmarking study, which
15 we also completed, could address that.

16 S. WALKER: Okay. That is not something that
17 has been submitted as part of the evidence, though,
18 is it?

19 J. FRAYER: We did submit a total cost
20 benchmarking study.

21 S. WALKER: Okay. Okay. Oh, awesome. So I
22 think I understood your answer to say, we weren't
23 doing a specific point-of-time productivity
24 comparison. We were doing a trend analysis over an
25 extended period of time, the same period of time,
26 obviously; do I have that correct?

27 J. FRAYER: Yes. We were focused on a trend
28 over time and a trend for the industry as a whole.

1 S. WALKER: Okay. Okay. Yeah, fair enough.

2 J. FRAYER: In the TFP study.

3 S. WALKER: Okay. Yeah, some of my next
4 questions are irrelevant, then, within that context.
5 Thank you for that clarification.

6 Can I ask that we please back up a couple of
7 pages, same exhibit. Go to page 24. And if we could
8 just go to the bottom of the page with the actual
9 footnotes, maybe blow it up a bit. Yeah, thank you.

10 And in Footnote 44, you disclose that you did
11 not differentiate between some rather significant
12 operating environments here. Did you ignore these
13 factors because they were not relevant or because the
14 analysis would not be possible if you included them?

15 J. FRAYER: We did not consider these factors
16 because we weren't trying to differentiate in our
17 analysis. This is an industry study where we are
18 attempting to capture all kinds of firms, subject, of
19 course, to data availability across a variety,
20 perhaps, of commercial, regulatory, and business
21 objectives.

22 And we aren't looking at financial questions.
23 We are looking at physical productivity and the
24 change of that physical productivity for the industry
25 as a whole over time.

26 S. WALKER: So not necessarily as motivated by
27 price signals from the market or commercial
28 arrangements that the entities may or may not have

1 with other parties?

2 J. FRAYER: That is correct. So a total factor
3 productivity is looking at technical change,
4 technology improvements, to the extent that -- and
5 this would not apply to a hydroelectric industry, but
6 the concept of serving more customers with the same
7 set of inputs because of customer growth would be
8 another form of productivity improvement over time.

9 Those are the type of factors that were the
10 driving -- that are considered the driving force
11 behind it.

12 So, again, it wasn't a study of relative
13 efficiency. It was a study of the trend in industry-
14 wide total factor productivity. And in any industry,
15 you might have firms operating under a variety of
16 different arrangements with different decisions
17 behind those.

18 S. WALKER: Okay. Fair enough. So you wouldn't
19 -- you wouldn't really be able to comment about
20 whether productivity has any real relevance in terms
21 of the -- sorry -- would have -- in a market where it
22 is real-time or capacity-based, your study didn't
23 really include any sort of considerations around
24 productivity associated with those sort of
25 externalities, then?

26 J. FRAYER: We did not consider productivity
27 trend impacts.

28 S. WALKER: Yeah, okay. Yeah, no, fair enough.

1 I wanted to make sure I was clear on -- but are you
2 aware that OPG is also proposing to earn revenue in
3 the real-time market as distinct from the revenue it
4 is going to earn from Ontario's day-ahead market and
5 its IRM-determined rate?

6 A. STERNBERG: Yeah, I am not -- I am not -- I
7 am not sure this is within the scope of LEI's
8 evidence. I mean, if you can restate it or tie it in
9 some way to being a question about their analysis or
10 study, then there won't be any issue.

11 But the way you framed it, it seemed like it is
12 something that is outside the scope of LEI's mandate
13 and work in this case.

14 S. WALKER: Yeah, fair enough. It is certainly
15 part of the evidence, but it would not have been part
16 of their report. Okay. Maybe I can contextualize it
17 a little differently.

18 Ms. Frayer, if a generating entity is motivated
19 to produce more from the pricing signals it gets from
20 the real-time market, do you still need a
21 productivity adjustment?

22 A. STERNBERG: I think that also may be a
23 question that is more appropriate for OPG. I mean,
24 if Ms. Frayer has a response in respect of the work
25 she did or the study, I am fine with her providing
26 that. But I think the way you framed that, that
27 would be a question for OPG.

28 S. WALKER: Okay. Yeah. Thank you, Mr.

1 Sternberg.

2 Okay. So maybe we can go back to my plot twist
3 from earlier. Can we please pull up page 56 from the
4 same exhibit, and that is Section 7 of the report.
5 And can we, please, go to the last paragraph on this
6 page. Your analysis and report confirms -- yeah,
7 thank you. Maybe a little bit bigger for some of us
8 in the back.

9 Your -- the conclusion that I am inferring from
10 this is that hydraulic production will never be
11 positive. And as you may or may not be aware per Mr.
12 Sternberg, the Board has said no negatives in its
13 prior decisions.

14 So I wonder, that sort of context, why would we
15 continue to include productivity in the I minus X
16 formula?

17 A. STERNBERG: Sorry. In terms of -- maybe you
18 can break it down, Mr. Walker. Apologies for the
19 interjection. It sounded like the first part of your
20 question was asking about the conclusion of her
21 study, which I take no issue with.

22 I think you ended up with a question that is
23 more about the appropriateness of rate frameworks in
24 the regulatory environment in Ontario going forward
25 or in the future, which I think is not something that
26 is within Ms. Frayer's scope of work here.

27 So perhaps if you can focus on the question that
28 relates to what her conclusions were, you won't --

1 you won't get an -- you won't get an interjection
2 from me on that.

3 S. WALKER: Okay. Fair enough. Thank you.

4 So is it -- is it generally true, though, that
5 hydraulic generation over time will never be positive
6 in terms of its productivity? Is that a general
7 statement of hydraulic generation assets? Is that
8 correct?

9 J. FRAYER: I would not infer that to be a
10 universal truth. I think that is the purpose of
11 doing empirical studies such as the one before you.
12 So my paragraph at the bottom where we are providing
13 an understanding of the results of this -- this study
14 in words or relating it to what we are seeing in the
15 historical data, an industry TFP study by its nature
16 is a historical study, so we need to understand those
17 numbers.

18 The future is uncertain, especially for long-
19 lived assets and the possibility of technological
20 gains, as we see in our daily lives for other types
21 of gadgets and services we receive.

22 So I don't think I would conclude that if we end
23 up doing -- I think it would be incorrect to
24 conclude, if we did a TFP study at some point in the
25 future, that we should always assume a negative TFP
26 trend.

27 But the results of this study, the historical
28 data, that tells a story for the purposes of this

1 study, and that is what I am explaining in this
2 paragraph.

3 S. WALKER: Understood. Thank you for that
4 clarification.

5 I did just want to go back to a point you made
6 earlier, which was all of the folks in your study,
7 none of them are actually using an I minus X rate
8 adjustment mechanism, and that is true; correct?

9 J. FRAYER: Yes, as I answered earlier.

10 S. WALKER: Yeah. Are you aware of anybody in
11 North America that uses productivity in an I minus X
12 type of circumstance?

13 J. FRAYER: Well, there are many other
14 industries -- well, other industries that are
15 regulated that do apply an I minus X, so, yes. There
16 are what we call "vertically integrated utilities"
17 that are -- that basically have multiple functions
18 under the same utility umbrella that involve
19 generation. They also use multi-year rate plans and
20 other forms of PBR that do something quite similar.

21 So there are analogies, but no one is on a
22 formal I minus X framework, to my knowledge, that
23 involves hydroelectric generation. But there are --
24 there are, I would believe, analogies to be made. I
25 would have to take some time to think about that,
26 though.

27 S. WALKER: For example, nuclear; right? There
28 is productivities associated with that particular

1 generation type, then?

2 J. FRAYER: Well, I would have to think about
3 the specifics. I can't answer off the spot.

4 S. WALKER: Yeah, fair enough. Fair enough.
5 Good. Ms. Frayer, thank you so much for your
6 indulgence with my questions. Those are all my
7 questions.

8 Mr. Millar, I am giving you back ten minutes,
9 sir.

10 M. MILLAR: Great. A gold star for you, Mr.
11 Walker, to start us off.

12 Mr. Gluck, I think you are next. And how long
13 do I have you for, Lawrie? Is it --

14 L. GLUCK: It's about 15 minutes.

15 M. MILLAR: Oh, 15?

16 L. GLUCK: I don't expect it will take more than
17 that so --

18 M. MILLAR: Okay. Great. Off you go.

19 L. GLUCK: Thank you, Mr. Millar.

20 **CROSS-EXAMINATION BY L. GLUCK (CCC):**

21 L. GLUCK: Good morning.

22 J. FRAYER: Good morning.

23 L. GLUCK: If we could -- good morning. If we
24 could start with A1, Tab 3, Schedule 2, Attachment 3,
25 page 7, please. Yes. And if we could just scroll
26 down slightly towards the bottom of the page. Thank
27 you.

28 And in the summary of results here, OPG is

1 ranked in the first quintile using the OM&A model
2 with cost 42 percent lower than the benchmark and is
3 ranked in the second quintile using the OM&A plus
4 sustaining capital with cost 15 percent lower than
5 the benchmark; is that -- is that correct?

6 J. FRAYER: Yes, that is correct. And the
7 benchmark is other entities' costs when controlling
8 for the same factors as described here.

9 L. GLUCK: Perfect. Thank you.

10 J. FRAYER: Just for clarity, yeah.

11 L. GLUCK: Thank you.

12 And based on the relative decline in cost
13 performance, OPG's cost performance once sustaining
14 capital is considered in the benchmarking model, it
15 would be fair to say that OPG's capital cost-
16 effectiveness is worse than its operational cost
17 performance?

18 J. FRAYER: I think what we would interpret from
19 this analysis is that in an econometric model, when
20 we are looking at the relationship between total
21 costs and factors or drivers of those total costs
22 inclusive of sustaining capital, OPG's relative
23 performance, still above average, above other
24 entities' costs. But in terms of, I guess, absolute
25 ranking, there is a little bit of a change. We have
26 compared it to the OM&A-only model.

27 What we don't have and what we don't believe is
28 relevant is to look at just sustaining capital --

1 excuse me -- on its own.

2 So I think I would generally agree, Mr. Gluck,
3 with the statement. The only caveat is that the way
4 you phrased it leaves the impression that we have an
5 econometric model that just looked at capital spend
6 in isolation, which we don't.

7 L. GLUCK: Okay. No, that is fair. Thank you.

8 If we could go to A1-CCC-8, please. And if we
9 could go to part -- the response to Part E. Thank
10 you. And in this response, LEI explains that it did
11 not perform the benchmarking analysis inclusive of
12 all capital costs because the non-sustaining capital
13 investments are dependent on where each company is in
14 its investment cycle, and the econometric analysis is
15 over a short time frame, and there are problems with
16 the EUCG database in terms of how far back in time
17 the data is available.

18 Is that a reasonable summary of the reason why
19 LEI did not include all capital costs as part of its
20 benchmarking study?

21 J. FRAYER: I didn't have a chance to write down
22 all the words you said in your question, so -- but I
23 believe the answer that we have provided in E is
24 thorough. It is an actual excerpt of our discussion
25 regarding certain additional capital investments for
26 improvements, capital improvements, that we did not
27 include, and there were a variety of reasons for us
28 to not include them, given the structure of the

1 study.

2 L. GLUCK: Thank you.

3 And if we go to Part F, please. And here there
4 is a definition of "sustaining capability costs."
5 And when I read the definition, there appear to be a
6 number of qualifying statements regarding what costs
7 are and are not sustaining capability-related. For
8 example, the definition says that capital costs
9 usually include replacements and may or may not
10 include technological improvements that extend
11 equipment useful life.

12 So my question for you is how is -- how is LEI
13 confident that all of the companies in its peer group
14 have recorded their capital costs with respect to an
15 allocation between sustaining and non-sustaining in a
16 manner that is equivalent to each other?

17 J. FRAYER: So our answer in this question comes
18 from an excerpt we provided on the reporting
19 instructions that EUCG sends out to all the
20 participants in its group. There are extensive,
21 extensive instructions. The manual is very long.
22 And there are checks done once the data is received
23 to ensure that it is thoroughly consistent and
24 compliant with the requirements.

25 L. GLUCK: So the LEI has a high degree of
26 confidence that -- you know, just choosing two peers
27 in the model, that they would have recorded
28 sustaining capital in the exact same way?

1 J. FRAYER: Generally, we have confidence that
2 the EUCG dataset has been created with the
3 intentional purpose of allowing for this type of cost
4 benchmarking.

5 L. GLUCK: Thank you.

6 And would you agree, then, if you were simply to
7 use total capital costs in the benchmarking, there
8 would be no concerns at all about how different
9 utilities in the peer group have recorded the costs?

10 It would eliminate all judgment and any
11 requirement for checking as to how different
12 companies have recorded their costs for comparison
13 purposes.

14 J. FRAYER: Let me answer this question with a
15 little bit of a longer answer in the sense, first of
16 all, what we are using for capital is the spend.
17 Just to differentiate that vocabulary from the
18 components of capital cost that go into a revenue
19 requirement. This is the spend, the actual dollars
20 expended, so CapEx.

21 If we started down the path of considering
22 hypothetically to include the non-sustaining CapEx,
23 our study would no longer be able to reasonably
24 benchmark utilities. So that -- I guess
25 computationally, we could have included it, but it
26 would no longer be a reasonable benchmarking study
27 because, for the reasons we stated in the report, it
28 would not allow for a meaningful comparison of

1 companies.

2 There are certain projects, extraordinary
3 projects, that are taken on for very good reasons by
4 a single company, but there would be no basis to make
5 a comparison to other companies at that point.

6 L. GLUCK: And when you say that, I think what
7 you are referring to is your commentary around sort
8 of companies being at different points in their
9 investment cycle at any given time. Is that what you
10 are referring to in that response?

11 J. FRAYER: I am referring to investment cycle,
12 but I am also referring to even a broader
13 consideration here in that the type of projects that
14 we excluded are opportunities that are not available
15 across the board to companies.

16 It may be impossible to do that type of work
17 with certain hydroelectric generation, and therefore,
18 we cannot expect that even if we did a very long time
19 frame, we would capture those types of projects on a
20 reasonable distribution across other peers in the
21 company -- other peers in the study.

22 Think of them as maybe, like, unique
23 opportunities. Very difficult to do justice to a
24 comparison of unique opportunities.

25 L. GLUCK: So can you give me an example of
26 something like that, that, you know, one company can
27 do and another company could not do?

28 J. FRAYER: I would need to think about it. I

1 would want to make sure that I gave you a good
2 example. I am not sure I am ready to do that right
3 here, right now.

4 L. GLUCK: Okay. My understanding -- you can
5 please correct me if I am wrong, but my understanding
6 is what is in your model -- in your benchmarking
7 study, I should say, with respect to the capital
8 costs is -- there is two buckets.

9 So there is sustaining capital, which is in, and
10 then non-sustaining, which is out, which are things
11 like, you know, sort of -- the wording that OPG uses,
12 at least, is in their -- in their -- this is -- just
13 to give you the reference, it is Exhibit D1, Tab 1,
14 Schedule 1, Table 3, if you want it.

15 But they basically use the words "regulatory" as
16 one category and "value enhancing strategic" as
17 another category, and those are the two categories,
18 at least for OPG, that are out of your -- out from
19 your benchmarking.

20 And I am just struggling to understand why every
21 company wouldn't have -- every peer in the peer
22 group, every hydroelectric generator, wouldn't have
23 the same sort of spending. Maybe not exactly the
24 same, of course, but similar.

25 J. FRAYER: I don't have the -- handy the IR
26 that you were referring to, which I believe OPG
27 authored, so it is not an IR that I authored.

28 L. GLUCK: Yeah.

1 J. FRAYER: And I appreciate your question.

2 Maybe I --

3 L. GLUCK: I can give you the reference again if
4 it is helpful. It is in the pre-filed evidence. It
5 is June --

6 A. STERNBERG: Perhaps we can pull -- perhaps we
7 can pull it up, given what the witness said --

8 L. GLUCK: Sure.

9 A. STERNBERG: -- so she is aware of
10 specifically what you are referring to. Thanks.

11 L. GLUCK: Absolutely. So it is Exhibit 1 --
12 D1, Tab 1, Schedule 1, Table 3.

13 And what I was referring to is they have -- they
14 have basically three categories of hydroelectric
15 capital spending. Sustaining -- so line 2 is what is
16 in -- what I understand to be in LEI's model, and
17 then there is two other categories that are not.

18 J. FRAYER: I would probably need to get back to
19 you on it and perhaps -- again, not familiar -- I see
20 the numbers, but not familiar with these specific
21 definitions, so would need time to understand them.

22 L. GLUCK: That is fair. If you would -- if you
23 could take an undertaking to advise as to why -- I
24 guess the fundamental question is why regulatory and
25 value enhancing or strategic investments are not
26 comparable across hydroelectric generators.

27 M. MILLAR: I am going to mark -- I am going to
28 continue the numeration from the first technical

1 conference just so we can keep track of things.

2 And sorry, Mr. Sternberg, were you looking to
3 interject?

4 A. STERNBERG: I was just going to say, assuming
5 Ms. Frayer is comfortable with that -- I know there
6 is limited time for when undertaking responses are to
7 be provided, but if she is comfortable with it, I
8 think on a best-efforts basis, we can undertake to do
9 it.

10 I don't know, in hearing the question, whether
11 she would also need additional data regarding the
12 peers in the study and how they deal with those
13 categories of costs, so -- but as long as it is
14 understood that, on a best-efforts basis, within the
15 time allowed, we will undertake to try to provide a
16 response.

17 M. MILLAR: Okay. Let's proceed on that basis,
18 JT-6.1.

19 L. GLUCK: Thank you.

20 **UNDERTAKING JT-6.1: Advise why regulatory and**
21 **value enhancing or strategic investments are not**
22 **comparable across hydroelectric generators**

23 L. GLUCK: And my last question for you is --
24 and I think you have said this to me now, and you
25 said it in Part E to CCC-8, that you don't think --
26 LEI doesn't consider the benchmarking analysis
27 inclusive of all capital costs to be appropriate. I
28 think you just said that to me now, and you have said

1 that in Part E to this response.

2 But is there the necessary data available to do
3 that analysis with the EUCG database? So between
4 2020 and 2023, to do the benchmarking with OM&A plus
5 total capital?

6 J. FRAYER: So the information over that time
7 frame that you just mentioned, 2020 to 2023, is
8 there, but it would no longer be a valid benchmarking
9 exercise. But you could look at the data.

10 L. GLUCK: And is that something you could do?
11 Could you undertake to run the benchmarking using all
12 of the assumptions and, you know, everything you have
13 done for the OM&A plus SC model, but instead turn it
14 into an OM&A plus total capital expenditure model?

15 A. STERNBERG: I am interjecting --

16 J. FRAYER: It would take a lot of time --
17 sorry, Arlen. Sorry.

18 A. STERNBERG: I am just -- sorry to interject.
19 I am just interjecting because unless I am missing
20 it, it sounds like that is the same request that you
21 made in Part E, your Part E question of CCC-8, and
22 you -- you got the position set out as to why LEI did
23 not consider that to be appropriate and was not
24 prepared to do it.

25 So I think you have the response there if --
26 unless you are asking something different. Perhaps
27 you can clarify.

28 But I think the position is as set out in E.

1 And if LEI is prepared to change that position, we
2 will advise, but otherwise, you have the position set
3 out there, and I don't think this is something that
4 you brought a motion on previously.

5 L. GLUCK: Okay. It is the same question, so I
6 am taking the answer as, no, you will not run that?

7 A. STERNBERG: Yes, I think you can -- for
8 today, we will take that as the position. If that
9 position changes, we will certainly advise. But for
10 today, the position is consistent with the response.

11 J. FRAYER: Yes. It is not a benchmarking
12 analysis.

13 L. GLUCK: Okay. Thank you so much. I
14 appreciate all the answers. Those are my questions.

15 M. MILLAR: Thank you, Mr. Gluck.

16 We have CCC next. Is that you, Mr. Shepherd?

17 J. SHEPHERD: Yes.

18 M. MILLAR: Okay. I have got you down for 45
19 minutes. We are going to look to -- actually, that
20 will probably take us to our break. So I will turn
21 it over to you.

22 J. SHEPHERD: That will be my target, thank you.

23 **CROSS-EXAMINATION BY J. SHEPHERD (SEC):**

24 J. SHEPHERD: Hello, Ms. Frayer.

25 J. FRAYER: Good morning.

26 J. SHEPHERD: Good morning. So the formula that
27 was provided by OPG, that was proposed by OPG, the
28 price cap index, that is not your formula. They are

1 proposing it. You don't have an opinion on that.

2 You did the background studies; is that right?

3 J. FRAYER: Yes, that is correct. I performed
4 certain technical studies.

5 J. SHEPHERD: Okay. So I won't ask you
6 questions about what they are proposing as a formula.
7 I will ask you questions about your three studies.

8 Now, you did studies on the three different
9 components of the -- or three of the components of
10 the PCI proposal; right? The inflation, TFP, and
11 benchmarking. So inflation for the I factor, TFP for
12 the X factor, and benchmarking for the stretch
13 factor; right?

14 J. FRAYER: Yes, those are the three studies:
15 the industry TFP, the total cost benchmarking, and
16 the inflation analysis.

17 J. SHEPHERD: Okay. And the formula that is
18 proposed doesn't include inflation or TFP in capital
19 costs; right? The capital component of revenue
20 requirement doesn't include those things because it
21 is actually cost of service; right?

22 J. FRAYER: Sorry, the formula, are you
23 referring to the evidence of the company --

24 J. SHEPHERD: I am saying what you -- your study
25 says -- for example, you say, here is inflation for
26 all components of cost. But they are not implying
27 inflation to capital cost, it is cost of service;
28 right? They are doing a forecast?

1 J. FRAYER: I am not sure I can answer that
2 question.

3 J. SHEPHERD: You don't know the answer?

4 J. FRAYER: Well, I am -- I think you are asking
5 me about specifics of how OPG applied different
6 components to their -- to their price cap formula?

7 J. SHEPHERD: Yes.

8 J. FRAYER: In their price cap formula.

9 It was not in my mandate to --

10 J. SHEPHERD: See, what I am trying to do is I
11 am trying to avoid a whole long discussion about what
12 you apply inflation to and what you apply
13 productivity to and how you calculate it if most of
14 the revenue requirement, those are not included.
15 Okay. And so if you can help me with that, that
16 would simplify my questions.

17 J. FRAYER: Well, I am not sure I am totally
18 aware of what you are asking.

19 J. SHEPHERD: Can I rephrase it?

20 J. FRAYER: Yes.

21 J. SHEPHERD: So the -- on the capital revenue
22 requirement, OPG is proposing that you take inflation
23 and productivity and a stretch -- sorry, inflation
24 and productivity, and you calculate an amount, but
25 then you calculate the difference between that and
26 their cost of service numbers, their forecast, and
27 give them extra to top up the difference.

28 And so what that means, I think, is that your

1 inflation number and your productivity number don't
2 matter in the context of the capital component of
3 revenue requirement because it is only the forecast
4 that matters. You can undertake to respond to this
5 if you prefer.

6 A. STERNBERG: I am pausing, Mr. Shepherd,
7 because it sounds like it may be more a question for
8 OPG. To move it along, perhaps we can deal with it
9 by way of undertaking, and if LEI is able to respond,
10 they will. And if not, we can ask OPG if they can.

