

**Ontario Energy  
Board**

P.O. Box 2319  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
Toll free: 1-888-632-6273

**Commission de l'énergie  
de l'Ontario**

C.P. 2319  
2300, rue Yonge  
27<sup>e</sup> étage  
Toronto ON M4P 1E4  
Téléphone: 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



**BY E-MAIL**

March 6, 2015

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Ontario Power Generation Inc.  
Board File No. EB-2014-0370**

Please find attached OEB staff's interrogatories with respect to Ontario Power Generation Inc.'s application for an order or orders relating to deferral and variance accounts