11 J. SHEPHERD: Awesome.

12 M. MILLAR: Okay. So we will call that JT-6.2.
13 And, Mr. Sternberg or Mr. Shepherd, could you please
14 state what the undertaking is.

15 J. SHEPHERD: Yeah, sure. The undertaking is to
16 confirm that the capital component of revenue
17 requirement does not include inflation or TFP or X
18 factor because there is an adjustment to track to the
19 forecast of capital revenue requirement.

20 M. MILLAR: JT-6.2.

21 **UNDERTAKING JT-6.2: Confirm that the capital**
22 **component of revenue requirement does not**
23 **include inflation or TFP or X factor because**
24 **there is an adjustment to track to the forecast**
25 **of capital revenue requirement**

26 J. SHEPHERD: Okay. So then related to that --
27 and you may want to include this in the same thing, I
28 don't know, but your stretch factor does apply to

1 capital; right? Because they -- OPG has taken the
2 stretch factor that you have proposed, 0.15, which is
3 from your benchmarking study.

4 J. FRAYER: 0.15, yeah, is from my benchmarking
5 study, yeah.

6 J. SHEPHERD: And has reduced their capital
7 revenue requirement forecast by that percentage; is
8 that right?

9 J. FRAYER: Again, it wasn't part of my scope to
10 independently dig in to review the -- or make
11 recommendations on the actual formula for the price
12 cap that OPG is proposing. But I believe that is the
13 -- if my memory serves me right, I believe that is
14 correct.

15 J. SHEPHERD: Okay. And if it turns out that
16 there is some nuance to that, maybe you could include
17 in the undertaking a comment on that. And if not, we
18 will just take what you have just said. The --

19 A. STERNBERG: If there is any -- why don't we
20 leave it this way: If there is anything to add on
21 that, we will do so by way of undertaking.

22 J. SHEPHERD: Yeah.

23 So the reason I ask that is because I took a
24 look. Have you looked at the -- the -- Dr. Lowry's
25 responses to the interrogatories that were filed the
26 other day?

27 J. FRAYER: I actually haven't had a chance yet.

28 J. SHEPHERD: Okay. So you haven't seen any of

1 the responses he made to your questions?

2 J. FRAYER: No. I have not had a chance.

3 J. SHEPHERD: Okay. So I thought part of the
4 reason why we had a technical conference and why we
5 were waiting for this date was so that we could
6 identify the areas in which you and Dr. Lowry
7 disagreed?

8 A. STERNBERG: I don't -- that is not our
9 understanding. What has led to this technical
10 conference is that we understood, I think, primarily
11 from SEC and CCC, that there were some follow-up
12 questions that they had to interrogatory responses
13 that LEI provided.

14 We canvassed whether those could be dealt with
15 by way of further undertaking. There was objection
16 to that, and the Board agreed that it was appropriate
17 to have follow-up questions be asked by way of a
18 technical conference, and this was scheduled.

19 It was unrelated to the timing of -- that part
20 of it is unrelated to the timing of PEG's responses.
21 PEG's responses were delivered two days ago, the
22 16th, and parties were told that you will have an
23 opportunity to ask PEG questions, and you can -- once
24 you see those, you can inform the Board, as of
25 yesterday, whether you have questions for PEG at this
26 TC. But it wasn't scheduled in a way so that LEI
27 would be reviewing them in one day and then
28 responding.

1 The other thing I would just note by way of
2 reminder is that the Procedural Order deals with
3 reply evidence and has provided that reply evidence,
4 if there is going to be any, including from LEI, is
5 to be provided on June 26th. So that is a topic that
6 is being considered. We are not there yet.

7 If there is going to be reply from LEI to PEG's
8 reports or PEG's interrogatory responses, those will
9 be provided by way of a report on June 26th, and we
10 would then go from there. I assume it hasn't been
11 provided yet.

12 I assume the Board will provide an opportunity
13 for interrogatories, if need be, on any reply reports
14 that are delivered, but we are not there in the
15 schedule.

16 J. SHEPHERD: So --

17 A. STERNBERG: So this is -- today is not an
18 opportunity to ask for oral reply essentially, is a
19 short way of capturing what I was just saying.

20 J. SHEPHERD: So -- so sorry. Am I to
21 understand that this technical conference is not to
22 identify differences between the technical experts?

23 A. STERNBERG: It is -- our understanding is
24 that the technical conference is to ask questions for
25 purposes of reviewing or clarifying each expert's
26 evidence.

27 So in terms of LEI, the purpose would be to ask
28 questions to ensure there is an understanding or

1 clarification on LEI's reports that have been
2 delivered to date or their interrogatory responses.
3 But it is not an opportunity to canvass or seek oral
4 reply.

5 Again, there may be reply evidence delivered,
6 which -- and subsequent steps after that will deal
7 with any such evidence.

8 J. SHEPHERD: All right. I am -- that is sort
9 of unfortunate because it lengthens the oral hearing,
10 but what can we do.

11 A. STERNBERG: And sorry to -- apologies for
12 interrupting, but as Ms. Frayer has just indicated as
13 a practical matter, because we only got the PEG
14 responses late in the day on the 16th, that she just
15 has not had a chance, because there has only been one
16 day, to yet review those interrogatory responses.

17 J. SHEPHERD: Well, I only had one day too, and
18 I have. And I am not even --

19 A. STERNBERG: Fair enough.

20 J. SHEPHERD: So -- all right. I want to move
21 to a couple of other things.

22 In your inflation study, you proposed that
23 inflation should apply to all costs; right? And, in
24 fact, you have said the labour costs are -- should be
25 a labour index of some sort. I think you are using
26 AWE. I could be wrong, but I think so. And for all
27 other costs, capital and operating, the inflation
28 should apply to -- should use GDP IPI final demand;

1 is that right?

2 J. FRAYER: It is correct that we recommend the
3 continued use of a two-factor input price-based
4 index, and we do recommend also changing the
5 weighting of the indices based on the latest
6 information for the industry.

7 J. SHEPHERD: Okay. But you are still proposing
8 that inflation should apply to all of costs; right?

9 J. FRAYER: So in our input inflation index, we
10 are considering labour, non-labour, and capital
11 inflation indices as components. So we are saying
12 that those are relevant for use in a price cap
13 setting that considers those types of costs. But we
14 I don't believe make any explicit recommendations as
15 to the actual design of -- of the price cap formula
16 that I believe that is outside of our scope. That
17 was taken up by OPG's witnesses.

18 J. SHEPHERD: Okay. The reason I ask this is
19 because, if I understand correctly, about 56 percent
20 of OPG's costs in any given year are the costs
21 associated with opening rate base. The depreciation,
22 the cost of capital, and taxes associated with
23 opening rate base total 56 or 60 percent of their
24 total revenue requirement; does that sound about
25 right to you?

26 J. FRAYER: I don't have the data in front of me
27 to confirm that, Mr. Shepherd.

28 J. SHEPHERD: It is a big number; would you

1 agree with that?

2 J. FRAYER: I am happy to take it at your word
3 that it is a large number, yeah.

4 J. SHEPHERD: Okay. I am asking that because
5 from a ratepayer's point of view, you look at that,
6 and you say, well, opening rate base revenue
7 requirement goes down in real and nominal terms each
8 year; right?

9 That is the opening rate base at the end of,
10 let's say, 2026, the cost of that opening rate base
11 to ratepayers should go down every year; right?
12 Because depreciation stays the same, and rate base
13 goes down; therefore, cost of capital goes down?

14 J. FRAYER: So the rate base on previously
15 invested capital --

16 J. SHEPHERD: Yes.

17 J. FRAYER: -- in regulatory accounting terms,
18 so we are moving away from the studies that we have
19 done, but my understanding in regulatory accounting
20 terms, depending on the accounting depreciation,
21 should mathematically go down, but that isn't total
22 rate base.

23 Again, I am using your words. That is
24 historical -- historical -- historical investments.
25 It doesn't consider new investments.

26 J. SHEPHERD: Understood. The reason I asked
27 the question is because I was trying to figure out
28 how your studies take into account the fact that a

1 big component of revenue requirement declines. Like,
2 there is no inflation on that, right, for example,
3 but your studies don't take that into account?

4 J. FRAYER: Well, okay. Let's -- let's talk
5 about our studies, how they take into account -- I
6 think you are asking about rate base, right? So in
7 the total factor productivity study, we do take into
8 account capital stock, and we actually, first and
9 foremost, bring capital stock into real dollar terms,
10 and then we update it to consider both physical
11 depreciation and new investment.

12 So the total factor productivity study for the
13 industry does take into account all -- what the
14 starting rate base was at some point in time in the
15 back and properly takes into account how much capital
16 is no longer, for example, useful in service,
17 physical depreciation. It takes into account new
18 investments, all on a real dollar basis so that we
19 can extract out any -- there is essentially explicit
20 deflation assumptions taken into account so that we
21 can compare like-for-like units in our total factor
22 productivity. So inflation --

23 J. SHEPHERD: Well, okay. Let me just stop you
24 there.

25 J. FRAYER: -- is covered --

26 J. SHEPHERD: Sorry.

27 J. FRAYER: -- in our TFP study.

28 J. SHEPHERD: Sorry. Can I just stop you there

1 because that was an important point that I wanted to
2 understand. And that is how you do the calculation
3 of capital stock in total factor productivity, that
4 is not accounting rules; right? That is not even
5 related to accounting rules? These are not similar?
6 It is a different approach?

7 J. FRAYER: It is looking at physical
8 productivity, but there have been empirical studies
9 done, but that is still -- that could still be paired
10 effectively -- and I can look up the footnote, if you
11 want me to find it, for the papers -- with a variety
12 of different accounting approaches to accounting
13 depreciation.

14 J. SHEPHERD: Yeah, I wasn't asking -- I was
15 asking whether it specifically tracks what revenue
16 requirements should be?

17 J. FRAYER: The purpose of the total factor
18 productivity and the science of the application of
19 the I minus X is that the revenue requirement piece
20 is done in the going-in rates. But after that is
21 done, the I minus X formula, the -- the -- the --
22 with all the other various components to it -- I am
23 just saying "I minus X" in air quotes -- is applied
24 without having to reopen and redetermine the cost of
25 service over the term of the PBR.

26 J. SHEPHERD: Is the I minus X not intended --
27 you have an expertise in this area, right, in -- in
28 designing price cap indices; right?

1 J. FRAYER: I have -- not for this case, but I
2 have looked into this from time to time, yeah.

3 J. SHEPHERD: Okay. So I thought that the I
4 minus X was intended to be a proxy for the fair
5 return standard. It's -- it would be a proxy for
6 cost of service. It is intended to identify what the
7 appropriate cost of service is going forward; is that
8 not right?

9 J. FRAYER: I would reword it. In my own words,
10 I would say that the I minus X -- again, we are using
11 colloquially formula -- if it is applied to a
12 properly estimated going-in rate, should allow for
13 strong efficiency cost containment signals while also
14 providing an opportunity for the company to recover
15 their commercial rate of return. That is how, as an
16 economist, I see the application of that generically.

17 J. SHEPHERD: So it does comply with the fair
18 return standard?

19 J. FRAYER: If it is properly applied, yes, it
20 is supposed to do that while also driving at the
21 incentives for productivity.

22 J. SHEPHERD: Okay.

23 I want to -- I want to move to another area.
24 Can you turn to A1-SEC-17-D, please. So this talks
25 about your capital-related inflation indices, and
26 what it says is that you used something called "the
27 implicit rental price of capital." So I have no idea
28 what you are talking about. Could you explain that?

1 I read your reports. I still don't understand.

2 J. FRAYER: So the rental price of capital is --
3 if we go to Slide 29 of the inflation study.

4 Unfortunately, I don't know exactly -- yes, thank
5 you. It is presented on Slide 29.

6 J. SHEPHERD: I saw that.

7 J. FRAYER: And in addition, although I think we
8 could stay on this, it is discussed in our total
9 factor productivity report.

10 J. SHEPHERD: Yes, I read it there too.

11 J. FRAYER: Yeah. And this is a formula that
12 was developed many -- some time ago -- let me put it
13 that way -- in order to provide a measure for the
14 price of capital cost that goes into analysis of --
15 analysis of the totality of capital costs that would
16 be covered in a total factor productivity study.

17 So it is -- basically, think of it as the price
18 of using capital.

19 J. SHEPHERD: So --

20 J. FRAYER: That is why it is labelled "rental
21 price of capital." And it incorporates the cost of
22 capital, the WACC. It incorporates inflation. It
23 incorporates the construction costs and consideration
24 also of depreciation.

25 J. SHEPHERD: So it is not a historical cost; it
26 is market cost? It is the rental price at market?

27 J. FRAYER: At market because it is trying to
28 take into account the cost -- again, the weighted

1 average cost of capital, the use, but also the
2 inflationary pressures from making new investments as
3 well. We incorporated it to step back as part of our
4 consideration of different input price indices,
5 because theoretically, it is a very valid way to
6 think about it.

7 It is something actually that the Board had some
8 experience with many moons ago, I believe in first
9 generation incentive ratemaking, which is now taking
10 us back multiple decades.

11 There was an attempt to do something similar.
12 It wasn't as complete as this formula, but it was --
13 there was an attempt to have a more precise measure
14 about the kind of capital-specific index. It is --
15 tends to be more volatile, as described here as well,
16 and we wanted to show what the calculations would
17 imply. It is the implied rate, the grey line in the
18 chart.

19 J. SHEPHERD: Yes.

20 J. FRAYER: And so we wanted to show that. We
21 considered it, but we determined that we would not
22 recommend that for the purposes of the inflation
23 factor.

24 J. SHEPHERD: Okay.

25 M. GARNER: Sorry, Mr. Shepherd.

26 J. SHEPHERD: But you used it -- you used it as
27 a sort of a test to see whether your other approaches
28 were sensible?

1 J. FRAYER: When you say, "other approaches," I
2 guess, other choices for --

3 J. SHEPHERD: Yeah, your eventual
4 recommendation, you then looked at it and said, well,
5 if we used implied rental price, how would it differ,
6 and is that a reasonable difference; is that right?

7 J. FRAYER: We -- we definitely considered it.
8 On the next page, we have the various criteria.

9 J. SHEPHERD: Yes.

10 J. FRAYER: Our moon chart of colours and the
11 implied rental price. First of all, it is complex.
12 So it is not simple. There is, I would say academic
13 precedent, but not a lot of practical regulatory
14 precedent using it. The data, you need to look for
15 it. And we had some other concerns and issues with
16 it, as you can see. The index is more volitable
17 (ph).

18 So it didn't -- it didn't score very well. And
19 for that reason, the best scoring capital input price
20 index that we thought would work for the incentive
21 rate making plan was the continuation of using GDP
22 IPI.

23 M. GARNER: Sorry, Mr. Shepherd. It's Mark
24 Garner. Do you mind if I just -- before you go too
25 far because you're going to leave the slide --

26 J. SHEPHERD: Is somebody jumping in? I can't
27 hear you, whoever is talking.

28 M. GARNER: Yeah, it is Mark Garner. Jay? Can

1 you hear me? Mr. Shepherd, can you hear me?

2 J. SHEPHERD: I can barely hear you.

3 M. GARNER: Can anybody else hear me?

4 M. MILLAR: I can hear you, Mr. Garner. I
5 guess, Jay, what -- Mark is asking to interject with
6 a quick question, but I want to make sure that the
7 court reporter can hear him.

8 M. GARNER: Yeah. Maybe I can't be heard for
9 some reason. I'm not sure.

10 M. MILLAR: There is some background noise that
11 is picking up there, Mr. Garner. I can hear you well
12 enough to get the questions.

13 Ms. Frayer, can you hear Mr. Garner?

14 J. FRAYER: Yes, I can.

15 M. MILLAR: Okay. And Court Reporter, Mr.
16 Siddal, can you hear him?

17 Okay. Mark, why don't you go ahead and speak as
18 loudly as you can into your microphone.

19 M. GARNER: Yeah, I apologize. I will try to
20 speak clearly. Sorry.

21 It was on the slide just before. And before it
22 was left -- if we can just go back one slide. I just
23 had a quick question. You know the formula you are
24 looking at, PK minus R plus D CAP, you have added
25 inflation expected, long-term inflation. Sorry, now
26 I have a dog in the background. But you also have a
27 10-year long bond yield.

28 J. FRAYER: So the formula in the first bullet

1 at the top of the slide is not a formula I am
2 proposing. It was a summary of the formula that was
3 actually used in the first generation incentive rate
4 making plan many moons ago in Ontario for electric
5 distributors.

6 M. GARNER: Thank you. That will suffice.
7 Thank you. I was just a little confused about that.
8 Thank you.

9 I am sorry, Mr. Shepherd, go ahead.

10 J. SHEPHERD: Okay. So I just have a couple
11 more questions. The -- your benchmarking, one of the
12 critiques that Dr. Lowry had of your benchmarking is
13 that it only benchmarks past data. In fact, I think
14 it only goes up to 2022 or 2023.

15 And so he benchmarked going forward to the
16 forecast that OPG has provided and said that on the
17 basis of that forecast, OPG was wildly more expensive
18 than the peer group. Have you seen that stuff? Have
19 you considered that?

20 J. FRAYER: I have reviewed Dr. Lowry's
21 testimony because that came in a few weeks ago. I am
22 still continuing to do that review.

23 A. STERNBERG: And I am not sure, Mr. Shepherd,
24 what -- you know, what further questions you have on
25 this. Again, I am just interjecting in the case that
26 if a reply is going to be delivered, it will be
27 delivered from LEI on June 26th.

28 As she just indicated, this is something that is

1 still being considered at this point.

2 J. SHEPHERD: Does your data -- let me put it a
3 different way: Does your data, Ms. Frayer, show that
4 OPG's forecast of costs is significantly above the
5 peer group in the future period?

6 J. FRAYER: I did not do any projections or
7 forecasts with an econometric-based benchmarking
8 study that I performed and put forward in my
9 evidence.

10 J. SHEPHERD: And you haven't yet looked at Dr.
11 Lowry's calculation of what your number should say on
12 future benchmarking; right? He has given us numbers.
13 He has said, based on your model, this is what Ms.
14 Frayer's result would be, and based on our model, the
15 PEG model, this is what our results would be. You
16 haven't looked at that yet?

17 A. STERNBERG: Sorry, sorry, for -- just to
18 assist the witness, Mr. Shepherd, can you help us?
19 Are you referring to something in his report or the
20 interrogatory responses that I believe the witness
21 said she has not had a chance to look at yet from Mr.
22 Lowry?

23 J. SHEPHERD: Well, so where I got it was from
24 N_M4-OPG-020, which is one of the interrogatory
25 responses that came in two days ago.

26 A. STERNBERG: I think --

27 J. SHEPHERD: But I think I saw it somewhere
28 else, but that is where I have the most recent

1 information.

2 A. STERNBERG: Okay. I think the witness -- I
3 mean, if she has something to add, she can. I think
4 she has indicated clearly she hasn't had a chance yet
5 to review those interrogatories that just came in a
6 day and a half ago.

7 J. SHEPHERD: So presumably, we will see that in
8 the reply?

9 A. STERNBERG: Yeah, if there is going to be a
10 reply report delivered that addresses that topic,
11 then you will get that in -- by way of a report on
12 June 26th.

13 J. SHEPHERD: Well, sorry, you are saying -- you
14 are not saying that you will reply to that
15 calculation; you are saying maybe you will and maybe
16 you will just ignore it.

17 A. STERNBERG: I think what I am indicating is
18 that whether there is going to be a reply report,
19 and, if so, the scope of the reply report from LEI,
20 is something that is still being considered at this
21 point. And, of course, we will want LEI to have a
22 chance to take a look at the interrogatory responses
23 that just came in and consider whether LEI has any
24 reply it.

25 So that has not yet -- that is still being
26 considered. And subject to those determinations,
27 whatever -- if there is a reply report, that will be
28 delivered on the 26th. It is still under

1 consideration.

2 J. SHEPHERD: I am sorry, I don't mean to be
3 obtuse here. I am just trying to figure out when are
4 we going to get to the point when we can identify the
5 differences between Dr. Lowry and Ms. Frayer on these
6 given issues?

7 A. STERNBERG: Well, you have got -- obviously,
8 you have got their reports at this point. And if
9 there is any reply evidence that LEI has, you are
10 going to get that on the 26th. So you will have the
11 full scope of the reports by June 26th from these
12 respective experts.

13 J. SHEPHERD: But we are never going to have the
14 experts talking to each other's comments?

15 A. STERNBERG: Well, they are in writing through
16 their reports already, their interrogatory responses,
17 and by way of any reply report that is delivered. So
18 there is a written --

19 J. SHEPHERD: Which --

20 A. STERNBERG: -- there is a written exchange.

21 J. SHEPHERD: Which you don't know whether we
22 will get.

23 A. STERNBERG: It is still being determined.
24 But we know that if there is going to be reply,
25 again, under the established timetable from the
26 Board, you will receive that shortly on June 26th.

27 J. SHEPHERD: Okay. You asked --

28 J. FRAYER: And can I jump in?

1 J. SHEPHERD: Sure.

2 J. FRAYER: I don't believe -- again, I am still
3 reviewing in detail, but Dr. Lowry's, PEG's evidence
4 that was filed did not mention using my data, or
5 London Economics' data or models, to perform any
6 forward-looking cost benchmarking. So I am not sure
7 when you saw it before, Mr. Shepherd, but I don't
8 recall exactly what you mentioned.

9 J. SHEPHERD: Maybe I misunderstood it.

10 I am still going to be -- I mean, at some point,
11 I am going to ask you to tell us what your
12 benchmarking is going forward. And as far as I know,
13 you haven't filed anything on that yet, and I would
14 rather not wait until the oral hearing to ask those
15 questions.

16 Now, you are not ready to answer them now. That
17 is fine. And if you could answer them in your reply,
18 that is great. But if we do that at the oral
19 hearing, that will waste a lot of hearing time, and I
20 just would rather not do that.

21 J. FRAYER: I believe I did actually answer that
22 question or a formulation of that question about
23 forward benchmarking in one of the IRs.

24 J. SHEPHERD: Well, I think you said you didn't
25 do it.

26 J. FRAYER: And that -- I would refer you to
27 that answer.

28 J. SHEPHERD: Okay. One of the critiques of

1 your study is that you excluded investment capital in
2 -- that is, the non-sustaining capital -- in your
3 benchmarking study and -- but then you benchmarked as
4 if you were benchmarking total costs, which means
5 that you were benchmarking -- and I think this is
6 sort of a follow up to what Mr. Gluck was asking.
7 Which means that you were benchmarking this big pot
8 against a calculation done on a smaller pot. Is that
9 right? Is that correct?

10 J. FRAYER: I don't think your description is
11 accurate.

12 J. SHEPHERD: Okay. Can you help me?

13 J. FRAYER: So in our O&M plus sustaining
14 capital model, we benchmark -- so let me step back.

15 OPG is part of the same EUCG dataset that we use
16 to get detailed cost and other information, technical
17 information, for well over -- I think we had over 250
18 power plants over our study time frame.

19 And we used exactly the same measures of OM&A
20 categories and the same measures that go into this
21 group of sustaining capital, so when we developed our
22 econometric model of OM&A and sustaining capital, we
23 benchmarked OPG against its peers exactly on the same
24 categories of cost.

25 J. SHEPHERD: True. Understood.

26 But then you say as a result, the stretch factor
27 should be 0.15, and that should be applied to
28 everything?

1 J. FRAYER: We do conclude that the stretch
2 factor is 0.15 when using the model. And we -- and
3 as we state on page 25 of our report, we recommend
4 that the stretch factor of 0.15 be corresponding to
5 OEB's established cohorts for stretch factor
6 assignments, which we had at the beginning of our
7 report, be used.

8 So our sentence is:

9 "LEI recommends a stretch factor for OPG in the
10 range of 0 to 0.15." [as read]

11 Zero being derived from the OM&A model, and 0.15
12 being derived from the OM&A plus sustaining capital
13 model. So that is -- so that is our recommendation
14 in terms of this particular study.

15 J. SHEPHERD: Right. So my question is you are
16 proposing a stretch factor to be applied to all costs
17 to prices, so all costs, even though you benchmarked
18 to a subset of costs; right?

19 J. FRAYER: We benchmarked to the fullest set of
20 costs that could be examined using benchmarking
21 techniques.

22 J. SHEPHERD: Which excludes a big chunk of
23 OPG's cost?

24 J. FRAYER: And it excludes the -- so I would
25 say that there are certain costs that won't lend
26 themselves to benchmarking even on -- and we identify
27 those and explain those in our report, why they need
28 to be excluded.

1 For example, water rental and so forth, as well
2 as the improvement -- also land costs, environmental
3 and regulatory costs, and plant investment --
4 investments tied to plant enhancements.

5 J. SHEPHERD: Okay. That is all my questions.
6 Thank you.

7 M. MILLAR: Okay. Thank you, Mr. Shepherd.

8 I think that concludes the questions for LEI.
9 We are a little bit of ahead of schedule, but I will
10 still suggest we take our break just so we can switch
11 over. I think it is Mr. Dane who is up next for
12 Concentric.

13 So unless there is anything further for this
14 witness, I suggest we take our morning break and
15 return at 11:15.

16 And, Ms. Frayer, thank you very much for
17 assisting us this morning.

18 J. FRAYER: Thank you.

19 M. MILLAR: Okay. We will see everyone at
20 11:15.

21 --- Upon recessing at 10:56 a.m.

22 --- Upon resuming at 11:14 a.m.

23 M. MILLAR: We are beginning with Panel 2,
24 Concentric, with Mr. Dane. And unless there are any
25 -- Mr. Silver, is there anything, any opening remarks
26 you have for Mr. Dane, or are we ready to go?

27 J. SILVER: No, we are ready to go just to
28 introduce Mr. Dane of Concentric Energy Advisors.

1 M. MILLAR: Okay. Great.

2 A. STERNBERG: I am back as well, Mr. Millar.

3 Thanks.

4 M. MILLAR: Okay. So we got everyone here.

5 Let's get started. Mr. Gluck, over to you.

6 **PANEL 2**

7 **CROSS-EXAMINATION BY L. GLUCK (CCC):**

8 L. GLUCK: Thank you. Good morning.

9 D. DANE: Good morning.

10 L. GLUCK: I would first like to discuss the
11 credit rating agency reports that were referenced in
12 Concentric's study. So if we can start by opening
13 A2-3-1, Attachment 13, please. Thank you.

14 And can you confirm that this August 20, '24,
15 report was the most recent S&P global rating report
16 that was available for OPG at the time that
17 Concentric developed its study?

18 D. DANE: Mr. Gluck, I don't recall. I think
19 there has been a subsequent report.

20 L. GLUCK: My question was at the time that
21 Concentric developed its study.

22 D. DANE: So the -- our report was completed in
23 December '25. I don't recall when the subsequent
24 report might have come out.

25 L. GLUCK: It came out -- I can tell you it came
26 out in April of 2026, the next one.

27 D. DANE: Okay. Then confirmed.

28 L. GLUCK: Thank you.

1 And if we go to page 3 of this report. And you
2 can see here that at this time, S&P Global was
3 forecasting funds from operations to debt ratios of
4 between 14 and 16 percent through 2025 and 2026; do
5 you see that?

6 D. DANE: I do see that. And that is for OPG's
7 entire corporate operations.

8 L. GLUCK: That is right. Thank you.

9 And if we could go to A2-Staff-10, Attachment 2,
10 please. And we just discussed it. This is the S&P
11 Global report that came out more recently. Do you
12 see that?

13 D. DANE: I do.

14 L. GLUCK: Thank you.

15 And the 2026 report, if we go to page 4, please.
16 This 2026 report shows that OPG's actual 2025 FFO to
17 debt ratio was 25.5 percent; do you see that?

18 D. DANE: I do.

19 L. GLUCK: And the forward-looking forecast in
20 this later report has also improved relative to the
21 2024 report showing through the end of 2028 a range
22 of 16 to 21 percent; do you see that?

23 D. DANE: I do.

24 L. GLUCK: Thank you.

25 And does this overall improvement to OPG's --
26 OPG Inc.'s forecast FFO to debt ratio have any
27 implications for your views regarding OPG's financial
28 risks during the upcoming rate term?

1 D. DANE: So, Mr. Gluck, I did consider the
2 credit rating agency's reports for information
3 related to how investors consider OPG's risk, for
4 instance. And, of course, these reports are focused
5 from a debt investor's perspective, and my focus in
6 the equity thickness report is on views from an
7 equity investor's perspective.

8 So to your specific question about these
9 reported metrics for OPG, again, they are on a
10 corporate level. For the purposes of my analysis,
11 which is focused on OPG's regulated assets, I
12 performed a pro forma credit metric analysis to
13 assess the implications of different credit -- sorry
14 -- different equity thicknesses on OPG's financial
15 risk and drew conclusions from that.

16 Certainly, though, the credit rating agency
17 reports more generally informed my views, as I have
18 just described.

19 L. GLUCK: Okay. Thank you.

20 Can we go to the Concentric report at page 49,
21 please, so that is C1-1-1, Attachment 1.

22 D. DANE: And, Mr. Gluck, when you refer to page
23 numbers, are you looking at the page numbers in the
24 bottom of each page or the stamped numbers in the
25 upper right-hand corner?

26 L. GLUCK: I am looking at the stamped numbers
27 in the top corner.

28 D. DANE: Thank you.

1 L. GLUCK: Thanks. So you -- Concentric shows
2 in Figure 10, if we just go down a little bit, that
3 OPG falls below the credit ratio downgrade threshold
4 in each year of the 2027 to 2031 period at an equity
5 thickness of 45 percent.

6 And below the table, Concentric says that this
7 indicates that, all else equal, a 45 percent equity
8 ratio is not sufficient to maintain OPG's key credit
9 metrics. Is that fair?

10 D. DANE: That is -- yes, that is what it says.

11 L. GLUCK: Thank you.

12 And can we go to CCC-26, Attachment 2, please.
13 It is an Excel spreadsheet. Thank you. And this
14 shows Concentric's calculations of OPG's regulated
15 key credit metric ratios over the recent historical
16 period? Is that what this attachment is showing?

17 D. DANE: I am just double-checking. So this is
18 CCC-26?

19 L. GLUCK: Attachment 2.

20 D. DANE: And this asks for the same information
21 in Exhibit 1 for the period 2017 to 2026. And, yes,
22 this represents that analysis -- the pro forma
23 analysis presented in the Concentric report over that
24 historical period.

25 L. GLUCK: Thank you.

26 And if you look at the footnotes that start in
27 row 31 there, I know it is a bit small on the screen,
28 but you set out the credit rating agency downgrade

1 thresholds. And for S&P, the threshold ratio is 13
2 percent for FFO to debt starting in 2020. And for
3 Moody's, the threshold ratio is 15 percent for cash
4 flow from operations to debt since 2024; is that
5 correct?

6 D. DANE: Yes.

7 L. GLUCK: And OPG fell below S&P's 13 percent
8 threshold in 2021 and 2024 using this pro forma-
9 regulated view, and was OPG downgraded by S&P in
10 either of those years?

11 D. DANE: No, it wasn't. And, again, this
12 analysis is different than what is being presented in
13 the S&P report.

14 L. GLUCK: Thank you.

15 And the same question with respect to the cash
16 flow from operations to debt ratio for -- that
17 Moody's uses, so OPG was below Moody's 15 percent
18 threshold in 2024, and was OPG downgraded in 2024 or
19 following 2024?

20 D. DANE: No.

21 L. GLUCK: Thank you.

22 Can we go to C1-CCC-26, Attachment 1, please.
23 And this is the pro forma forecast regulated metric
24 calculation that Concentric undertook; is that right?

25 D. DANE: Yes.

26 L. GLUCK: Can you walk me through it? Can you
27 explain what Concentric did and, I guess, at a high
28 level, what this math shows and how it was

1 calculated?

2 D. DANE: Sure. I describe this in my report.
3 I think we were just there in that section. But as
4 described there, we -- Concentric provided a similar
5 analysis that had been put forward in an -- in an --
6 in the 2020 proceeding with certain modifications to
7 more closely align the analysis with credit rating
8 agencies' methodologies and to focus on the metrics
9 emphasized by the ratings agencies, as indicated by
10 discussions in that ratings reports.

11 And so to do that, we -- as we described in the
12 report, we developed a pro forma analysis that is
13 based on calculating the -- those two key credit
14 metrics on a forward-looking basis but doing that on
15 a pro forma basis using only OPG's regulated
16 operations and then substituting the hypothetical or
17 deemed capital structure that is the subject of my
18 report as a lever to determine the impact on those
19 metrics of changes in that component.

20 L. GLUCK: Thank you.

21 And if we could go back to Attachment 1, please.
22 And one thing I noticed in here that -- and I can't
23 find it, and I was hoping you could help me, is how
24 does the Pickering refurbishment-related concurrent
25 cost recovery flow into -- flow into this analysis?

26 D. DANE: It does not directly flow into the
27 analysis. And as I just described and maybe to
28 elaborate, the analysis begins with rate base, which

1 is under the regulatory construct financed by the
2 capital structure, and then determines net income and
3 cash flows from that metric, basically assuming a
4 revenue requirement-style approach.

5 L. GLUCK: Okay.

6 And in your report, if we go to page 47, please.
7 With respect to the CCR regulation, you -- Concentric
8 explains that the concurrent cost recovery and
9 interest expense on CWIP is credit supportive in that
10 it provides incremental cash flow certainty during
11 large utility construction projects relative to the
12 alternative undertaking such projects without said
13 report; is that right?

14 D. DANE: Yes.

15 L. GLUCK: So given the credit supportive nature
16 of CCR, why -- why wouldn't it be reflected in the
17 forecast key credit metric calculations of the
18 regulated company?

19 D. DANE: As I just described, the starting
20 point is the -- is the regulated rate base of the
21 company, and so the cash flow metrics and the level
22 of debt assumed in that analysis are based on
23 applying the deemed capital structure to that rate
24 base.

25 So absent from -- from both sides of the
26 equation, are CCR as well as the interest cost
27 incurred by OPG to -- that would be recovered through
28 CCR. So for the purposes of my analysis, as I said,

1 it is not directly incorporated in there, but it
2 would essentially be a money in, money out type of --
3 type of flow through that analysis.

4 L. GLUCK: Can we -- thank you.

5 Can we go back to page 49, please. Thanks. So
6 your report shows that -- that a 45 percent equity
7 thickness OPG might be downgraded by the rating
8 agencies. Is that what this table is showing?

9 D. DANE: The table is a bit more precise than
10 that. It is showing how it would -- how these
11 metrics would come out versus the downgrade
12 thresholds and makes conclusions based on that.

13 L. GLUCK: Thank you.

14 And you are -- basically, you are showing in
15 detail how they are below those thresholds in each of
16 those years. But your model itself, the way you
17 built the model, it doesn't include this large -- you
18 know, it is \$2.9 billion of cash flow during the
19 upcoming term. And so can you explain that? Like,
20 what should the Board take from your model? Is it --
21 is it connected to cash flows, like, actual OPG cash
22 flows at all?

23 D. DANE: So you had a couple questions in
24 there. And just to answer the first one about
25 inclusion or exclusion of CCR, as I described, it is
26 not directly included, but if it were to be, it would
27 essentially be a cash flow in and a cash flow out
28 because it reflects additional interest costs that

1 are not captured under the approach that we used.

2 And so your second question was what should the
3 Board take of this? And I recognize in the report
4 that the Board has previously found that utility bond
5 metrics do not speak to the issue of whether an ROE
6 determination meets the requirements of the FRS. But
7 -- and -- so understanding that, one of the
8 components of the fair return standard is the
9 financial integrity component, and that gets directly
10 to questions about financial risk.

11 And so this analysis on a pro forma basis
12 reflecting the deemed equity ratio, which is
13 different than OPG's actual equity ratio, shows that
14 in the ratemaking framework, that equity thickness
15 does not support credit metrics within the current
16 rating -- or the current ratings threshold for OPG.

17 L. GLUCK: Thank you.

18 And you would agree that it is missing -- the
19 pro forma regulated analysis, regulatory analysis, or
20 regulated analysis for OPG is missing cash flows, and
21 you mentioned offsetting costs, but it is missing
22 those?

23 D. DANE: As I described, it doesn't directly
24 incorporate concurrent cost recovery, but I think
25 from a results perspective and the conclusions that
26 can be drawn, it is complete from the perspective of
27 what we were -- of what we were designing the
28 analysis to do. So I don't think it is missing

1 information in that perspective.

2 L. GLUCK: So can I ask you to undertake to run
3 a pro forma analysis that incorporates CCR so I can
4 see what it looks like?

5 J. SILVER: Mr. Gluck, I think the witness has
6 answered that in his model. It doesn't include cash
7 flows in or out, so I think you are asking him to run
8 a different model, which -- which we would refuse.

9 L. GLUCK: Okay.

10 So let me ask you a question. Let me ask
11 something slightly different. So you say -- you just
12 mentioned to me that, you know, it is missing the
13 cash flow of CCR, the cash flow of the -- you know,
14 the recovery of the interest expense prior to in-
15 service, and then it would be missing the interest
16 expense itself, right, that it is incurring on the
17 assets. But is there not a portion -- from a
18 regulatory perspective, is there not a portion of
19 that CWIP that is notionally equity?

20 So they are earning -- they are going to recover
21 on a hundred percent of the CWIP. They are going to
22 get the long-term debt rate, the CCR. And the
23 interest expense, from a regulatory perspective,
24 really would be the deemed debt portion of that CWIP,
25 and then there would be incremental cash flow, you
26 know, the net income from the equity side of that
27 deeming calculation.

28 Is that -- does what I am saying make sense, or

1 am I way off base?

2 D. DANE: Is your question whether CCR
3 understates the cost of capital?

4 L. GLUCK: No. It is that from a cash -- I
5 thought you said to me that if we added CCR, then we
6 would have to add the interest expense. Did I hear
7 that right?

8 D. DANE: Yes. Well, as I said it, I think it
9 was an in -- in and an out, from the perspective of
10 the analysis.

11 L. GLUCK: Okay.

12 And what -- at the highest level, my question
13 is, is there not -- or is there income, cash flow,
14 above the costs that are incurred from a regulatory
15 perspective from CCR once you apply the concept of a
16 deemed capital structure?

17 D. DANE: So your question asked, is there --
18 are there cash flows above the cost, and I would say
19 no. To the extent that the -- the rate of CCR is
20 based on a debt-only rate and not reflective of the
21 actual cost of capital, then, all else equal, it
22 would understate that -- that portion of the cost.

23 So, again, I am not sure if that is your
24 question.

25 L. GLUCK: No, yeah, we are definitely talking
26 about the right -- the same thing right now. But
27 when you -- okay.

28 In your calculation, you did a rate base-derived

1 calculation, and you essentially said, you know, 45
2 percent is equity, 55 percent is debt; is that right?

3 D. DANE: Yes.

4 L. GLUCK: Okay.

5 And then in your pro forma calculation, that 55
6 percent of rate base attracts the -- the debt rate,
7 and that is the interest expense shown in that table,
8 the pro forma table?

9 D. DANE: That is correct.

10 L. GLUCK: Okay. And then the line item called
11 -- let me try and find it. The net income line item,
12 so column labelled "G" -- we are back in -- sorry, we
13 are back in the Attachment 1.

14 So that net income line is essentially rate base
15 times the deemed equity portion of rate base times
16 the ROE number; is that right?

17 D. DANE: Sorry, can you repeat that?

18 L. GLUCK: Sure. The net income line, so
19 labelled "G," is essentially A times C times B?

20 D. DANE: Yes, that is correct.

21 L. GLUCK: And that is how you are -- that is
22 how you are coming up with the net income?

23 D. DANE: Yes.

24 L. GLUCK: So now let's convert this idea to
25 Pickering CWIP. Okay. So you would take the
26 Pickering refurbishment CWIP, which is, in your
27 model, equivalent to rate base. Let's call it that.
28 And then you would do that same calculation.

1 So you would take the CWIP, and you would
2 multiply it by the capital structure, and then in
3 this case, you would end up just applying the debt
4 rate to both sides.

5 And the way I am viewing this is that some
6 amount, so the CWIP times equity portion, portion of
7 the CWIP times what is the long-term debt rate, as it
8 is not the return on equity, that would flow to the
9 net income line. And there would be cash flows
10 associated from that, even in your model. Am I
11 wrong?

12 D. DANE: In terms of the cost of equity, that
13 is not being reflected. And in this hypothetical
14 scenario you have put forward, I don't think it is as
15 simplified as you have described it. There is still
16 that cost being incurred overall to capitalize the
17 company, and we are ascribing a lower rate to it
18 through CCR.

19 But in terms of the cash flow, I guess I could
20 agree with you if you isolated it the way you
21 described, it could impact the analysis. I am just
22 not -- I don't think that would correctly reflect the
23 economics of it.

24 L. GLUCK: Thank you.

25 And I am going to ask one more time, and maybe
26 the answer is the same, but I would appreciate if you
27 would undertake to run a regulated pro forma
28 inclusive of CCR.

1 J. SILVER: In response, I think I gave you the
2 refusal before, but we would undertake to provide a
3 clarification in writing as to -- you know, this has
4 been a detailed discussion of some of these -- some
5 of these calculations, so we would be willing to
6 offer an undertaking to clarify how this analysis
7 works in relation to the questions asked.

8 M. GARNER: Sorry, it is Mark Garner from VECC.
9 May I -- I am a little confused as to the
10 refusal on -- what is the basis of the refusal? Is
11 it the amount of work or the relevance? I am
12 confused. Can you clarify that?

13 J. SILVER: The refusal is on the basis that Mr.
14 Gluck is asking Mr. Dane to perform a different
15 analysis than the analysis presented, and he has
16 explained that -- he has explained in his answers
17 that his analysis does not include the line items
18 that Mr. Gluck is asking.

19 So it is a -- he is essentially asking Mr. Dane
20 to undertake to do a different analysis on a -- in a
21 --

22 M. GARNER: Well, he is simply asking to do
23 something, right, because otherwise, he wouldn't be
24 asking for something. I still don't really
25 understand. I am very interested in the same thing.
26 This is why my questions were going to the same area,
27 and maybe we can lessen my questions. I still don't
28 really understand.

1 I mean, I understand you may object to the form
2 of the analysis. You may object that the outputs are
3 not particularly relevant. But if it is not onerous,
4 and it is available to be done relatively quickly,
5 then why would you not give us the opportunity to see
6 them? I am sorry, I just don't understand.

7 If it is a workload issue, I mean, if it takes
8 time, I sort of understand. But you seem to be
9 objecting simply on the basis that he is asking for
10 something that wasn't done. Of course if it was
11 done, he wouldn't need to ask for it. So that seems
12 --

13 J. SILVER: I think, Mr. Garner, Mr. Dane
14 explained that in his analysis, it is not a relevant
15 portion of the analysis based on how he has modelled.

16 M. GARNER: I understand that. So maybe I can
17 ask Mr. Dane a question if Mr. Gluck doesn't mind.

18 Mr. Dane, would it be --

19 J. SILVER: Well, I think --

20 M. GARNER: -- onerous to do this? I am just
21 asking that question. Is it onerous to do this?

22 J. SILVER: Yeah. Mr. Garner, I think before
23 you ask a question, I think Mr. Gluck and I were in
24 an exchange about an undertaking that we were
25 offering, and I would first like Mr. Gluck to confirm
26 whether -- like, let's --

27 M. GARNER: Certainly --

28 J. SILVER: -- first -- let's first --

1 M. GARNER: -- let Mr. Gluck finish.

2 J. SILVER: Let's first settle on that
3 undertaking, and then if you would like to ask a
4 question to Mr. Dane, you may.

5 But I guess, Mr. Gluck, just to step back, we
6 were offering to undertake to explain -- I think
7 there was a detailed discussion about the analysis
8 here and Mr. Dane's approach, and I think we will
9 undertake to provide a written explanation as to why
10 he has done the calculation this way and why he --
11 you know, for the reasons he has explained, but he
12 can provide a more detailed explanation of how this
13 works in relation to CCR.

14 L. GLUCK: Sure, thank you.

15 M. MILLAR: So we will mark that as JT-6.3.

16 **UNDERTAKING JT-6.3: Provide a written**
17 **explanation as to how the calculation in column**
18 **"g" in C1-CCC-26, Attachment 1 works in relation**
19 **to CCR**

20 M. MILLAR: And, Mr. Gluck, I am not sure where
21 to take it from here. I know Mr. Garner had a
22 follow-up question. Does that satisfy your
23 undertaking, or is that a nice-to-have but not what
24 you were actually seeking?

25 L. GLUCK: It is a nice-to-have, and I would
26 appreciate that explanation because that is -- as Mr.
27 Silver said, we did have a very detailed
28 conversation, so it would be helpful to better

1 understand.

2 But my request for the run of a pro forma with
3 CCR is still there. I think it would be of
4 assistance to understand the implications for the
5 credit metric ratios the introduction of concurrent
6 cost recovery for OPG.

7 J. SILVER: And I think you have our refusal.
8 And I expect that in the undertaking that we will
9 provide, they will provide an explanation as to why
10 that is an inappropriate and irrelevant part of the
11 analysis.

12 M. MILLAR: Mr. Garner, does that help you as
13 well? Not that --

14 M. GARNER: It doesn't answer the question I
15 have.

16 I have a question to Mr. Dane, is -- is that an
17 onerous task to do that, to do what Mr. Gluck has
18 asked you to do? Whether you do it or not, I just
19 want to understand -- is -- it would seem simple
20 enough to me, but maybe I am incorrect.

21 J. SILVER: I guess, Mr. Garner, the refusal is
22 not on the basis of burden. The refusal is on the
23 basis of relevance and it being an inappropriate
24 analysis.

25 M. GARNER: That is fine. That is fine. I am
26 still asking the question to Mr. Dane. Is it an
27 onerous --

28 J. SILVER: But the question -- but the question

1 is --

2 M. GARNER: -- the question.

3 J. SILVER: But you are asking whether something
4 that is irrelevant is onerous, which in and of itself
5 is irrelevant, so --

6 M. GARNER: I am sorry, it isn't. I would still
7 put question to Mr. Dane.

8 Are you refusing to answer the question of
9 whether it is an onerous exercise to do this? Is
10 that what you are saying?

11 D. DANE: Was that to me, Mr. Garner?

12 M. GARNER: Yes. It may be still a refusal
13 about doing it, I just don't understand the workload
14 to do this, Mr. Dane. I don't really understand it.

15 J. SILVER: I think, Mr. Garner, you have our
16 refusal of that question on the basis that if the
17 analysis that you are asking about, onerousness, is
18 irrelevant, then the question of whether or not it is
19 onerous is also irrelevant.

20 M. MILLAR: Okay. I think we have a refusal
21 here, so I am going to suggest that we move on.

22 M. GARNER: Yeah. Thank you.

23 M. MILLAR: Mr. Gluck.

24 L. GLUCK: Thank you.

25 I will move to another area. If we can open the
26 Concentric report at page 62, please. Thank you.

27 And on page 62 of your report, you cite the
28 OEB's findings that state that:

1 "The use of U.S. regulated-utility data as
2 equivalent to Canadian-regulated utility data
3 in any computation is questionable." [as read]

4 Is that right?

5 D. DANE: I am sorry, Mr. Gluck, were you --

6 L. GLUCK: I am just --

7 D. DANE: -- yeah. So can you restate.

8 L. GLUCK: Sure.

9 "The use of U.S.-regulated utility data as
10 equivalent to Canadian-regulated utility data
11 in any computation is questionable." [as read]

12 Did the Board say that?

13 D. DANE: They did.

14 L. GLUCK: Thank you.

15 And in order to address this finding on page 64
16 of the Concentric report, you note that you added
17 Emera, Fortis, and Algonquin to the proxy group to
18 ensure that the peer group includes at least a
19 minimal number of Canadian utilities even though
20 utilities do not pass the screening criteria; is that
21 fair?

22 D. DANE: It is. And you said page 64. I think
23 you were referring to page 65 of 109, which is the
24 next one down.

25 L. GLUCK: Oh, okay. Apologies.

26 And do you agree that the vast majority of
27 Concentric's peer group continues to be made up of
28 U.S. companies?

1 D. DANE: Yes. It is 15 of 18.

2 L. GLUCK: Okay. Thank you.

3 And if we could go to C1-Staff-53, please. And
4 in response to Part A, Concentric provides its views
5 on why only publicly-traded companies should form
6 part of the peer group.

7 And the response speaks to the requirement for
8 observable market data and the availability of
9 consistent data across companies, which is what
10 supports the use of publicly-traded companies in the
11 peer group. Is that a fair summary of this response?

12 D. DANE: Yes.

13 L. GLUCK: And if we could go to C1-CCC-30,
14 Attachment 1, which is an Excel spreadsheet. And
15 with respect to the screening criteria that is shown
16 in this table, my understanding as to what you need
17 to be able to apply it is you need data regarding the
18 credit rating, whether the generation assets are
19 included in rate base, a percentage of generation
20 assets that are hydro or nuclear, and a couple other
21 things that are in here as well.

22 Is that fair? That is the kind of information
23 you need to do the screening?

24 D. DANE: It is the kind of information with
25 that threshold issue we just discussed about being
26 publicly-traded company.

27 L. GLUCK: Okay. And would you agree that all
28 the information that you use in your screening is

1 available for non-publicly-traded companies?

2 D. DANE: I mean, that is a very broad group of
3 companies, so it may be for some, not for others.

4 L. GLUCK: I apologize. For large Canadian
5 utilities?

6 D. DANE: So for these categories here, subject
7 to check, I would expect them to be available. Maybe
8 not in all cases.

9 L. GLUCK: Okay. Thank you.

10 And so you have -- you know, in most cases, at
11 least, you would have the screening criteria
12 available. And then the way your peer group -- you
13 know, how you are determining the average of the
14 capital structure is essentially just looking at
15 authorized ratios; is that right?

16 D. DANE: That is part of it. We also look at
17 actual capital structures.

18 L. GLUCK: Sure. And would you agree that that
19 information, authorized equity -- authorized capital
20 structures is available for large Canadian utilities
21 that are regulated? Would that be fair?

22 D. DANE: To the extent that that is a component
23 of their regulated and authorized revenue
24 requirement, then I would expect so.

25 L. GLUCK: So can you help me, what would be the
26 -- what is the problem with including companies,
27 large Canadian utilities like OPG, that are not
28 publicly traded, in the peer group? Assuming the

1 screening information is available and authorized
2 equity ratios are available.

3 D. DANE: The problem, Mr. Gluck -- and I am --
4 we discussed this in part in a different
5 interrogatory. I apologize. I am just trying to
6 find that response.

7 So subject to -- it is in the interrogatories at
8 some point. But just to describe, to move us along,
9 there is a few issues. One is that we have used a
10 credit metric screen here and for -- you said
11 publicly -- or you said non-publicly-traded Canadian
12 utilities, so I assume you are referring to Crown
13 corporations. And in those cases, the credit rating
14 is either directly linked to the province or the --
15 the Crown Corp doesn't issue its own debt; rather, it
16 is issued through the province.

17 And for the authorized equity ratios -- and I
18 should say that this was an issue that was raised in
19 the Christensen report, so I am -- which I am still
20 evaluating. But based on that preliminary
21 evaluation, some of those authorized equity ratios
22 are not set using a standalone -- the standalone
23 principle, which is a fundamental core principle that
24 the Board applies for OPG and other Ontario
25 utilities.

26 And so while you could walk through this
27 schedule and populate it with -- or if you were to
28 look at this schedule from those non-publicly-traded

1 companies, they might meet some of these screens. I
2 haven't done that analysis. At the end of the day,
3 the equity ratio would be fundamentally incomparable
4 to what we are trying to accomplish here.

5 L. GLUCK: And could you explain that? Why
6 would that be the case?

7 D. DANE: As I just described, if the equity
8 ratio is either not reflective of standalone -- or is
9 reflective of either provincial -- directly linked to
10 provincial ownership or if the province is issuing
11 debt on behalf of the utility or if the authorized
12 equity ratio is not subject to the same core
13 regulatory principles that we are applying here.

14 And by that, I am focused on the standalone
15 principle as well as elements of the fair return
16 standard, then even a company that would appear to
17 match these criteria would be fundamentally
18 incomparable at the end of the day for establishing a
19 deemed equity ratio consistent with the OEB's
20 approach.

21 L. GLUCK: So on a higher level, are you
22 suggesting that OPG is less like, you know, a Crown
23 corporation than one of the -- one of the U.S. firms
24 in your peer group that isn't owned by the
25 government?

26 D. DANE: And this is an important point. So
27 for purposes of establishing -- for my analysis, for
28 establishing a fair return standard based equity

1 thickness for OPG. That is based on the standalone
2 principle and capital structure, and cost of capital
3 is as applied by regulators, also consistent with
4 corporate finance principles, is based on the
5 opportunity cost of capital and market-based data.

6 And for that, we look to publicly-traded
7 companies with similar risk profiles as screened
8 through this analysis.

9 L. GLUCK: Okay. Thank you.

10 Can I ask you -- I hope this is a relatively
11 easy undertaking. There was something that I noticed
12 when I was going through the peer group. Is it
13 possible for you to add OPG -- OPG itself to the list
14 of companies in the proxy group screening and just
15 run it -- you know, add a line in the table that is
16 on the screen now showing OPG so it is comparable to
17 everyone else in there?

18 D. DANE: Yes, I could do that.

19 L. GLUCK: Thank you.

20 M. MILLAR: That will be JT-6.4.

21 **UNDERTAKING JT-6.4: Add OPG to the list of**
22 **companies in the proxy group screening at C1-**
23 **CCC-30, Attachment 1, and add a line showing OPG**
24 **so it is comparable to everyone else**

25 L. GLUCK: And I want to briefly discuss PG&E
26 Corporation, and here it is in -- it is in the table
27 we are looking at on the screen at line 32. It was
28 screened out because its credit rating is BB and the

1 proportion of regulated electric revenue and income
2 is below the 80 percent threshold; is that correct?

3 D. DANE: Could we scroll over to the right,
4 please? I have lost the company now.

5 L. GLUCK: It was line 32.

6 D. DANE: PG&E did not make our minimum credit
7 rating screen, and it did not meet the regulated
8 electric revenue as a percent of total regulated
9 revenue screens.

10 L. GLUCK: Thank you.

11 And regarding the credit worthiness of PG&E,
12 with a credit rating at BB, this is considered by
13 investors to be a speculative as opposed to
14 investment-grade credit rating; is that right?

15 D. DANE: Yes.

16 L. GLUCK: And OPG at BBB plus is well above the
17 threshold for investment grade; is that right?

18 D. DANE: Yes. That is -- that is an
19 investment-grade rating.

20 L. GLUCK: Thank you.

21 So -- you would agree -- I guess I am asking,
22 would you agree that PG&E is considered to be a more
23 risky investment than OPG?

24 D. DANE: Certainly from a debt investor's
25 perspective, as we just discussed, with that
26 difference in credit ratings.

27 L. GLUCK: Okay.

28 And can we go to CCC-30, Attachment 5, please.

1 And here you will see at line 16 that PG&E has an
2 authorized equity ratio of 52 percent; is that right?

3 D. DANE: Yes.

4 L. GLUCK: And 52 percent is the minimum equity
5 ratio that you are recommending -- or that Concentric
6 is recommending for OPG?

7 D. DANE: It is, yes.

8 L. GLUCK: And can you help me understand why
9 Concentric believes that OPG should have an equity
10 thickness that is no lower than PG&E's equity
11 thickness?

12 D. DANE: So -- and this is -- by way of
13 answering, I will describe the approach we used, and
14 that is to develop a proxy group of comparable
15 companies, and from there, to derive a range of
16 equity thicknesses from which we can draw conclusions
17 about where OPG's equity thickness would reasonably
18 fall.

19 And so in developing a proxy group, we
20 deliberately don't look at one company. It is a
21 group of companies. And understanding that any one
22 company may have anomalous or individual
23 circumstances that put it in one place versus
24 another, but that is why we use a proxy group
25 company.

26 So it is not to do a one-to-one analysis between
27 OPG and a company -- and this one, as we just
28 discussed, isn't even in our proxy group -- but

1 rather, to draw some inferences based on the range of
2 results and the comparative risk analysis of OPG
3 compared to the proxy group as a whole.

4 L. GLUCK: Okay. Thank you.

5 Could we go to CCC-31, Attachment 2, please.

6 And essentially, what is being done in this, just to
7 set the context, my understanding of what is being
8 shown in this Attachment 2 was Concentric
9 recalculating the authorized equity ratios of
10 operating subsidiaries where those authorized equity
11 ratios were -- are impacted by zero cost of capital
12 items; is that fair?

13 D. DANE: Yes, that is correct.

14 L. GLUCK: Thank you.

15 And can we just go to the support tab, please.

16 I am just trying to understand how you did the
17 calculation. So if we look at Entergy Arkansas,
18 which I think is a little bit below there, it looks
19 to me like you summed the long-term debt and common
20 equity and then divided that total by the common
21 equity portion to determine the equity thickness; is
22 that right?

23 D. DANE: I am not sure I followed your
24 question, so I will state what this does.

25 L. GLUCK: Sure.

26 D. DANE: So this adds up -- this isolates the
27 financial -- the long-term financial capital
28 structure components for Entergy, specifically its

1 Arkansas operations, and it then divides the equity
2 portion into the total financial capitalization.

3 L. GLUCK: Thank you.

4 And I have a question about two items that I see
5 that are -- that didn't end up forming part of the --
6 the revised or fixed equity thickness, and that is
7 the DOE obligation and the customer deposits. You
8 can see that in the supporting table to the right.
9 Can you just explain why those wouldn't flow in?

10 D. DANE: Those are not part of the long-term
11 investor-provided capital structure.

12 L. GLUCK: Okay.

13 Can we -- I am going to switch topics here. Can
14 we go to CCC-28, Part A, please. And in this
15 response, Concentric states that OPG faces revenue
16 risk related to nuclear output variability, and in
17 contrast, the companies in Concentric's peer group
18 are vertically integrated companies, and they don't
19 experience -- generate variability in the same way.

20 Is that a fair summary of the response to Part A
21 here?

22 D. DANE: Yes, that is fair.

23 L. GLUCK: Thank you.

24 And I want to better understand how these
25 vertically integrated U.S. companies experience
26 revenue risk. So can you -- you know, starting with
27 the rate setting approach, can you explain how the
28 rates are set for a vertically integrated U.S.

1 company that may form part of your peer group or does
2 form part of your peer group?

3 D. DANE: Sure. And I describe that up above in
4 this response where the response says:

5 "The recovery on and of generation assets is
6 generally established through base rates or
7 riders while fuel costs including purchase
8 power and replacement power when generating
9 units are unavailable are recovered through
10 electric fuel recovery mechanisms." [as read]

11 L. GLUCK: Okay.

12 If I were to try and go -- I don't know if this
13 is higher level or deeper. I am not really sure.
14 But essentially, it is not dissimilar to the setting
15 of rates in Ontario generally?

16 Like, they set a revenue requirement based on a
17 forecast of cost, and that is at the higher level.
18 That is the numerator in the calculation. And then
19 the denominator is a forecast of -- for these
20 vertically integrated companies is a forecast of
21 load; is that fair?

22 D. DANE: Yes. End use load for customers.

23 L. GLUCK: Okay. Thank you.

24 And essentially, what I think you are explaining
25 -- or explaining in this response is that OPG takes
26 production forecast risk, and the vertically
27 integrated companies take demand forecast risk; is
28 that right?

1 D. DANE: I think your question oversimplifies
2 the approach used for the vertically integrated
3 utilities. And as we mention in this second
4 paragraph of this part of the response, many of the
5 utilities also have revenue decoupling mechanisms,
6 and so that mitigates risk around customer usage and
7 demand.

8 L. GLUCK: Sure. And we will talk about the
9 decoupling mechanisms in a moment because I want to
10 better understand those as well. But I am not sure
11 that I did oversimplify.

12 It is -- if you really boil it down, OPG is
13 going to -- in this proceeding, OPG is forecasting
14 its cost, and it is forecasting its production. And
15 on the cost side, let's -- all else being equal, if
16 they come in dollar for dollar, then the only risk
17 left that we are talking about in the context of this
18 response is whether the production forecast is lower
19 or higher; is that fair? In the production risk.

20 D. DANE: I am not sure if this is what you are
21 saying, Mr. Gluck, but I would say that if the plants
22 don't run as forecasted, then that would impact the
23 recovery of cost by OPG.

24 L. GLUCK: Fair.

25 D. DANE: Yeah.

26 L. GLUCK: And the vertically integrated
27 companies, they are taking demand risk, and if their
28 customer forecast is wrong or their volumetric

1 forecast is wrong, then they're at risk for that. If
2 it comes in low, then they won't recover their entire
3 revenue requirement; is that right?

4 D. DANE: No. Not as a class of companies, and
5 that is the -- that is the -- where decoupling comes
6 into the equation.

7 L. GLUCK: Okay. Ignoring decoupling for a
8 second, is that correct? Because we are going to
9 talk about the decoupling mechanisms in a moment.
10 But if there was no decoupling mechanism, is what I
11 said correct, that they would take -- if their
12 customer addition forecast and their volumetric
13 forecast per customer was wrong, low, then they would
14 not recover their revenue requirement entirely?

15 D. DANE: I am not totally sure I understand
16 your question, but I can offer that in an -- in an
17 isolated scenario where there is no -- I will call it
18 downstream protection around variability and usage,
19 then a utility would be at that risk related to that
20 -- that usage.

21 L. GLUCK: Okay. Thank you.

22 If we could go to CCC-32, please. And if we go
23 to page 2 of this response, in this list here, there
24 is a discussion of partial and full decoupling, and
25 my understanding of the definition here is that there
26 are three main types of partial decoupling
27 mechanisms: one is for changes in sale revenues
28 related to energy -- energy efficiency uptake. There

1 is another one for changes in sale revenues related
2 to weather. And there is one decoupling mechanism
3 for changes in sales revenues related to economic
4 conditions. Are those the three main types of
5 partial decoupling mechanisms?

6 D. DANE: Yes.

7 L. GLUCK: Thank you.

8 And if we go to CCC-32, Attachment 1, please.

9 If we go to the bottom here, there is going to be
10 percentages. I guess it is in the chart -- or in the
11 table next to the chart. So about half the peer
12 group has partial decoupling mechanisms, and 8
13 percent has full decoupling; is that fair?

14 D. DANE: Yes.

15 L. GLUCK: So going back to what we just talked
16 about, for at least half the peer group, they don't
17 have any decoupling, what we talked about, that they
18 take full demand risk if they are wrong, their demand
19 forecast is wrong. They take -- they take the entire
20 revenue -- sales revenue risk of that; is that fair?

21 D. DANE: There may be elements I am not
22 thinking of, but if we isolate it to -- to the
23 impacts of decoupling as they don't have decoupling,
24 they wouldn't be protected in the same way the
25 companies that have decoupling are.

26 L. GLUCK: Thank you.

27 And could I ask you, do you view -- does
28 Concentric view OPG's production risk as higher -- or

1 riskier, I guess, is probably the right word,
2 relative to the demand risk faced by the peer
3 companies that have no decoupling mechanism?

4 D. DANE: That is not analysis I have done in
5 that way. I would say that the impact of OPG being
6 at risk for variability of generation can be
7 substantial, and we have some analyses in our report
8 that demonstrate the impact of that in terms of the
9 concentration of that risk for OPG, whereas for the
10 proxy companies, to the extent that they face risk
11 related to usage, that risk is much more diversified
12 for them and not subject to that -- that same
13 concentration risk. And that is why you will see --
14 and I, like, don't have it at my fingertips, but at
15 least one of the credit rating agencies highlights
16 this exact risk for OPG and contrasts it to other
17 companies.

18 L. GLUCK: Okay. Thank you.

19 And I don't really have a reference for this.
20 It is more of a high-level question for you. I want
21 to talk about a potential mechanism that was not
22 proposed by OPG and get your views on its
23 implications for OPG's risk. If an account, a
24 deferral account, were to be established to
25 symmetrically true up nuclear fuel costs between
26 forecast and actual, would that have a material
27 positive effect on OPG's risk? And when I say,
28 "positive," I mean decreasing risk.

1 J. SILVER: I think, Mr. Gluck, just help me
2 understand the relevance of this question. You are
3 asking about something that OPG has not proposed, so
4 it seems not to be relevant to the analysis Mr. Dane
5 undertook.

6 L. GLUCK: I mean, OPG used to have this
7 account, so it is not really a brand new idea. Many
8 of the utilities in Mr. Dane's peer group have this
9 mechanism where nuclear fuel is trued up. So I think
10 Mr. Dane may have some insight into the implications
11 of risk of a nuclear fuel true up account. It is not
12 particularly an out there idea, I would say.

13 J. SILVER: I think it is not about whether it
14 is out there. It is about whether it is relevant to
15 this application and the scope of his opinion. And
16 given that it is not something that has been
17 suggested or proposed, it is -- it has no relevance
18 to Mr. Dane's opinion on the matter.

19 L. GLUCK: Okay. Maybe I will try it this way:
20 Mr. Dane, do peer groups -- do companies in your peer
21 group have nuclear fuel true up -- nuclear fuel-
22 related true up accounts?

23 D. DANE: I don't have a reason to believe they
24 don't. I don't know off the top of my head, though.

25 L. GLUCK: I think it says 100 percent of them
26 have an electric fuel recovery mechanism. In the
27 table on the screen. And I think that probably is
28 speaking to some either price or volume true up of

1 the input fuel for generation.

2 D. DANE: I think that is fair.

3 L. GLUCK: Okay. Does that reduce risk?

4 D. DANE: For these companies, yes. It is one
5 of -- it is a risk-reducing element of their rate
6 framework.

7 L. GLUCK: And would it reduce OPG's risk?

8 J. SILVER: I think we have --

9 L. GLUCK: Okay.

10 J. SILVER: I think you have -- I think you have
11 our position on that question.

12 L. GLUCK: Thank you.

13 Can we go to CCC-28, Part D, please.

14 D. DANE: Did you say 28?

15 L. GLUCK: Twenty-eight, yes. And this is my
16 last question. Thank you.

17 This response discusses that nuclear operators
18 in the U.S. carry business interruption insurance,
19 and therefore, OPG's purchase of this type of
20 insurance would bring OPG into greater alignment with
21 the other companies in the proxy group. Is that a
22 fair summary?

23 D. DANE: Yes.

24 L. GLUCK: And I just want to make sure that I
25 understand Concentric's view on the impact of the
26 purchase of nuclear business interruption insurance
27 on OPG's risk.

28 So in the context that OPG did not have this

1 type of insurance in the past and will have this type
2 of insurance in the upcoming rate term, would you
3 agree that it has reduced the company's risk over
4 time? Basically, two points in time. In your last
5 study, this insurance -- OPG did not have this
6 insurance, and now it does have this insurance. Does
7 that reduce the company's risk?

8 D. DANE: I would say that, overall, OPG is --
9 it is still at risk for variability. This insurance
10 is a tool it can use to mitigate that risk. So it
11 does have risk-reducing elements to it. As we see in
12 the response, there is waiting period, there is caps,
13 et cetera. But all else equal, it does have some
14 downward effect.

15 L. GLUCK: That is great. Thank you. I
16 appreciate all the responses.

17 D. DANE: Sure.

18 M. MILLAR: Mr. Gluck, are those all your
19 questions?

20 L. GLUCK: Those are all my questions. Thank
21 you, Mr. Millar.

22 M. MILLAR: Great. Okay. So we are at 12:20
23 now, so I think we can safely take our lunch break.
24 We have -- Mr. Walker, I think you are up next. Will
25 you be ready to go at 1:20?

26 S. WALKER: I will, Mr. Millar.

27 M. MILLAR: Okay. Unless anyone has anything
28 else right now, let's take our lunch break, and I

1 will see you at 1:20.

2 --- Upon recessing at 12:22 p.m.

3 --- Upon resuming at 1:19 p.m.

4 M. MILLAR: And we are continuing the questions
5 for Mr. Dane. And unless there are any preliminary
6 matters, I will turn it over to you, Mr. Walker.

7 **CROSS-EXAMINATION BY S. WALKER (OAPPA):**

8 S. WALKER: Thank you, Mr. Millar.

9 Good afternoon, Mr. Dane, everyone. I know you
10 missed the role call this morning, Mr. Dane. My name
11 is Scott Walker. I am the consult to Ontario's
12 universities in this proceeding. Thank you for being
13 here, and thank you for your indulgence today with
14 our additional questions.

15 D. DANE: Good afternoon.

16 S. WALKER: Even though we might -- sorry?

17 D. DANE: Good afternoon.

18 S. WALKER: Thank you.

19 Even though we might disagree with your
20 recommendations, and I wish it had been a little
21 broader in scope, I thought your study on common
22 equity ratio was well done.

23 Mr. Gluck asked a bunch of questions, and even
24 though we had collaborated, I think he has probably
25 managed to allow me to scale back on my questions, so
26 hopefully I will be done well under time and can give
27 you back some, Mr. Millar.

28 My questions today principally concern three

1 aspects of the report that, one, confused me, which,
2 in my defence, is because it is rather complex
3 material, or, two, that were omitted for reasons I
4 couldn't immediately discern from the report or,
5 three, that involved your quantification of certain
6 risks. I identify those three areas because I kind
7 of basically want to follow the chronology of your
8 report.

9 So for visual reference, can I ask that we bring
10 up Exhibit C1, Tab 1, Schedule 1, Attachment 1, page
11 13. That is the stamp number up in the top right-
12 hand corner. And go to the bottom of the page and
13 just reference these last two lines of text.

14 I believe your conversation with Mr. Gluck
15 confirmed that, you know, the comparative set is
16 publicly-traded companies, so I am assuming that is
17 correct?

18 D. DANE: Yes.

19 S. WALKER: Are there any municipally-owned or
20 other government-owned generating companies that
21 exist in the United States?

22 D. DANE: There are.

23 S. WALKER: Are any of those nuclear?

24 D. DANE: The Tennessee Valley Authority is a
25 government-owned utility in that while it is not a --
26 it doesn't only operate nuclear generation, it does
27 operate nuclear generation.

28 S. WALKER: Okay. And why did you exclude,

1 well, TVA as an example, but other municipally-owned
2 generating stations? Is that because they didn't
3 meet the criteria of your scope?

4 D. DANE: Right. They are not publicly traded
5 which was a -- as I described with Mr. Gluck, was a
6 threshold consideration.

7 I also received a question from Energy Probe
8 similar to your question, Mr. Walker, so I am going
9 to refer to that. So it is Energy Probe 16. And
10 there, among other factors, I described how TVA does
11 not have an authorized equity ratio. Its board has
12 sole responsibility for establishing its rates. It
13 doesn't have deferral and variance accounts. It is
14 not subject to the prudent investment standard. And
15 there are some other things in there, but that is the
16 gist of it.

17 S. WALKER: Thank you. I will read those and
18 better edify myself. Thank you.

19 You made a comment to Mr. Gluck this morning
20 that said you excluded non-publicly-traded companies
21 from your analysis because the debt-to-equity ratio
22 was so out of proportion to those that were traded.
23 Did I catch that correctly?

24 D. DANE: It wasn't so much a matter of
25 proportionality, as you said in your question. It
26 was more in reference to how those equity ratios are
27 established.

28 S. WALKER: Can you elaborate?

1 D. DANE: Sure. So -- and these are examples,
2 but for instance, a number of the Crown corporations
3 -- Crown corporation utilities in Canada, they have a
4 directly linked credit rating that is directly linked
5 to the province.

6 In some instance, they don't issue their own
7 debt. And their equity ratio in -- for regulatory
8 purposes may be set, for instance, based on their
9 actual equity ratio, which is not the case for OPG.
10 So those are examples.

11 S. WALKER: Okay. Okay. Is it generally true
12 that a non-publicly-traded company or municipally-
13 owned generating company or utility company tends to
14 put less emphasis on their debt-to-equity ratio than,
15 say, your sample set did?

16 D. DANE: Can you just describe what you mean by
17 "emphasis"?

18 S. WALKER: You know, they wouldn't be so
19 worried about, you know, how much is equity, how much
20 is debt per se. It would be what it is, right.

21 D. DANE: I can't speak to what they worry
22 about. I do think it would be capitalization and
23 sources of financing may be important to them. So I
24 wouldn't agree with your characterization.

25 S. WALKER: Fair enough. I mean, you obviously
26 understand why we are concerned with a higher equity-
27 to-debt ratio. It raises the rates for consumers, of
28 course, with the higher than the 45/55 split, right.

1 So, I mean, I would imagine that most government
2 entities are concerned with -- utility entities are
3 concerned with keeping the rates down, and that would
4 tend to kind of suppress the debt-to-equity ratios in
5 general. Is that a fair assessment?

6 D. DANE: I can't agree with that, Mr. Walker.
7 I think -- as I said, Christensen did include some
8 Crown corporations in its report. I am still
9 evaluating those. I did not include those companies,
10 so still evaluating Christensen's position.

11 And the reason I am not agreeing is that here
12 where we are looking at a fair return standard
13 analysis to establish a deemed capital structure
14 consistent with the OEB's methodology that lends
15 itself to the analysis that I have done, whereas for
16 municipally owned or Crown corporation utility where
17 its rates are based on its actual capital structure
18 there, it is not the same lever, if you will, from a
19 rate making perspective.

20 S. WALKER: Right. And so it is --
21 fundamentally, the reason you left out the
22 government-owned Canadian companies is because of
23 that, it wasn't for a lack of having data or
24 information available to you; is that true?

25 D. DANE: That is a large part of it. And an
26 important part as well is that I would not describe
27 their capitalization for purposes of what is actually
28 on their books, which is part of our analysis or what

1 may be incorporated into their revenue requirement, I
2 wouldn't describe that as market tested.

3 S. WALKER: Yeah. I would probably agree with
4 that too. Thank you.

5 Could we please move to page 14, and the last
6 sentence in the second paragraph which starts "on
7 this latter point." And I know you had a dialogue
8 this morning with Mr. Gluck about it, and you
9 provided a response in C1-CCC-028, but I am still
10 having -- I just need a minute to kind of reconcile
11 this.

12 You talk about nuclear output variability and I
13 -- you know, maybe it is just this mindset that I
14 have, but nuclear is on or it is off in your context
15 here. What are you -- can you again explain to me
16 what nuclear output variability means?

17 D. DANE: It means variability in the output of
18 the nuclear stations compared to what is reflected in
19 OPG's rate plan.

20 S. WALKER: That is no different than any other
21 generator or any other entity that is subject to
22 regulation under rates, is it?

23 D. DANE: I do think it is different. As we
24 noted in one of our discovery responses, and maybe it
25 is the one you just referred to, for -- in terms of
26 generation variability, the proxy group companies are
27 all vertically integrated, which means that they have
28 transmission and distribution operations as well, and

1 so their rates are set based on -- are set at the
2 distribution or transmission level.

3 So variability in generation output would be,
4 for instance, if they had to purchase power from
5 other source or something like that, would be flowed
6 through a power cost adjustment or fuel cost
7 adjustment type mechanism.

8 And downstream of that for -- at the
9 distribution level, a few things. One as I described
10 for -- in response to Mr. Gluck that is a more
11 diffused risk. It is not as concentrated as it would
12 be in the instance of OPG. And the proxy group
13 companies also -- or many of the proxy group
14 companies also have the benefit of what is called
15 decoupling, which gives them protection against
16 variations in usage.

17 S. WALKER: Right. Right. I garnered a lot
18 from your conversation with Mr. Gluck this morning.

19 Is it fair to say, I mean, in your revenue risk
20 assessment of OPG, that you are aware that OPG
21 commits to a production schedule in these
22 proceedings, and that includes all of their plans
23 outages, some margin of error? Is that -- is that
24 true?

25 D. DANE: I think that is generally fair.

26 S. WALKER: Okay. Thank you.

27 So if I could draw your attention to Figure 1
28 here. I am sorry. Maybe I didn't spend enough time

1 with this. What differentiates actual from
2 authorized?

3 D. DANE: Actual reflects actual capital
4 structures for the companies in the proxy group at
5 the operating company level, rolled up to the parent
6 company level. Authorized is similar to what we are
7 describing here for OPG. It is the capital structure
8 that is authorized by the regulator for inclusion or
9 reflection in the revenue requirement.

10 S. WALKER: So a generalization here, but then
11 the actual number would include all the other
12 businesses that that company might be in, and you
13 described a vertically integrated company. It would
14 include the transmission, the distribution. If we
15 were talking about OPG, it would include their fossil
16 fuel, their U.S. holdings, et cetera. Is that fair?

17 D. DANE: In part. But I think the important
18 clarification is that we measured the actual capital
19 structures at the operating utility level -- at the
20 operating utility company level.

21 So, for example, NextEra is our proxy group.
22 They have a holding company that owns Florida Power &
23 Light and some other state jurisdictional utilities.
24 Our analysis measures the actual capital structures
25 for those state-level regulated utilities.

26 S. WALKER: Okay. Thank you.

27 I think in your conversation with Mr. Gluck this
28 morning, you confirmed that OPG was not included in

1 your peer group study. Why did you not include them?

2 D. DANE: That is a practice that is generally
3 applied by cost of capital experts for a few reasons;
4 one is -- and this is the case for OPG where the
5 subject company is not publicly traded -- it doesn't
6 meet that threshold screen; and also there is a
7 certain circularity involved in including the subject
8 company in your analysis; and, thirdly, there can be
9 anomalous events or circumstances that make that
10 equity ratio unrepresentative, or even more broadly,
11 cost of capital, not -- there can be anomalous events
12 affecting it.

13 S. WALKER: Yeah, okay. Understood.

14 It would also broadly serve to lower the overall
15 average too, would it not, based on its current 45/55
16 split?

17 D. DANE: The 45 percent, as we have commented
18 in the report, is below the mean and median of our
19 report, but the -- so, yes, it -- mathematically,
20 that would happen.

21 S. WALKER: Right. Okay. Yeah, thank you.

22 Could we please move to page 19 where you
23 discuss the standalone principle as a subpart of
24 Section 3, which addresses the need for fair return.
25 So I guess where I was struggling a little bit with
26 this was would not all the market risk associated
27 with the capital that is being borrowed not simply be
28 baked into the company's borrowing rates?

1 D. DANE: When you say "the company," are you
2 referring to the proxy companies?

3 S. WALKER: Yeah, I mean, anybody that is
4 actually borrowing funds from the broader market. I
5 mean, their -- isn't their borrowing rate going to
6 reflect all of the risks that the investors
7 necessarily see in that? So isn't -- isn't a riskier
8 company necessarily going to have higher borrowing
9 rates as a consequence?

10 D. DANE: There is a lot that goes into
11 borrowing rates, and so I think as a general premise,
12 they can be affected by economic conditions, timing,
13 et cetera. But the -- yes, the borrowing rate or the
14 cost of debt that the company actually bears will
15 reflect the -- what is required from the market to
16 the extent that their debt is issued in the market.

17 S. WALKER: Right. Okay. That makes sense to
18 me. Thank you.

19 You make reference for the need to increase
20 return on equity on the next page where the amount of
21 debt itself increases. Maybe we could actually go to
22 that, page 20, top of the page, third line down, the
23 line that begins with:

24 "As debt obligations increase, the equity
25 buffer unencumbered earnings available to a
26 shareholder narrows, and the required equity
27 return increases to compensate investors." [as
28 read]

1 This one stumped me. Can you please dummy it
2 down, the logic, and explain it to me in layman's
3 terms?

4 D. DANE: From the perspective of the overall
5 capitalization that is made up of debt and equity,
6 and equity investors have -- or debt investors have
7 senior -- seniority in terms of their return on
8 invested capital and return of capital. And those
9 costs tend to be fixed in nature over the term of
10 borrowing.

11 Equity investors have residual risk and --
12 meaning all the risks remaining because of their
13 place in the waterfall for return on and of capital.
14 And so as that first piece, the debt portion
15 increases more of the funds. More of the cash flow
16 of the company is used to return money to debt
17 investors, leaving less of a cushion to support that
18 residual equity ownership.

19 S. WALKER: I may have that. Okay. Thank you.

20 But if the entire asset complex is increasing,
21 effectively raising the book value and the revenue
22 that is being required from ratepayers because it is
23 a regulated entity, does the company still not earn
24 more profit in total -- you know, what do we got, an
25 ROE of 9.11 for this term as proposed -- than it did
26 prior to the investment or the projects being made?

27 D. DANE: Well, I am going to answer it this
28 way: And so the -- what I am measuring in my study

1 is the cost of capital, and that is a percentage.
2 Here under the OEB's approach, we focus on the equity
3 ratio. Of course, the ROE percentage, the 9.11 you
4 mentioned, does impact the return to shareholders.

5 But that return set according to the fair return
6 standard measures the opportunity cost of those
7 funds, and it is based on a -- it is a -- it is a
8 percentage basis to reflect the relative risk of the
9 investment. So I am not measuring dollars in the way
10 that you described. It is -- we are measuring a
11 risk-appropriate capital structure and return.

12 S. WALKER: Right. Right. I mean, the math
13 just makes sense. If you have a \$100 investment or
14 \$100,000 investment, you make more from the \$100,000
15 investment than you do from the \$100 investment. So
16 I -- yeah, okay. I respect what you've just said.
17 Thank you.

18 Can we turn our attention to the company's
19 business and financial risks. Maybe we can move down
20 the screen to page 26, mid-page, second paragraph,
21 last sentence, about the fourth line up from the
22 bottom with the sentence that begins with:

23 "Likewise, once the BRP is completed --" [as
24 read]

25 You can see that there on both the Pickering
26 and:

27 "-- are fully back in -- OPG's nuclear output
28 will increase, yet, at that point, assuming

1 successful completion of the BRP, none of
2 today's key risks will be behind the company."
3 [as read]

4 "One of." Excuse me. I misspoke.

5 So if the BRP is not going to be completed
6 during the current IR period, why do you think
7 ratepayers should be assuming the cost of this
8 additional rate payment as suggested by a change in
9 the debt to equity ratio for the next five years?

10 D. DANE: Mr. Walker, you said, "BRP." It is
11 the PRP.

12 S. WALKER: Oh, I am sorry. Yeah, the Pickering
13 refurbishment.

14 D. DANE: And the cost of capital is -- it is a
15 forward-looking concept. It reflects risks today as
16 well as future perceived risks by investors,
17 opportunity costs, market conditions, subsets of
18 things. So some of the key risks to OPG at this time
19 relate to the Pickering refurbishment.

20 And so the point being made here is that once
21 that -- once that is complete, at least the risks
22 related directly to refurbishment will be behind the
23 company and wouldn't have the same impact on cost of
24 capital that they have today. And so it is really a
25 matching of the risk with the return.

26 S. WALKER: So you are -- you are bringing
27 forward future risk into the next five years. How
28 have you factored in the fact that, you know, in the

1 next IR term, the risk goes away? You know, it is
2 now zero. It has been a successful project.

3 Does that also factor into your risk assessment,
4 even though that is not in the next five years; that
5 is in the next six- to ten-year period?

6 D. DANE: So there were a couple of questions in
7 there, Mr. Walker.

8 S. WALKER: Maybe. I apologize.

9 D. DANE: No, that's fine. But just one
10 comment, and then I will maybe ask you to break it
11 down a bit. But your first comment about -- I think
12 you said something like we are bringing forward risk.
13 That is not what I said. So to clarify, we are
14 reflecting risks from today forward.

15 S. WALKER: Okay.

16 D. DANE: And so I will ask you if you could ask
17 the question again.

18 S. WALKER: Okay. So your forward-looking
19 viewpoint today on risk is that over the next 5
20 years, there is risks that the BRP will go off track
21 -- that a -- that a -- I keep saying, "B." Excuse me
22 -- the Pickering refurbishment will go off track, and
23 so there is risk associated with that, and so you are
24 baking it into a perspective.

25 And yet when we fast-forward 5 years from now,
26 much of that risk is gone. And so why are we even --
27 why are we having the conversation about a risk that
28 is being applied to this current period when it goes

1 away -- I mean, and/or -- sorry. That is maybe a
2 double-sided question.

3 How is it just not zero if it goes away in 5
4 years anyway?

5 J. SILVER: I think just maybe if you could help
6 clarify for me, Mr. Walker, are you asking about what
7 happens outside of this rate period?

8 I think -- because you are asking -- Mr. Dane
9 has explained, I think, in the last answer that he is
10 talking about the risks over the next 5 years, and I
11 think are you asking about risks beyond the next 5
12 years?

13 S. WALKER: Well, that is a fair clarification,
14 Mr. Silver. I guess when Mr. Dane suggested he was
15 looking at the future risk, is that constrained
16 within the next 5 years, Mr. Dane? Perhaps that is a
17 more appropriate question.

18 J. SILVER: I think -- I will -- Mr. Dane, go
19 ahead.

20 D. DANE: Sure. It is not constrained. The
21 cost of capital is a forward-looking concept.
22 Nearer-term risks do tend to have a larger impact on
23 risk assessments. So something that is 30 years away
24 will be discounted back today, and just through the
25 time value of money, have less of an impact to the
26 analysis.

27 But that is not to say that those risks don't
28 exist. And from the perspective of OPG's rates

1 application, it is a 5-year rates application, and
2 equity thickness is a component of that that is
3 assessed historically or at least for the last few
4 cases on that five-year basis at that point in time.

5 S. WALKER: Okay.

6 I guess I am having a little bit of a disconnect
7 when we are talking about the B -- I keep wanting to
8 say, "B." Excuse me -- the Pickering refurbishment
9 facility, and Mr. Gluck this morning was asking you,
10 you know, we are -- we are baking in risk associated
11 with the Pickering refurbishment unit in this 5-year
12 term, but we are not considering that 2.9 billion in
13 revenue that we are extracting from ratepayers
14 concurrently. And I have a dissonance there, and I
15 don't know if you can help me reconcile that.

16 D. DANE: Mr. Gluck's questioning was specific
17 to a credit metric analysis and the reflection of CCR
18 or concurrent cost recovery in that analysis, and we
19 have an undertaking related to that. I do consider
20 concurrent cost recovery as laid out in O. Reg 53/05
21 in my overall risk analysis for OPG. So I don't -- I
22 don't know if you -- your question said it was
23 ignored. It certainly wasn't. It is part of the
24 analysis.

25 S. WALKER: Okay. Yeah. Thank you, Mr. Dane.

26 Could we please move to -- move the screen to
27 page 33. Okay. You are discussing business
28 operating risk in this section; correct?

1 D. DANE: So we would have to scroll down a bit.

2 Are you referring to section -- subsection 3?

3 S. WALKER: Oh, sorry. Yes.

4 D. DANE: Yeah. Yes.

5 S. WALKER: Okay. So when I -- when I read your
6 description of the CapEx comparators to the peer
7 group, you disclosed that you did not include the
8 Darlington New Nuclear program. Boy, just addressing
9 the big gorilla or elephant in the room, frankly, I
10 was gobsmacked, and I really had to re-read the
11 report to look for any Darlington New Nuclear program
12 reference and an assessment impact. It is a new
13 technology. It is a \$6.5 billion budget, currently
14 under construction, and expecting to be operating
15 kind of in the final two years of this IR.

16 Am I correct that your analysis did not consider
17 any DNNP risk in your report?

18 D. DANE: I did address this in the report, Mr.
19 Walker. So the equity thickness that I am assessing
20 is for OPG's prescribed facilities. DNNP is its own
21 special purpose entity and was excluded from my
22 analysis. That is not the focus of my study.

23 S. WALKER: Why not?

24 D. DANE: Because the equity thickness that I am
25 opining on is to be used for the establishment of
26 revenue requirements for OPG's non-DNNP-prescribed
27 nuclear and hydroelectric facilities. And in
28 approaching that analysis that way, I am applying the

1 standalone principle and focusing on the risks of the
2 assets subject to this portion of the application.

3 S. WALKER: I am definitely a little taken aback
4 by that, Mr. Dane. I won't pretend not to be. If
5 you were to include it in your analysis, would it
6 change your common equity recommendation?

7 J. SILVER: I guess, Mr. Walker, just by way of
8 reminder, the equity structure proposed for DNNP is
9 included in the equity proposal for DNNP LP, not OPG.
10 So I think -- you know, I think Mr. Dane -- I just --
11 so just by -- so the question you are asking actually
12 is not consistent with the proposals that OPG and
13 DNNP LP are making with respect to capital structure.
14 There is a different proposal with respect to each
15 entity.

16 S. WALKER: Different companies?

17 J. SILVER: Correct. Different companies,
18 different applicants.

19 S. WALKER: But OPG is still funding the DNNP
20 project?

21 J. SILVER: They are different prescribed
22 generators, and Mr. Dane, the scope of his opinion is
23 with respect to the OPG-prescribed assets.

24 S. WALKER: Mr. Silver, I wouldn't suggest that
25 it is out of scope to ask Mr. Dane what his
26 assessment would be if it was all combined.

27 J. SILVER: The regulation prescribes different
28 assets to different entities. And so what you are

1 asking, Mr. Walker, is for Mr. Dane to opine on how
2 one generation -- one generator's assets would impact
3 the capital structure of another generator's assets,
4 which the regulation provides which generator is
5 responsible for which asset. So with respect, it is
6 a question that is inappropriate.

7 S. WALKER: I will leave it.

8 Can we move the screen to page 77 where you
9 summarize your findings and conclusions. In
10 consideration of your second paragraph that starts
11 "to perform our evaluation." Thanks. Second
12 paragraph there.

13 So I am pretty sure I understood this from Mr.
14 Gluck's, but I wanted to emphasize this. You did not
15 consider any of OPG's unregulated businesses in your
16 assessments; correct?

17 D. DANE: That is correct.

18 S. WALKER: Okay. So it didn't include the
19 fossil. It didn't include its extensive U.S.
20 holdings. It didn't include the revenue -- other
21 revenue businesses. Apparently it didn't include the
22 Darlington New Nuclear Project program. True?

23 D. DANE: Yes, that is correct.

24 S. WALKER: Okay. I mean, I respect the fact,
25 Mr. Dane, that you were given those constraints, so I
26 -- however, you do reference credit rating agencies
27 in your report that would probably have considered
28 those other unregulated business assets as part of

1 the overall thing. So would they not have factored
2 all of those other aspects into their evaluation of
3 their credit as you have referenced in your report?

4 D. DANE: So the credit rating agencies do
5 analyze OPG at the corporate level. So to your
6 question, that would include all of its holdings,
7 including non-regulated, including DNNP.

8 For clarity, Mr. Walker, my reference to those
9 reports is to gather evidence regarding investors'
10 views on OPG and, specifically, its regulated assets,
11 which are the focus of my report.

12 And as further clarification, which I may have
13 stated with you or perhaps previously with Mr. Gluck,
14 my focus is on the cost of equity. Of course, the
15 credit rating agencies focus on debtholders'
16 concerns. But with those clarifications, I agree
17 that the ratings agencies consider the totality of
18 the company.

19 S. WALKER: Okay. Thank you, Mr. Dane. I
20 wouldn't have expected a different answer.

21 My final question is a bit of a doozy. Do you
22 believe that there is any confiscation of capital,
23 i.e., a transfer of wealth from OPG to ratepayers,
24 occurring currently with the 45/55 split?

25 J. SILVER: I am going to jump in. Can you help
26 me understand the -- are you asking for his personal
27 opinion about -- I just don't -- can you help me
28 understand how the question -- what you are asking

1 him and how it relates to his opinion which is about
2 the proposed capital structure of the company?

3 S. WALKER: On the issue of fairness, on the
4 issue of appropriateness associated with, you know,
5 debt to equity as it impacts a ratepayer's
6 consequence, I want -- I mean, one of the premises
7 that would be concerning for me both as a ratepayer,
8 as a -- you know, and as a citizen of this province
9 would be are we confiscating assets from the
10 government which can use the money to do other sorts
11 of things and transferring that wealth instead to
12 ratepayers?

13 And I believe there is a measure of which that
14 trip set happens. And so is that number less than 45
15 percent, or is it, as Mr. Dane has suggested, at 52
16 percent. And --

17 J. SILVER: And Mr. --

18 S. WALKER: Sorry.

19 J. SILVER: No. Mr. Walker, I think that is a
20 question that is better left for argument. I think
21 Mr. Dane's opinion is with respect to the fair return
22 standard for the company. He hasn't -- it is beyond
23 the scope of what he is opining on.

24 If you would like to make that -- take that
25 position about the equity ratio in argument, you
26 would be welcome to, but it is not an appropriate
27 question for Mr. Dane.

28 S. WALKER: Yeah, I will concede that. I

1 apologize, Mr. Silver, for going too far.

2 Mr. Dane, those are all my questions. Thank you
3 for your time today, sir.

4 D. DANE: Thank you.

5 M. MILLAR: Thank you, Mr. Walker.

6 I think up next we have Ms. O'Connell from OEB
7 Staff. I see she is there, so I will turn it over to
8 her.

9 **CROSS-EXAMINATION BY F. O'CONNELL (OEB):**

10 F. O'CONNELL: Hello. My name is Fiona
11 O'Connell, OEB Staff.

12 D. DANE: Hi.

13 F. O'CONNELL: Hello. If you could call up C1-
14 SEC-033. And you will see on the next page, there is
15 Chart 1 there, and basically that shows the OEB-
16 approved ROE and the actual ROE for the years 2008 to
17 2026.

18 Staff notes that for the calendar years 2018 to
19 2025, OPG had over earned with one exception, the
20 2024 calendar year. And that is under the current
21 equity thickness of 45 percent.

22 Could you please go to Exhibit A2, Tab 1,
23 Schedule 1, Attachment 1. It was A2, Tab 1, Schedule
24 1, Attachment 1.

25 And in the first paragraph there, it describes
26 OPG's financial results to September 30th, 2025, the
27 nine months. And there is a huge increase, so 101
28 percent increase, for the nine months in 2025 to the

1 nine months in 2024.

2 So my question -- my question to you, Mr. Dane,
3 is did you consider these OPG's over earnings and
4 strong financial performance in your analysis?

5 D. DANE: So, Ms. O'Connell, as I was just
6 describing with Mr. Walker, my analysis is
7 prospective in nature, focused on future risks. And
8 so that is really at the heart of what I have
9 evaluated for purposes of recommending an equity
10 thickness for this going-forward rate period.

11 The prior response that we referred to, SEC-33,
12 I think that was sponsored by the company, but I do
13 think it is indicative of the variability in the
14 company's returns. While the company has earned
15 above its authorized ROE in some of these years, it
16 has also earned significantly below. For instance,
17 in 2024. That is suggestive of a significant swing
18 in results.

19 And further, any earnings above the ROE are
20 subject to the company's earnings sharing mechanism
21 which is asymmetrical and -- but would share with
22 customers in the event that OPG earns above a certain
23 threshold for the entirety of its plan.

24 So I consider factors like that in terms of the
25 analysis. But to the specific historical results,
26 other than to understand the nature of them, again,
27 my analysis is forward looking.

28 F. O'CONNELL: Okay. In that context, could you

1 go to page 33 of 109 of your report, please. And go
2 to Figure 9. Great.

3 So I know you just said you looked only at
4 forward looking, but here is an example where you
5 looked at historical versus forward looking, and you
6 did a graph showing OPG versus the main peer group.
7 So I guess I am just surprised that you didn't do
8 something like this for either ROE percentages or net
9 income or anything of that nature as well as adding a
10 peer group mean.

11 D. DANE: So there were a couple of things in
12 there, but just to take them as I heard them, so this
13 chart is intended to focus on the projected period.
14 We are anchored in history to give a perspective on
15 the future CapEx for OPG as compared to the peer
16 group.

17 And certainly under the regulatory framework,
18 the assumption -- I don't have future actual returns
19 for the company so I can't -- I can't do an analysis
20 like what was done in SEC-33 on a forward-looking
21 basis other than to understand what risks there exist
22 for OPG related to earning its return and recovering
23 cash flows.

24 And to the third part of your question, the
25 median, it is -- the mean and median are both
26 measures of centrality. The median will weed out, if
27 you will, any extreme items in the sample. So it can
28 be more meaningful to consider that.

1 F. O'CONNELL: I think it would be helpful to
2 have, like, a similar sort of figure just showing ROE
3 historical percentages. Not with 2022 starting at
4 100, but the actual ROE percentages of OPG versus the
5 peer group median and the peer group mean for the
6 years 2022 to 2025.

7 J. SILVER: Ms. O'Connell, are you asking for --
8 is this a request for an undertaking?

9 F. O'CONNELL: Yes.

10 J. SILVER: And I think Mr. Dane explained why,
11 in his analysis, that metric was not relevant. So I
12 am struggling to see the relevance of the undertaking
13 in relation to this evidence.

14 F. O'CONNELL: I guess what I am trying to get
15 at is the fact that OPG is a strong performer, and I
16 couldn't see how their requested increase in equity
17 thickness is related to that because basically, they
18 -- OPG has been reporting really strong under 45
19 percent equity thickness. So what I was trying to
20 get a sense of is how OPG did historically compared
21 to its peer group median and mean.

22 J. SILVER: Yeah. I think Mr. Dane answered
23 that that wasn't -- like, he explained that he didn't
24 rely on -- he looked at it from a general sense to
25 the variability but didn't -- but it is a forward-
26 looking analysis, so I am still struggling to see
27 what the relevance of that undertaking would be in
28 relation to what Mr. Dane said was the scope of his

1 opinion.

2 Because it doesn't -- you know, you have asked -
3 - the request was made of the company to provide that
4 information with respect to the company, but Mr. Dane
5 didn't consider in his opinion this metric in
6 relation to his analysis, so I am struggling -- I
7 just -- I don't -- I am still struggling to see the
8 relevance here.

9 F. O'CONNELL: Mr. Dane, do you have anything to
10 add?

11 J. SILVER: I think Mr. Dane provided his answer
12 on the relevance of that metric, and so I just -- I
13 think we are -- at this point, we will refuse the
14 request given that it is not within the scope of Mr.
15 Dane's evidence. He didn't consider it with respect
16 to the peer groups, and he only considered it in a
17 general sense with respect to OPG.

18 F. O'CONNELL: Okay. Thank you. Those are my
19 questions.

20 M. MILLAR: Thank you, Ms. O'Connell.

21 I think we have Energy Probe up next. Mr.
22 Ladanyi, are you there?

23 **CROSS-EXAMINATION BY T. LADANYI (ENERGY PROBE):**

24 T. LADANYI: I am. Thank you. Good afternoon.
25 My name is Tom Ladanyi, and I represent Energy Probe.
26 And I want to say a special hello to Dan. We met
27 years ago. I am glad to see you doing well.

28 D. DANE: Nice to see you, Mr. Ladanyi.

1 T. LADANYI: And, first, please turn to
2 Concentric's response to Energy Probe Number 19
3 interrogatory, which is Exhibit L, C1-EP-019. You
4 have it there. Thank you.

5 I asked if you believed that OPG faces a greater
6 cybersecurity risk than other utilities, and your
7 answer was that it does not. Do I have that right?

8 D. DANE: Right. That was not a conclusion I
9 reached.

10 T. LADANYI: As I read that answer, you
11 essentially say that all utilities face increased
12 cybersecurity risk. But in general, have utilities
13 increased their protection from cyber attacks?

14 D. DANE: Yes, I would expect them to.

15 T. LADANYI: And if utility increased its
16 protection from cyber attack, would its cybersecurity
17 risk decrease?

18 D. DANE: Not as a class of risk, but certainly
19 the programs or protections put in place would
20 mitigate the specific risks that those programs are
21 intended to address.

22 T. LADANYI: So in your analysis of risks facing
23 utilities, do you include an assessment of what
24 different utilities are doing to protect themselves
25 from cyber attacks?

26 D. DANE: I did not include the analysis you
27 have described. In reviewing OPG's risks, I
28 identified that cybersecurity risk is an increasing

1 risk. I understand there are mitigating steps being
2 taken to address those risks. But for the industry
3 overall, it is a source of increased risk.

4 T. LADANYI: So it is an overall -- you are
5 essentially making a general conclusion, but there
6 could be utilities out there who are spending a lot
7 of money on this to protect themselves. You did not
8 take that into consideration?

9 D. DANE: I would say I understand that they are
10 spending money. This was part of our OPG analysis
11 and -- to identify the risk. So I would say I
12 understand that there has been steps taken.

13 Importantly so. But that doesn't -- my conclusion
14 remains that the overall risk has still increased.

15 T. LADANYI: Do you know what OPG is doing to
16 protect itself from cyber attacks?

17 D. DANE: I am not familiar with the specifics
18 of their cyber programs.

19 T. LADANYI: You never discussed it with them,
20 did you?

21 D. DANE: Not that I recall, no.

22 T. LADANYI: You don't know, but, for example,
23 if what OPG is doing is effective, would the
24 cybersecurity risk decrease?

25 D. DANE: Again, I think the steps it is taking
26 would -- which would be a prudent step that utilities
27 are doing generally, would mitigate the risk, all
28 else equal.

1 Of course, cyber attacks are becoming more
2 sophisticated. There is plenty of material on that.
3 And so in terms of a broader industry trend, I think
4 there are steps that have been taken, but not to
5 decrease the risk overall.

6 T. LADANYI: Because I think it might be unfair
7 to OPG. OPG might be doing all kinds of things that
8 some other utilities are not doing. I think you
9 should be given credit for that, don't you think so?

10 J. SILVER: I think -- Mr. Ladanyi, I think that
11 question about whether or not OPG should be given
12 credit for any steps they are taking is not within
13 Mr. Dane's expertise or relevance.

14 T. LADANYI: I wasn't thinking specifically of,
15 like, a dollar amount. I was thinking a credit in --
16 essentially in equity ratio. There should be
17 recognition in the equity ratio.

18 For example, Mr. Dane is recommending an
19 increase in equity ratio from 45 percent to 53
20 percent. Perhaps if he knew what OPG is doing, he
21 would actually, and saw 53 percent, recommend 51
22 percent. It seems reasonable to me.

23 D. DANE: And, Mr. Ladanyi, just to put this in
24 perspective, this was one of the risks I identified,
25 and my conclusion is still that the risk has
26 increased for the industry, and I have some specific
27 factors that are affecting OPG in the report.

28 In terms of you tied this to the equity ratio

1 specifically, and in a bubble chart of risks, this is
2 smaller than, for instance, the Pickering
3 refurbishment or some of the other higher-level risks
4 that we have identified. It still rose to the level
5 that -- of inclusion in the report.

6 But to get to -- to get to an equity ratio
7 recommendation, I first analyzed the risks
8 holistically, so as a basket of risks for the
9 company, determined based on the totality of that
10 analysis that the risk level had changed for OPG, and
11 then turned to the fair return standard portion of
12 the analysis where we look at proxy groups, come up
13 with a range, determine where within that range OPG
14 falls.

15 So I say this by way of clarifying that it is --
16 we don't build from 45 to 52 in an incremental way
17 that your question suggested, but rather assess risks
18 and their overall change and then look to, based on
19 that conclusion, the market data for a reasonable
20 equity thickness recommendation.

21 T. LADANYI: So since you don't build it, are
22 you saying that you really cannot disaggregate
23 specific risks related to a percent increase? You
24 are saying this is some kind of a mixture, like a
25 stew you are cooking together, or how does this work?

26 D. DANE: It is a holistic review.

27 T. LADANYI: No. I get the impression what you
28 are saying is you think that OPG is doing something

1 about protection from cyber attacks, but it is not
2 effective; would that be right?

3 D. DANE: No. That is not -- that is not my
4 testimony.

5 T. LADANYI: So if it is effective, then
6 shouldn't there be some kind of recommendation in
7 your recommendation?

8 J. SILVER: I think, Mr. Ladanyi, Mr. Dane has
9 given you his answer to this question. He hasn't
10 opined on effectiveness of the company's
11 cybersecurity program. He is speaking to the
12 industry-related risk, which is -- so I think he has
13 already answered this question.

14 T. LADANYI: I understand. And I understand
15 that he actually doesn't know anything about the
16 program, and I don't expect him to know now that I
17 have heard this and -- however, he wants us to
18 consider this risk as being an important risk, as
19 mentioned in the report. If it is not an important
20 risk, it should not have had their -- we can save
21 that for a hearing or for argument.

22 Now, can we turn to Exhibit L, C1-EP-018, so it
23 is Energy Probe 18. In Question A -- you got it
24 there. Thank you -- I said:

25 "Are all ranges of the globe affected equally
26 by severe weather events?" [as read]

27 And in your answer, you stated, in the second
28 sentence of the response -- maybe you can highlight,

1 maybe make it larger if people can't read it:

2 "Concentric's statement is not intended to
3 suggest uniform global exposure, but rather to
4 reflect that extreme and disruptive weather-
5 related events are increasing in many regions
6 and are materially affecting utilities'
7 operations, infrastructure, planning, and
8 capital spending decisions worldwide." [as
9 read]

10 So my question is are utilities changing
11 infrastructure planning and capital spending to
12 protect themselves from extreme and disruptive
13 weather-related events?

14 D. DANE: As a general premise, yes.

15 T. LADANYI: But they are not all equally
16 spending. For example, are you aware that in 2020,
17 Florida Public Service Commission made effective its
18 storm protection plan, ruling -- requiring utilities
19 to file a plan covering a 10-year planning period
20 that would be updated every 3 years?

21 And the goal of this ruling is to enhance
22 utility infrastructure in its ability to withstand
23 extreme weather events, therefore reducing outage and
24 restoration costs and improving service reliability.
25 And also -- you probably know this already -- Texas
26 and New York have the similar requirements.

27 Are you aware that -- does Ontario have this
28 requirement?

1 D. DANE: So you -- I am sorry. I don't -- I
2 don't -- I don't think I followed. Can you...

3 T. LADANYI: Okay. Well, essentially, Florida
4 Public Service Commission essentially directed the
5 utilities under its jurisdiction to file storm
6 protection plans that would cover a 10-year period,
7 and Texas and New York have similar requirements.
8 And I am asking, are you aware whether Ontario has a
9 similar requirement?

10 D. DANE: I am not aware of Ontario having a 10-
11 year storm prevention plan like in Florida, as you
12 described.

13 T. LADANYI: Would you expect that utilities in
14 states that have these requirements would probably
15 have more comprehensive plans than OPG has? Would
16 you expect that or not?

17 J. SILVER: Mr. Ladanyi, I am just trying to --
18 can you help me understand where these questions are
19 going? They just seem to be a little bit about
20 questions about what other utilities are doing in
21 other --

22 T. LADANYI: Well, okay. So the report, Mr.
23 Silver, is a comparison between OPG, which operates
24 in Ontario, and utilities operating in many states.
25 And so this is another area of comparison, and Mr.
26 Dane in his report has actually referred to this
27 weather risk. And so we are trying to assess how --
28 to what extent he has actually looked into this, or

1 is this just kind of like a throwaway talking point?

2 J. SILVER: I think Mr. Dane can consider -- can
3 explain how he considered the risks, so I think is
4 that what you are -- is that what you are asking?

5 T. LADANYI: I could ask that, but since you are
6 asking on my behalf, how did you consider the risk
7 and differences between various states?

8 D. DANE: So the discussion on weather risk
9 relates to severe weather phenomena and their impact
10 on utilities, including OPG. As this response
11 acknowledges, those effects won't be equally -- won't
12 equally impact utilities. They may be different in
13 one region. Florida, for instance, would have, you
14 know, different -- different storm exposure than
15 other states, other provinces.

16 And so I am not sure, Mr. Ladanyi, if your -- if
17 your implication was that FP&L, for instance, has
18 lower risk than OPG. We do have FPL in the proxy
19 group, and they certainly have a higher equity ratio.
20 But as I described, I think, with Mr. Walker, the
21 purpose of using a proxy group is to come up with
22 ranges of reasonableness and then determine where
23 within that range a point estimate for the subject
24 company lies.

25 So it is not -- the analysis is necessarily
26 consistent with how the investment community would do
27 it holistic, not -- not on a slice-by-slice basis to
28 try to stack up each individual -- each individual

1 risk that way.

2 T. LADANYI: Are you aware of Ontario's -- or
3 OEB's vulnerability and system hardening
4 consultation, EB-2024-0199?

5 D. DANE: Generally. It is not something I have
6 looked at recently.

7 T. LADANYI: And I -- just so we don't get any
8 arguments from Mr. -- so that was intended for
9 distributors, not for generators, but I am just
10 wanting to know if you were aware of this and the OEB
11 was considering.

12 Now, in that consultation, OEB had a consultant,
13 Guidehouse. You have heard of Guidehouse, haven't
14 you? And they mentioned Florida, amongst other
15 states, and what they were doing. And they also
16 referred to the Duke Energy Florida Storm Protection
17 Plan, which was approved by the Florida Public
18 Service Commission.

19 Can you turn to your report, page 107, so it is
20 Exhibit C1, Tab 1, Schedule 1, page 107. And I think
21 it is PDF 111, if that might assist you in finding it
22 if -- it is a table, big table. We are getting
23 there, yes. You see page 107. Now, you will see the
24 middle of the page is Duke Energy Florida, and I was
25 wondering why it does not show an equity ratio for
26 it; it just says "NA" there? I don't think you have
27 the right page. There, that one.

28 D. DANE: It would be for one of a few reasons,

1 and we responded to this question. I think we
2 actually talked about it with Mr. Gluck, so give me a
3 moment. Thank you for bearing with me. Okay. I
4 have confirmed.

5 So in certain states in the U.S., regulators
6 include zero cost of -- zero cost elements in the
7 regulated capital structure. And by that I mean,
8 they include things like accumulated deferred income
9 taxes, which traditionally in a cost of service
10 calculation are included directly in rate base rather
11 than in the capitalization.

12 So in instances where those are included not in
13 rate base, but in the capitalization, the equity
14 ratio is not comparable to, for instance, what I will
15 call a financial capital structure, which is what OPG
16 has.

17 So in response to CCC-31, so in the report,
18 rather than providing those incomparable equity
19 ratios, we put them as
20 "N/A." In response to CCC-31, Attachment 2, we did
21 some additional analysis to adjust those zero cost of
22 capital -- capital structures.

23 Duke Energy Florida was one of those companies,
24 so their financial capital structure reflects a 53
25 percent equity ratio. And thank you for bearing with
26 me. I know that was a --

27 T. LADANYI: No, that is -- I like a thorough
28 answer. This is a technical conference. We are

1 trying to get as close to the truth as possible.

2 Would a utility with an effective storm
3 protection plan reduce its weather risk?

4 D. DANE: All else equal, yes.

5 T. LADANYI: If what OPG is doing is effective
6 in reducing the impact of severe weather events,
7 would its weather risk decrease?

8 D. DANE: It is difficult to say, just because
9 things change over time, and certainly severe weather
10 risk has increased over time. So, again, all else
11 equal, I think that would reduce risk. It is a
12 little bit in the hypothetical, but to the specifics
13 of what is being addressed, it might mitigate those
14 risks, understanding that additional risks can evolve
15 over time.

16 T. LADANYI: This is similar to my cybersecurity
17 question. So if you knew that what OPG was doing was
18 particularly effective, would you actually have a
19 different recommendation for equity ratio?

20 D. DANE: So my recommendation does not change.
21 I have concluded that weather risk has increased, and
22 that feeds into my holistic analysis, understanding
23 that there are mitigating steps taken to address
24 risk, but the risk is still increased. This is in
25 the bubble chart of risks probably on the smaller
26 side compared, again, to execution risk related to
27 Pickering and some of the other items I have noted.
28 But in direct response, no, my recommendation would

1 not change.

2 T. LADANYI: Okay.

3 Let's go to your answer in Question D. I asked:

4 "Do investors believe that OPG faces greater
5 risk from severe weather events than other
6 utilities?" [as read]

7 And your answer was:

8 "Concentric's assessment reflects, in its
9 investor-oriented evaluation of OPG's overall
10 business risk profile within which severe
11 weather and environmental risk are one of
12 several relevant contributing factors, these
13 factors influence how investors assess OPG's
14 risk profile relative to other utilities, even
15 if severe weather risks themselves are not
16 uniform across all companies." [as read]

17 Are the investors you referred to bond investors
18 and equity investors?

19 D. DANE: I am sorry. I have lost track of
20 which -- which IR response we are on.

21 T. LADANYI: Oh, this is the same one. Same
22 one.

23 D. DANE: Okay.

24 T. LADANYI: Energy Probe 18 and Question D, and
25 I answered -- and I read part of your response.

26 D. DANE: Yeah.

27 T. LADANYI: Do you want to study some more?

28 D. DANE: Yes. Thank you for letting me catch

1 up. So my analysis is focused on equity ratio. It
2 is -- it is -- it is -- the recommendation is related
3 to equity investor risk. I would consider both debt
4 and equity investors to consider the risks that I
5 identified potentially in different ways, but both
6 classes of investors do risk analysis and consider
7 the risks that I have considered.

8 T. LADANYI: Well, you may recall a line from
9 "My Fair Lady," which goes like this: "In Hertford,
10 Hereford, and Hampshire, hurricanes hardly ever
11 happen." And you might recall that from "My Fair
12 Lady"?

13 D. DANE: I don't.

14 T. LADANYI: You don't. I -- I was -- when it
15 came out, I was 15 years old, so there you go. I
16 remember it very clearly, but anyway.

17 D. DANE: The musical, not that lyric.

18 T. LADANYI: Anyway, would you agree that in
19 Ontario, hurricanes hardly ever happen?

20 J. SILVER: I think, Mr. Ladanyi, you know, Mr.
21 Dane, I think there is an IR -- it might be this one
22 -- about -- about Mr. Dane not being proposed as a
23 weather expert. So I think, you know, it is fair for
24 you to ask questions of him with respect to his
25 opinion and identification of risks related to
26 weather, but I think specific questions about --
27 about the weather itself may just -- may just be a
28 little bit out of bounds.

1 T. LADANYI: All right. Let me try an inbounds
2 question: When assessing risk profile of utilities
3 in Florida compared to utilities in Ontario, would
4 investors take into account the frequency of
5 hurricanes in Florida to the frequency of hurricanes
6 in Ontario?

7 D. DANE: They would broadly consider risks
8 including weather-related risks.

9 T. LADANYI: So would investors require higher
10 returns for utilities in Florida than in Ontario?

11 D. DANE: Certainly the equity ratios are much
12 higher in Florida. The ROEs also are higher. And
13 the multiplication of those two factors are what
14 results in the overall equity return.

15 T. LADANYI: Since the Ontario government is the
16 sole OPG equity investor, would it require a higher
17 equity ratio if it believed that OPG faces increased
18 weather risk?

19 D. DANE: Can you repeat that question.

20 T. LADANYI: I said since the Ontario government
21 is the sole OPG equity investor, would it require a
22 higher equity ratio if it believed that OPG faces
23 increased weather risk?

24 D. DANE: So my -- my study is focused on the
25 opportunity cost of capital, not the preferences of a
26 single investor. So if an equity investor perceives
27 higher risk, all else equal, they will require a
28 higher return.

1 T. LADANYI: So it would be entirely logical for
2 the Ontario government to require for OPG to have a
3 higher equity ratio, would it not?

4 J. SILVER: I think, Mr. Ladanyi, questions
5 about what the Ontario government would require or
6 not are not within Mr. Dane's report or expertise. I
7 think he has given you the answer at the investor
8 level generally.

9 T. LADANYI: Okay. Let me put it, then, another
10 way. I will leave Ontario government out of it.

11 Would the mythical equity investor require OPG
12 to have a higher equity ratio if it believed OPG
13 faces increased weather risk?

14 D. DANE: I would respond more in the general.
15 If an investor perceives higher risk, all else equal,
16 they will require a higher return.

17 T. LADANYI: But if OPG had a very effective
18 storm protection plan, they might not require that.
19 Would you agree with that?

20 D. DANE: Not necessarily. I think that could
21 be part of the analysis. But as I described
22 previously, it is -- the overall return is set based
23 on the overall risk profile of the company, pluses
24 and minuses.

25 T. LADANYI: Thank you. Those are all my
26 questions.

27 D. DANE: Thank you.

28 M. MILLAR: Thank you very much, Mr. Ladanyi.

1 I think -- so we are -- yeah, we still have a
2 bit more time before our afternoon break.

3 Mr. Rubenstein, are you asking questions on
4 behalf of Schools?

5 M. RUBENSTEIN: Yes, I am.

6 M. MILLAR: Are you ready to go?

7 M. RUBENSTEIN: I was just wondering if we --
8 would you like me to go now?

9 M. MILLAR: If you can. I have got you down for
10 about 10 minutes, so we could get you done before the
11 break, if that -- if you can do that.

12 **CROSS-EXAMINATION BY M. RUBENSTEIN (SEC) :**

13 M. RUBENSTEIN: Sure. Good afternoon, Mr. Dane.

14 D. DANE: Good afternoon.

15 M. RUBENSTEIN: Nice to see you again.

16 D. DANE: Nice to see you.

17 M. RUBENSTEIN: I only have a few questions, but
18 I first want to follow up on some of the discussion
19 you had with Mr. Ladanyi. And I apologize as I
20 didn't catch all the IRs that were put up on the
21 screen, so I just -- hopefully you still recall your
22 discussion.

23 And Mr. Ladanyi was asking you about
24 cybersecurity risk, and I think your evidence and the
25 evidence in the report is that OPG is facing greater
26 cybersecurity risk than it has in the past. Is that
27 a high level summary?

28 D. DANE: It is.

1 M. RUBENSTEIN: And as I understand, one of the
2 -- and because of that, it is one of the reasons that
3 the business risk of the company has increased, and
4 that is one of the reasons why you are recommending
5 an increase in the equity thickness; correct?

6 D. DANE: Mr. Rubenstein, as part of the overall
7 analysis, as I described, it doesn't rise to the
8 level of, for instance, the refurbishment risks and
9 some of the other capital-related risks. But it is
10 part of the overall analysis.

11 M. RUBENSTEIN: So you agree with me? Sorry,
12 I...

13 D. DANE: Could you just restate the question.

14 M. RUBENSTEIN: As I understand, the increase in
15 cybersecurity risk is one of the reasons that has
16 increased the company's business risk, and that is
17 one of the reasons that you are proposing an increase
18 in the equity ratio?

19 D. DANE: I would state it a little bit
20 differently. My overall assessment is that the risk
21 profile has increased. Cyber is one of those risks.
22 And then based on that overall analysis, I have done
23 a comparison to market data to establish a
24 recommended equity ratio.

25 So the risk analysis is done in its entirety,
26 and then based on that conclusion, brought forward to
27 the fair return standard analysis.

28 M. RUBENSTEIN: And you would agree with me that

1 the increase in cybersecurity risk compared to the
2 past is not specific to OPG generally, as I think
3 your evidence talks about, even what is on the
4 screen. Other utilities and critical infrastructure
5 have also seen an increase in their cybersecurity
6 risk since the last time you would have done an
7 assessment? So I think it's about five, six years
8 ago.

9 D. DANE: Yes.

10 M. RUBENSTEIN: And would you agree with me that
11 cybersecurity risk has also increased across the
12 economy to all businesses and all sectors?

13 D. DANE: I think that is fair.

14 M. RUBENSTEIN: Is your assessment of the
15 increase in the cybersecurity risk, which is part of
16 the puzzle -- part of the analysis leading to the
17 increase in the business risk, is that based on the
18 change in cybersecurity risk for OPG over time?

19 Or is it based on the change in cybersecurity
20 risk for OPG relative to other utilities? Or is it
21 based on the change in cybersecurity risk for OPG
22 vis-à-vis the rest of the economy or businesses?

23 D. DANE: My report is focused on the assessment
24 of OPG's risks.

25 M. RUBENSTEIN: Okay. And so if OPG's
26 cybersecurity risk is -- has increased the same as
27 the peer group, does that change your analysis?

28 D. DANE: No.

1 M. RUBENSTEIN: And what about if its increase
2 in cybersecurity risk is the same as the economy as a
3 whole? And by that, I just mean, you know, other
4 businesses, other entities, the cybersecurity risk
5 that they face -- that they face.

6 D. DANE: Well, of course my study is specific
7 to utilities and so that is the comparison I have
8 done. My assessment is that cyber risk has increased
9 across the industry.

10 My analysis of other companies is focused on
11 utilities. And, again, it is not that OPG's cyber
12 risk is lesser than or greater than the company's or,
13 rather, understanding that this is a source of
14 increased risk.

15 M. RUBENSTEIN: But you would agree with me that
16 in the -- you know, when we are undertaking a fair
17 return standard assessment, part of that is a
18 comparison exercise, right. What would equity
19 investors -- where they would put their money, right.
20 And you are looking at -- it is a comparative
21 exercise.

22 I am just trying to understand. So, for
23 example, utilities -- you know, you -- the -- you are
24 looking at utilities specifically as a peer group
25 vis-à-vis OPG and what -- because that is entities of
26 like risk.

27 But I am just trying to understand, then, the
28 comparison against how equities investors would look

1 at utilities versus the economy as a whole in the --
2 when we are looking -- and here, I am specifically
3 talking about cybersecurity. And I am just trying to
4 understand how I am supposed to think about that, how
5 the Board and ultimately -- I mean, ultimately, the
6 Commissioners would have to think about that.

7 D. DANE: Sure. And as this response says, this
8 risk is particularly of importance for critical
9 infrastructure such as utility services.

10 So just to read the response in front of us:

11 "Investors recognize that cybersecurity risk
12 has increased across the utility sector as a
13 whole, particularly for owners and operators of
14 critical infrastructure." [as read]

15 As I just said. So the result of a cyber attack
16 would, all else equal, be probably of higher import
17 or more -- affect more people or the economy or what
18 have you for attacks on critical infrastructure
19 versus something that is not in that class.

20 M. RUBENSTEIN: And can you define what -- in
21 the context of this response, what did -- how would
22 you define "critical infrastructure"? What sectors
23 would that include?

24 D. DANE: Well, it would certainly include
25 utilities, transportation. I don't have a complete
26 list in mind but --

27 M. RUBENSTEIN: Telecommunications, financial
28 services?

1 D. DANE: I think that is fair.

2 M. RUBENSTEIN: Okay. And as I understand from
3 your report generally, at least what I have taken
4 away from some of your analysis, if a utility has a
5 variance account related to some certain costs, that
6 would, relative to them not having that variance
7 account, reduce the risk; correct?

8 D. DANE: Yes. Broadly, deferral and variance
9 accounts serve to mitigate certain risks.

10 M. RUBENSTEIN: But why would -- and you had a
11 discussion with Mr. Ladanyi about -- in the context
12 of cybersecurity of does it matter what OPG is doing
13 or not doing in the context.

14 And I was just confused because why would it not
15 be the same thing regarding actions the company is
16 taking to mitigate risk? For example, cybersecurity,
17 why wouldn't that be relevant to the assessment of
18 the business risk? The variance account mitigates
19 risk. Why aren't the actions the utility does to
20 mitigate the risk relevant?

21 D. DANE: I wouldn't agree that they are not
22 relevant.

23 M. RUBENSTEIN: Okay. You just didn't do an
24 assessment of that. Is that what I should have taken
25 away from that conversation?

26 D. DANE: Well, not on a -- not specifically to
27 what Mr. Ladanyi was describing. Certainly -- and
28 this gets back to the comparable portion of the

1 analysis, is an understanding that we are looking at
2 all utilities, and they have certain requirements
3 around addressing these types of risks. There may be
4 particular things that pop up for one versus another,
5 but under, you know, prudent operation of the
6 utilities and requirements from NERC and others that
7 are imposed, those certainly come into the equation.

8 M. RUBENSTEIN: And I don't know the answer to
9 this question but -- so this is a hypothetical. If
10 OPG was doing more than the peer group on something
11 like cybersecurity, right, its defences were better,
12 would that have an impact on the risk?

13 D. DANE: In this hypothetical, potentially. I
14 would need to consider those facts. Again -- yeah,
15 it would be fact specific.

16 M. RUBENSTEIN: Okay. And then you were asked
17 about weather risk, and there was an IR on the
18 screen. And I took it from your response was
19 investors were not looking at specific utilities when
20 you were talking about severe weather events. It was
21 sort of looking at the utilities as a whole, right.

22 The sector as a whole is seeing severe weather
23 events. They are not looking, generally speaking,
24 utility by utility. Did I -- is that -- did I catch
25 that correctly?

26 D. DANE: No, that was not -- at least not my
27 intent. My conclusion is that severe weather is
28 affecting utilities generally, I do think particular

1 impacts.

2 And we talked about the Florida storm plans, for
3 instance, which is a form of regulatory protection
4 for those Florida utilities, would certainly be
5 considered in the overall analysis.

6 M. RUBENSTEIN: So if OPG's risk of severe
7 weather is different than the peer group, right,
8 because of its location, how does that impact -- does
9 that impact its business risk?

10 D. DANE: It certainly could.

11 M. RUBENSTEIN: And I take it from the comments
12 from Mr. Silver that you are not a climatologist, you
13 haven't looked into that?

14 D. DANE: My approach is from an investment and
15 financial perspective, not a -- not specifics to
16 meteorology, so I haven't looked into the exact
17 weather events.

18 M. RUBENSTEIN: Okay. Okay. Thank you very
19 much.

20 Can we go to C1-CCC-32. And if we can scroll
21 down to the response.

22 In Part A, you provide a list of definitions in
23 Figure 18, and you say it comes from the:

24 "Regulatory Research Associates' Adjustment
25 Clauses, a State-By-State Overview report,
26 published by S&P Global Capital IQ in September
27 2025." [as read]

28 Do you see that?

1 D. DANE: I do.

2 M. RUBENSTEIN: Can you provide a copy of that
3 report?

4 D. DANE: Yes. I wondered if we hadn't already
5 provided, but we certainly can.

6 M. RUBENSTEIN: I didn't see it. There is a lot
7 of material, and I looked for it, and I didn't see
8 it. But if you can provide it. And if somehow it is
9 on the evidence, I guess you can just point me to
10 that.

11 M. MILLAR: The undertaking is JT-6.5.

12 **UNDERTAKING JT-6.5: Provide a copy of the**
13 **Regulatory Research Associates' adjustment**
14 **clauses, a state-by-state overview report,**
15 **published by S&P Global Capital IQ in September**
16 **2025**

17 D. DANE: And can we scroll down. I am sorry, I
18 just want to -- if we go down further. To the next
19 page. Okay. Yeah, if we haven't already provided
20 it, we can provide that.

21 M. RUBENSTEIN: Sure.

22 Can we go to C1-CCC-28. So in Part B, you were
23 asked:

24 "In terms of Concentric's proxy group, please
25 list all the peer companies that have no or
26 less risk related to the variability of
27 generation output due to rate design or
28 regulatory treatment. As part of the response,

1 please provide a detailed description of the
2 rate design approach or other regulatory
3 treatment that reduces production forecast
4 risk." [as read]

5 And then in your response to Part B, you say:

6 "As discussed in Part A, OPG has greater risk
7 related to generation output due to the rate
8 design or regulatory treatment and the peer
9 group companies in Concentric's proxy group."
10 [as read]

11 And it may just be how the question is worded
12 exactly, but I take it from your response as compared
13 to what was asked, all companies, in your view, have
14 no or less risk than OPG or really less risk than
15 OPG; correct?

16 D. DANE: As a general premise, yes, that is the
17 conclusion.

18 M. RUBENSTEIN: Now, the -- you did not answer
19 the second part of the question, which asks for a
20 detailed description of the rate design approaches or
21 other regulatory treatment that reduces the
22 production forecast risk. Can you provide that?

23 J. SILVER: Just give us one second.

24 D. DANE: So that is Part A, Mr. Rubenstein.

25 M. RUBENSTEIN: No. In Part B -- sorry. Are
26 you saying you have provided this?

27 D. DANE: Yeah, the response is in Part A.

28 M. RUBENSTEIN: Well, I didn't see a -- well, I

1 didn't see a detailed -- I mean, the question
2 specifically asks for a detailed description of the
3 rate design approaches or regulatory treatments for
4 each of the entities. I just didn't see that. I
5 think there is -- you know, if we know the evidence
6 and there is some sort of general categorizations of
7 some of the mechanisms.

8 But the question asked for specific details of
9 each of the peer groups. Is that something you can
10 provide?

11 J. SILVER: If you can just give us one second,
12 Mr. Rubenstein. Yeah, that -- that -- Mr.
13 Rubenstein, I think that appears to be a pretty
14 onerous ask. Is there something we could provide by
15 way of summary that might satisfy the inquiry you are
16 making?

17 D. DANE: Well, I don't know if it is helpful,
18 but my intent was for Part A to respond to that part
19 of the question.

20 M. RUBENSTEIN: Well, let me put it this way:
21 Outside of the general categorizations that you have
22 used in your evidence, which, as I understand, you
23 have drawn primarily from -- I forget the database --
24 the regulatory research database, did you look at the
25 individual company by company mechanisms, you know,
26 the dockets where they are driven, exactly how they
27 are structured, or is that the information that you
28 derived when you -- when you were preparing your

1 report in the answer to this question?

2 D. DANE: So we do have some company-by-company
3 information. It is in an attachment to -- I am not
4 sure if it was this discovery response or not, but it
5 goes through the proxy companies and lists their cost
6 recovery mechanisms. And we provided an additional
7 report published by the Edison Electric Institute,
8 which covers some of those same concepts.

9 M. RUBENSTEIN: And is that where you have
10 derived your information from, all that that you have
11 put on the record?

12 D. DANE: That report from Regulatory Research
13 Associates, yes, that is a primary source for that
14 exhibit that we put together.

15 M. RUBENSTEIN: Okay. So, I mean, I know the
16 question asked -- Mr. Silver said it is very onerous.
17 I think my -- I am more interested in is there any
18 other information that you have used to derive in the
19 -- in your construction of your report that is in
20 addition to what you have provided on the record or
21 possibly what you have undertaken to provide today,
22 which is the adjustment clause state-by-state
23 overview report.

24 Is there -- is there something else, and if so,
25 can you provide that?

26 D. DANE: And so I've certainly relied on my
27 industry knowledge, but in terms of the specific
28 sources that we relied on to put together these

1 analyses, those are the summation of them.

2 M. RUBENSTEIN: Okay. Thank you very much.

3 D. DANE: Yeah.

4 M. RUBENSTEIN: And then finally, can we go to
5 C1-SEC-32. So in this question, we were asking you
6 about other pure play generators and why they may or
7 may not be included in your report.

8 And if you scroll down to -- and you have a
9 discussion, and part of it, as I understand your
10 discussion, is the difference between recourse and
11 corporate debt that some of these -- some of these
12 entities finance the -- some of the project capital -
13 - sorry -- non-recourse debt.

14 And in -- if we go down to page 3 and 4, you
15 provide a table that shows, for this -- these other
16 entities, what their debt-to-equity ratio is or debt-
17 to-equity numbers are on a corporate debt only. Do
18 you see that?

19 D. DANE: I do.

20 M. RUBENSTEIN: Are you able to provide a
21 revised version of the tables on page 3 and 4 that
22 show all debt, not just corporate debt?

23 J. SILVER: Mr. Rubenstein, can you maybe just
24 help with the relevance of providing that?

25 M. RUBENSTEIN: Sure. Well, the question goes
26 at that one of the discussions -- the question is why
27 are some of these entities not included in your peer
28 group, why would you not?

1 Mr. Dane then provides a lengthy response
2 regarding how they are -- how their structure is,
3 that they have different types of debt. There is
4 corporate debt, and then there is non-recourse debt.
5 And then he provides a table that shows, in his view,
6 that is only -- I take it, is only relevant is the
7 corporate debt, and we would like to understand how
8 those numbers look when you include all of the debt.

9 J. SILVER: Can we -- yeah, I think we will
10 undertake to take that back to consider it, and we
11 will provide it or advise why we can't provide it.

12 M. MILLAR: Okay. We will mark that as JT-6.6.

13 **UNDERTAKING JT-6.6: Provide a revised version of**
14 **the tables on page 3 and 4 OF C1-SEC-32 that**
15 **show all debt, not just corporate debt**

16 M. RUBENSTEIN: Those are my questions. Thank
17 you very much for your assistance.

18 D. DANE: Thank you.

19 M. MILLAR: Thank you, Mr. Rubenstein.

20 We are close to our afternoon break, but if
21 possible, I would love to finish you first. Because
22 after you, we are switching over to some other
23 witnesses, and we would have to take another break.

24 I have you for 10 minutes. Will you be 10
25 minutes or less?

26 M. GARNER: I was going to say I might be
27 slightly more, but I don't have a lot, and I think it
28 would then allow both Mr. Dane and I to grab our New

1 York Times and read about how the United States won
2 its war with Iran. So if we can -- I am not going to
3 be long, so if you don't mind, if Mr. Dane doesn't
4 mind.

5 M. MILLAR: Please go ahead. I don't think we
6 can go much longer than 10 minutes before a break,
7 but do your best.

8 **CROSS-EXAMINATION BY M. GARNER (VECC):**

9 M. GARNER: We will do our best.

10 Mr. Dane, it was very helpful this morning with
11 Mr. Gluck. You got through most of the issues I had.
12 I just have a few more. They were with this metric -
13 - the debt metric thing, so if you can just bear with
14 me, I just really have some basic questions.

15 If you bring up the sheet that he used, LC1-CC-
16 026, Attachment 2, and if you have that in front of
17 yourself, this is really just by the way of you
18 explaining to me how this is working. Okay.

19 So the first thing, just if you can tell me if I
20 have got this right. What you are doing in this
21 table is you are extracting out everything that is
22 non-regulated to create a sort of a regulated
23 equivalence; right? This is what the spreadsheet is
24 doing and --

25 J. SILVER: Mr. Garner, sorry. Just maybe give
26 Mr. Dane a moment and the screen a moment. I know we
27 are rushing and low on time, but just to make sure we
28 all --

1 M. GARNER: Sorry.

2 J. SILVER: I know we just want to make sure we
3 all have it in front of us.

4 M. GARNER: I don't want to take up more time
5 than I --

6 J. SILVER: No. I just want to make sure
7 everyone has time to consider what you are asking, so
8 apologies -- apologies for interrupting.

9 M. GARNER: Fair enough.

10 And this is the table, Mr. Dane. So the first
11 question was just -- is my concept conceptually what
12 you are doing, not in detail, but conceptually what
13 you are doing is you are extracting out all the non-
14 regulated end of OPG and recreating these metrics,
15 the cash flow from operations and funds from
16 operations, just on the basis of a regulated entity?
17 Sort of theoretically, that is the way it would all
18 look? That is what I am looking at; isn't that
19 correct?

20 D. DANE: I think that is fair, Mr. Garner.

21 M. GARNER: Thank you.

22 And so the figures below, you know, when you get
23 to the FFO per debt, et cetera, those figures, 16.1
24 and then the CFO -- I am looking at 2022. There is a
25 figure of 16.1 and 17.1. And then what I do, if I go
26 -- and we are going to jump around just a little bit
27 -- I go to your evidence, and I am at page 48 -- 49
28 of your evidence, and Mr. Gluck and you were there

1 with your evidence where you put together a pro forma
2 version of this, and there is a spreadsheet that
3 supports this -- we don't need to go to it -- of that
4 Figure 10. And what you are showing us here is, on a
5 pro forma basis, the same sort of analysis.

6 And as I take it, just so I understand the math
7 of everything, in these numbers, high ratios are
8 better than low ratios, so to speak; right? On both
9 metrics, CFFO and CFO per debt, the higher the
10 number, the better the outcome, so to speak? First
11 of all, just mathematically, that is the way one
12 looks at the table; right?

13 D. DANE: Yes. I would put it that the higher
14 the metric, the more credit supportive.

15 M. GARNER: Yeah, more credit support.

16 Now, right below the table, you -- it says here,
17 is that you then -- it says:

18 "As shown in the figure, 45 percent." [as
19 read]

20 You are comparing the 45 percent existing with
21 the 52 percent proposed. The thickness based on the
22 hypothetical deemed only will consistently fall below
23 the rating agency's downgrade threshold. But that
24 caught my attention for this reason: The downgrade
25 thresholds, though, of the rating agencies aren't
26 based on, as these numbers are, an extraction of just
27 the regulated. They are based on the holus-bolus
28 concept of the utility.

1 So conceptually, wouldn't there be a different
2 set of, you know what I mean, numbers because you are
3 not looking at the same type of company now, so those
4 are thresholds built for a different company you are
5 comparing it to; isn't that true?

6 D. DANE: That is a bit oversimplified. So to
7 determine the ratios, the -- at a high level, the
8 credit rating agencies, they assess business risk and
9 rate the company based on its business risk. And
10 then that puts the company into a certain category
11 for purposes of establishing where in the range the
12 metrics are. And from there -- and there is
13 additional considerations that I am not privy to that
14 the credit raters go through.

15 But as a general premise, from there, they
16 determine these thresholds. So it is not -- sorry.
17 It is not a matter of saying -- it is not a matter of
18 saying that it would necessarily change for -- from
19 company to company or for one iteration of OPG versus
20 another.

21 M. GARNER: I will not put words in your mouth,
22 then. You don't see there being any inconsistency
23 that what you are concluding is that based on
24 thresholds rating agencies use for a -- I am not sure
25 the word I would use -- the amalgamated OPG, would
26 necessarily be exact the same thresholds one would
27 use with what you have done, which is created a
28 theoretical extracted company from that? You would

1 say is that that -- those would be the same ratings?

2 You don't see any inconsistency in that?

3 D. DANE: Of course, hypothetically, I can't
4 speak to what credit agencies would do if OPG were
5 100 percent regulated in terms of whether these
6 thresholds would change. But generally, based on
7 their approach, I think that use of these metrics is
8 reasonable for purposes of looking at the regulated
9 only.

10 M. GARNER: Okay. I won't belabour it because I
11 want to be quick, and I want you to help me with one
12 other thing that is actually, again, kind of more of
13 a math problem.

14 I was looking at the table we were looking at,
15 the spreadsheet, and we could still focus on 2022,
16 which is the 16.1 and the 17.1 for FFO and CFO. And
17 then I yanked up a Moody's Ratings report, and I
18 don't know if you can see this together.

19 And if you can't -- if you can, it is at Exhibit
20 A2-3-1, Attachment 9. So it is A2-3-1, Attachment 9.
21 And if you go to page 3 of 15, if you bring that up.
22 And it is unfortunate -- I have them both up on my
23 screen. It is unfortunate that you don't because it
24 just allows you to look at what I am looking at.

25 I am just trying to reconcile two different
26 numbers and understand if I am comparing them -- what
27 number I should be comparing or if I should even be
28 comparing it.

1 So if you go to page 3 of -- I believe it is 3
2 of 15, I don't know if you can read that, Mr. Dane.
3 I certainly couldn't on the screen, but there you go.
4 Okay.

5 You see these CFO pre-WC debt numbers, et
6 cetera, for 2022. Can I -- I know they are not
7 comparable because you have done an analysis, but in
8 the sense of their number before you extract
9 everything and your number when you extract
10 everything, am I comparing one of these rows to, you
11 know, your CFO debt of 17.1 in 2021?

12 Would I be comparing that -- or sorry -- 2022.
13 Would I be comparing that to a row here of CFO pre-WC
14 debt of 25.2? I mean, yours will be a different
15 number, don't get me wrong. I understand they should
16 be different. But is that what I would be comparing
17 your analysis extracted to from the non-extracted?
18 Do you know what I am saying?

19 D. DANE: I am not sure what you are trying to
20 accomplish.

21 M. GARNER: Well, I am just trying to understand
22 when looking -- how I am looking at where your
23 adjustment -- what amount of your adjustment -- how
24 much it adjusts things, so to speak, you know what I
25 mean?

26 So you derive out of your model a number for CFO
27 of 17.1, and so I am looking back at the Moody's, and
28 all I am saying is, oh, so before you have a model to

1 extract it, that number is 25.2, and then when you do
2 your analysis, the new number is -- that you get for
3 this type of thing is 17.1.

4 Do you know what I mean? I just want to know if
5 I am looking at the right place or if I am looking at
6 something very different, you know, than what you are
7 doing. Do you know what I mean?

8 D. DANE: Yeah. I would say looking at
9 something different.

10 M. GARNER: And how so, yeah?

11 D. DANE: So -- and the exhibit we had up was in
12 response to an interrogatory, so it wasn't part of
13 the initial analysis that was performed for my
14 report, which was on a forward-looking basis.

15 M. GARNER: Sure.

16 D. DANE: In response to that question, we
17 reproduced that analysis back over a historical
18 period, but it is still pro forma in the sense it is
19 based on the same calculations starting with rate
20 base, applying return, et cetera, to come up with a
21 pro forma number.

22 This analysis from Moody's, besides as we have
23 been discussing, are reflecting something different
24 in that it is the overall OPG corporate level, is
25 backwards-looking based on, I believe, actual
26 information. So --

27 M. GARNER: Sorry. I am just confused. You
28 said pro forma, but the L1-CCC-026, it is using years

1 2017 through 2026, which I assumed at least up until
2 2024 are actual -- like, you are making calculations
3 based off of actual figures. Am I wrong?

4 D. DANE: It is pro forma in the sense we were
5 isolating regulated operations, and, again,
6 performing that based on a rate base rate of return
7 analysis rather than this figure, which will reflect
8 all of the cash inflows and outflows of OPG
9 corporate.

10 M. GARNER: Okay. We may have a different
11 understanding of what the word "pro forma" means.
12 But I am not sure I understand that. I will have to
13 give that some thought.

14 Okay. I think that is probably as far as I can
15 go, then, with that. Thank you, Mr. Dane. That was
16 helpful.

17 D. DANE: Thank you.

18 M. GARNER: And I am done at 3:08.

19 M. MILLAR: Okay. Thank you. Perfect, Mr.
20 Garner.

21 We will take our afternoon break now, and we are
22 returning with Christensen. Mr. Crowley, I believe.
23 So let's break for 15 minutes. We will come back at
24 about 3:25.

25 D. DANE: Great. Thank you.

26 M. MILLAR: Oh, and thank you very much for your
27 help today, Mr. Dane.

28 D. DANE: Sure, thank you.

1 --- Upon recessing at 3:09 p.m.

2 --- Upon resuming at 3:24 p.m.

3 M. MILLAR: Good afternoon, everyone. We have
4 now with us Nick Crowley from -- VP of Christensen
5 Associates who has filed some materials on behalf of
6 OEB Staff. And I understand that Mr. Boyle has some
7 questions for him. So I can turn it over to you, Mr.
8 Boyle.

9 **PANEL 3**

10 **CROSS-EXAMINATION BY C. BOYLE (WTFN):**

11 C. BOYLE: Good afternoon, Mr. Crowley. It is
12 good to see you again.

13 N. CROWLEY: Good to see you.

14 C. BOYLE: For those who don't know me, my name
15 is Colm Boyle, and I am here on behalf of WTFN. And
16 WTFN is a First Nations group that is looking to
17 explore economic reconciliation opportunities with
18 OPG including potential equity participation in the
19 DNNP LP entity.

20 I had a look at the schedule yesterday, and I
21 realized that I am the only person that is asking OEB
22 Staff witnesses questions here, so I thank you for
23 indulging me for the latter part of the day here. I
24 don't intend to take much of your time, especially
25 since I have a daycare graduation to attend shortly
26 here.

27 So I think if we could turn to my first series
28 of interrogatories under WTFN-1, and I think that is

1 page 26 of the IR responses. I assume somebody is
2 working the screen or else I can pull it up correctly
3 too.

4 M. MILLAR: I think there is someone from OPG
5 who is doing that, but I stand to be corrected.

6 Mr. Sternberg, is that correct? There was
7 somebody pulling --

8 A. BROWN: Apologies.

9 M. MILLAR: -- not sure.

10 A. BROWN: Yeah. This is Andrea. We are
11 prepared to present the Christensen reports as we
12 were asked to, but we don't have in front of us the
13 IRs that WTFN would have submitted to OEB Staff.

14 C. BOYLE: Okay. I can pull those up here. I
15 have them here in front of me. Give me a second. I
16 believe I should be sharing the responses now. Can
17 you see them up on the screen?

18 N. CROWLEY: Yes, I can see it.

19 C. BOYLE: Okay. Perfect.

20 So in the -- I am just looking at the kind of
21 lead in to the response here that you initially
22 provided. So you said that Christensen Associates
23 was not asked to provide any opinion evidence in
24 response to the Polar Star advisory report. Do I
25 have that right?

26 N. CROWLEY: Yeah, that is right.

27 C. BOYLE: So instead, you were asked to provide
28 purely factual information about bond holdings -- or

1 bond offerings with a view to providing some factual
2 context?

3 N. CROWLEY: Correct.

4 C. BOYLE: I don't think we need to turn to it,
5 mostly because I don't have it pulled up currently,
6 but I am happy to go there if you wish. But at page
7 7 of the report, you also qualify that you were
8 unable to find complete public information, in
9 quotes, in many cases about how major projects are
10 funded.

11 And you also state that your analysis was
12 limited to about 20 years in the past. Are both of
13 those also correct?

14 N. CROWLEY: That is correct. So, for example,
15 with the -- with regard to how projects are financed,
16 some of that information is available in the form of
17 public filings, and some of it is just not available.
18 It depends on the type of company, and it depends on
19 the jurisdiction. So the granularity that we might
20 want is not always available.

21 C. BOYLE: So, yeah, I guess I am just getting
22 to the point that there might be a number of projects
23 that are missing from Tables 1 and Table 2 of your
24 report?

25 N. CROWLEY: Yeah, I wouldn't necessarily call
26 them missing, but instead I would say that it is not
27 a comprehensive table with every example that is out
28 there.

1 C. BOYLE: Yeah, I guess that is fair. You
2 found the ones that you could that were publicly
3 available?

4 N. CROWLEY: Right.

5 C. BOYLE: And I guess this is just a question I
6 have too. Was there any correlation between equity
7 funding and those ones maybe being private, that all
8 of the public ones were -- like, the reason that you
9 found the public ones because they were being backed
10 by public entities and maybe the private ones were
11 maybe less public?

12 N. CROWLEY: I suppose that is possible,
13 although we were looking at fairly large projects so
14 they would -- you know, these are multi-billion
15 dollar infrastructure projects. So my guess is that
16 we -- for example, on the nuclear table, Table 1, I
17 think we captured the ones that I would expect to be
18 found if a person were to look for major nuclear
19 projects in the past 20 years.

20 C. BOYLE: Yeah. But, I mean, if there is some
21 sort of private equity funding, it is probably not
22 public, then; hey?

23 N. CROWLEY: When you say "probably not public,"
24 do you mean that the information about the project is
25 not public or that the project itself is not showing
26 up on the table?

27 C. BOYLE: That is a fair question. You didn't
28 have enough information to populate a project like

1 that in your table?

2 N. CROWLEY: That could be in theory, although I
3 am not sure if that happened.

4 So, for example, I don't know that there is
5 anything that we found that we didn't have sufficient
6 information so we just left it out. I am not sure
7 that that is the case.

8 C. BOYLE: Okay. So I guess given that there
9 may be some projects that have been left out of the
10 table, it is possible that your survey didn't include
11 all possible methods used by utilities and power
12 generators to finance major capital projects?

13 N. CROWLEY: That is possible.

14 C. BOYLE: Okay. Now, if we -- maybe I will try
15 to switch screens here again and share the report
16 with you, where I am looking in the report here.
17 Just a second. Oh, does somebody else have the
18 report up?

19 N. CROWLEY: I am able to see it.

20 A. BROWN: Lori has the reports, Mr. Boyle, if
21 you want to direct her where you want to go.

22 C. BOYLE: Oh. Sure. Section 6, please. And
23 just down to the last paragraph. I am just looking
24 at the statements in the very last paragraph there.

25 So we kind of -- we established earlier that
26 this was supposed to be a factual report, and I am
27 just curious where you found the statement that:

28 "DNNP LP's proposed capital structure is unique

1 in that it does not propose financial initial
2 construction or operations with any debt,
3 targeting an equity ratio of 100 percent." [as
4 read]

5 I guess, where does that come from?

6 N. CROWLEY: Well, I guess the first part of
7 that sentence is "among the recent six viable nuclear
8 projects surveyed." So it is not necessarily that it
9 is unique universally, but just in terms of the
10 nuclear projects surveyed.

11 C. BOYLE: I guess, who made that assessment of
12 unique? Was that you?

13 N. CROWLEY: Yeah. I would say -- just looking
14 at the table, that would be Table 1, if we look -- if
15 we compare DNNP to the companies in Table 1, it would
16 be considered, you know, unique compared to those six
17 viable nuclear plants.

18 C. BOYLE: Okay. So that is kind of your view
19 on this, that it is unique in the context here?
20 There is no report that says that?

21 N. CROWLEY: Sure.

22 C. BOYLE: Okay. And then I guess if we could
23 go back down to Section 6, the second -- or I guess
24 it would be the third sentence there again, it is.

25 "DNNP LP's proposed capital structure could
26 also be considered unique among major utility
27 infrastructure projects in Canada more
28 generally." [as read]

1 Again, I am wondering, where did that statement
2 come from?

3 N. CROWLEY: I think that one is drawing upon
4 Table 2. So if we look at Table 2, that table
5 contains major hydroelectric plants, for example,
6 from Manitoba Hydro and BC Hydro and Nalcor Muskrat
7 Falls. If we look at the way that those projects are
8 financed, it would be considered unique. That is to
9 say OPG would be considered unique compared to those.

10 C. BOYLE: And I guess the question is, again,
11 was this your view that it was unique?

12 N. CROWLEY: I struggle a little bit with
13 understanding the question because I am just -- if
14 you compare, like, three orange balls to a red ball,
15 it would be my opinion that the red ball is different
16 from orange, but I think that would sort of be
17 universally understood.

18 C. BOYLE: So I guess if it is universally
19 understood, where -- like, where could I find this?

20 N. CROWLEY: Okay. So let's -- let's just -- I
21 am going to read that last sentence:

22 "DNNP's proposed capital structure could also
23 be considered unique among major utility
24 infrastructure projects in Canada more
25 generally, as major hydroelectric generation
26 projects constructed in the past decade have
27 employed debt financing." [as read]

28 So if we go back up to Table 2 and look at the

1 last column and -- or I should say -- is it the last
2 column? There should be information there for the
3 first three projects, which are the hydroelectric
4 projects, whether or not they were financed by some
5 amount of debt. I believe all three of them are.

6 C. BOYLE: Right. But, I mean, an assessment of
7 unique, I mean, you are presenting -- you are
8 presenting this report as a fact -- as a fact report,
9 so therefore, I don't know if I -- I am struggling to
10 accept your characterization of --

11 N. CROWLEY: Okay. Let me -- let me put it this
12 way: So if -- what DNNP LP has proposed is to have a
13 100 percent equity financed project for the first --
14 well, for the construction years, and then for the
15 first 12 to 18 months at a minimum. So that is a 100
16 percent equity compared to a sample of entities that
17 are not 100 percent equity.

18 So when I say "unique," I am saying that in
19 that, there is a 100 percent equity financing route
20 on the DNNP LP side, and that is not the case for
21 these other companies. That is all I am saying is
22 that there is something different about those three
23 companies versus the one company. And that
24 difference is one is financed by 100 percent equity,
25 the other is financed by, at least in part, debt.

26 C. BOYLE: And, I mean, what I am -- the point I
27 am trying to get at here, to kind of cut to the
28 chase, is that you are not being presented as an

1 expert in this proceeding, and in order to come to
2 that unique conclusion, it involves a level of
3 judgment. Like, it is not a fact. Like, taking
4 those three companies and comparing them, I mean, in
5 my view, falls into the category of opinion. And I
6 was just trying to explore as to where or how you
7 reached this conclusion.

8 Because if it is a fact that is pervasive, I
9 would have liked to have known the source of that.
10 And, obviously, that paragraph doesn't have a
11 citation or any sort of qualifications on where that
12 came from. So I don't think we need to belabour this
13 point so --

14 N. CROWLEY: I will just sort of conclude my
15 thought by saying that that last paragraph is based
16 on the contents of the table. So the citation if
17 there -- if there were to be a citation, it would be
18 Table 1, Table 2.

19 C. BOYLE: Okay.

20 If we could -- I will pull the interrogatories
21 back up here. In -- I guess I am moving down to this
22 response here. I didn't quite understand what you
23 meant by that sentence, and I was just giving you an
24 opportunity to maybe clarify a bit more.

25 N. CROWLEY: So let's -- can we look at the
26 question?

27 C. BOYLE: Sure.

28 N. CROWLEY: So the question reads:

1 "Did the research report consider equity
2 investments by First Nations partners in DNNP
3 LP?" [as read]

4 And so my response, I think, says something to
5 the effect of I was not aware -- or the evidence does
6 not suggest -- the evidence that I reviewed does not
7 make statements about First Nations partners with
8 DNNP LP.

9 And the purpose of the report is to address the
10 Polar Star statements or to investigate the Polar
11 Star statements to a certain extent. And I didn't
12 see anything in the Polar Star report that discussed
13 First Nations partners with DNNP, so there was no --
14 that -- essentially, looking at equity investments by
15 First Nations partners in DNNP was just -- to answer
16 the question plainly, it was not considered because
17 it is not within the scope -- it is not within the
18 Polar Star advisory report.

19 C. BOYLE: Okay. Thank you.

20 N. CROWLEY: Yeah.

21 C. BOYLE: I guess the next question I have here
22 is in respect of B, and, again, we can go back up to
23 the question itself. And I think your answer to A
24 might already answer the -- answer B. But I think
25 the question was -- is in any of the nuclear examples
26 that you provided in Table 1, I didn't -- I guess I
27 was just checking to make sure that I wasn't missing
28 anything, but none of them jumped out to me as having

1 equity investment by First Nations partners.

2 N. CROWLEY: Yes.

3 C. BOYLE: Do I have that right? Yeah.

4 N. CROWLEY: I would say I don't know the answer
5 to that. We didn't investigate whether equity was
6 owned by First Nations partners.

7 C. BOYLE: Fair enough. But I guess based on
8 what you know right now is you didn't see anything?

9 N. CROWLEY: I did not see anything, and we did
10 not look for it.

11 C. BOYLE: Okay.

12 Last question here. I know this is probably a
13 very pedantic question, but I -- just a clarification
14 I am looking for. So I've realized in the answers to
15 D, E, and F here, you say that you weren't asked to
16 do this, but I just wanted to confirm that you didn't
17 actually do it either?

18 N. CROWLEY: Correct.

19 C. BOYLE: Okay. Thanks. That is all my
20 questions for you, Mr. Crowley, so thank you for your
21 time.

22 N. CROWLEY: Thank you.

23 M. MILLAR: Thank you very much, Mr. Boyle.

24 I think we have our next witnesses available.

25 Ms. Wang and Mr. McLeod, are you there?

26 S. WANG: Yes, we are here.

27 D. MCLEOD: Yes.

28 M. MILLAR: Okay. So, first, I will say thank

1 you to Mr. Crowley for your assistance today.

2 Mr. Boyle, are you ready to -- I will introduce
3 the witnesses, but are you ready to just keep going?

4 C. BOYLE: Yeah, I will trek on.

5 M. MILLAR: Okay.

6 Just very quickly, we have with us Sherry Wang
7 and Dan McLeod, who authored the report sponsored by
8 OEB Staff on the nuclear -- the nuclear -- the
9 proposed nuclear framework. So I will pass it to
10 you, Mr. Boyle.

11 **PANEL 4**

12 **CROSS-EXAMINATION BY C. BOYLE (WTFN):**

13 C. BOYLE: Sure. Is my screen still sharing
14 there?

15 M. MILLAR: It is.

16 C. BOYLE: Okay. I will jump down to the next
17 set of interrogatories, then.

18 So this is the -- the second -- I have a bit of
19 a lead-in here to -- before I get to my question, so
20 bear with me for a minute. So as you are likely
21 aware, the First Nations cannot participate as an
22 equity partner in OPG directly.

23 So as -- so what I am looking at this is from
24 the perspective of a potential equity investor in
25 DNNP LP as a standalone generation utility for the
26 purposes of the parties I represent. So I think -- I
27 don't know if you were listening earlier to Mr.
28 Silver and Mr. Walker, but Mr. Silver kind of briefly

1 explained the regulatory framework, but I will
2 revisit it quickly.

3 So this application has been filed by two
4 entities, so there is OPG and DNNP LP. We are still
5 waiting on a decision under Section 8 of O. Reg
6 53/05, which would deem DNNP as a prescribed
7 generator and effectively allow it to operate
8 independent of OPG.

9 So what the -- what that practically means is
10 that when you are calculating the revenue requirement
11 for DNNP, it is possible that the inputs that go into
12 DNNP could theoretically be different than those for
13 OPG.

14 So getting to your report now, my understanding
15 was that you framed the scope of the report to cover
16 two topics. And the first was responding evidence to
17 the total cost benchmarking of ScottMadden, and the
18 second is the proposed stretch factor for OPG. Is
19 that -- do I have that generally right?

20 S. WANG: Yes.

21 C. BOYLE: Okay. Thanks.

22 So with that in mind, I notice that the title of
23 the report includes an evaluation of DNNP LP's
24 proposed nuclear payments framework. So do I -- I
25 assume I have that correct too?

26 S. WANG: Yeah, I think that is correct.

27 C. BOYLE: Okay.

28 And then I am just looking down at the

1 responses. So I asked a number of questions here
2 that say that the response is essentially Christensen
3 did not perform a DNNP-specific benchmarking
4 analysis.

5 And so I am kind of looking at this, going,
6 well, what was the scope of your report, then, in
7 respect of DNNP if you didn't conduct an independent
8 analysis on it? So maybe you can help me understand
9 that. So was DNNP assessed as a standalone entity in
10 this report?

11 D. MCLEOD: Well, my understanding looking at
12 the scope of work on the benchmarking -- the total
13 cost benchmarking section is that we were asked to
14 critique the ScottMadden report, including the
15 econometric method analysis and the data underpinning
16 that report.

17 And so that is where our focus was not, in terms
18 of the benchmarking, on the DNNP side because
19 ScottMadden did not benchmark -- include a
20 benchmarking analysis of DNNP.

21 C. BOYLE: Okay. So -- oh, sorry. I will let
22 you finish.

23 S. WANG: In terms of the other part of our
24 report, we are asked to comment on the application of
25 the stretch factor in the application and also the
26 overall rate framework.

27 C. BOYLE: So I guess can you help me
28 understand? If I am -- if I am looking at this as --

1 say I am DNNP looking at this, going, does this
2 report apply to me, what is the answer to that? Or,
3 like, I guess I am trying to figure out to what
4 extent do any of your findings in this report apply
5 to DNNP?

6 S. WANG: I mean, for the stretch factor
7 application and the rate framework part, because we -
8 - if I understand correctly that it is a joint
9 application, and the application is seeking a blended
10 payment amount for nuclear generation including both
11 DNNP and OPG.

12 So we are just commenting on the general
13 application of the stretch factor as regard to -- you
14 know, as part of the rate framework. So to the
15 extent that we mentioned DNNP, that is because it is
16 included in the application and was discussed as part
17 of the rate framework.

18 C. BOYLE: Let's stick on the -- so I think that
19 my first question pertained to the stretch factor.
20 So if I have the two scenarios that you posed
21 correctly in my questions here, is that the first is
22 either you apply a 0.3 stretch factor to DNNP if --
23 if their revenue requirement is included, and if it
24 is not included, then you increase the stretch factor
25 for OPG from 0.3 to 0.45; is that -- is that correct?

26 S. WANG: Actually not quite. So in our report,
27 what we said in the first -- so let me just take a
28 step back. So --

1 C. BOYLE: Sure.

2 S. WANG: The 0.3 percent is what ScottMadden
3 proposed -- or -- sorry -- OPG proposed based on the
4 total cost benchmarking study conducted by
5 ScottMadden, and they -- in the application, they
6 propose a 0.3 percent stretch factor. And in our
7 report, first, we critiqued the ScottMadden study,
8 and based on the flaws that we identified, we
9 recommend a stretch factor of 0.45 percent.

10 And what we say in our report is that if the OEB
11 believes that the OPG have similar efficiency
12 opportunities as the distribution utilities and the
13 custom IR, then we recommend that the OEB incorporate
14 in-service additions from large capital programs in
15 the stretch amount calculation.

16 But if the OEB decide to retain the narrow base
17 that OPG is proposing, then we recommend additional
18 15 basis point adjustment that is from the 0.45
19 percent that we recommend based on the critique of
20 the cost benchmarking study, and that will be
21 bringing basically the stretch factor up to 0.6
22 percent because of the narrow base.

23 C. BOYLE: So recognizing kind of my lead-in
24 here that DNNP and OPG might be treated separately,
25 what is the stretch factor you are suggesting apply
26 to DNNP, then?

27 S. WANG: We are not suggesting any DNNP-
28 specific stretch factor because we didn't do a total

1 cost benchmarking study for DNNP, and that is outside
2 of the scope of our work. And we also recognize that
3 during this rate term specifically, that DNNP units
4 are only -- become in-service in later part of the
5 rate term, and the Board may have precedent or
6 policies that distinguish between ongoing projects
7 like DNNP and completed projects. And so to the
8 extent that that precedent or policy applied, then we
9 will not object to DNNP being treated separately or
10 consistent with that precedent.

11 C. BOYLE: Okay. Thank you. That is all the
12 questions I have today.

13 S. WANG: Okay.

14 M. MILLAR: Okay. Thank you, Mr. Boyle. And
15 thank you very much, Ms. Wang and Mr. McLeod.

16 I think that brings us to the end of our
17 technical conference. Is there anything further from
18 anyone?

19 A. STERNBERG: Nothing from us.

20 M. MILLAR: Okay.

21 We do have a number of undertakings that were
22 given. There is a date, I believe, given in the PO,
23 which I forget right now, but, Mr. Sternberg, I
24 assume you will be working towards that date?

25 A. STERNBERG: Yes, we will.

26 M. MILLAR: Okay.

27 So if there is nothing further, we are
28 adjourned, and thank you very much, everyone. Enjoy

1 your weekend.

2 S. WANG: Thank you.

3 A. STERNBERG: Thank you.

4 --- Whereupon the proceeding concluded at 3:51

5 p.m.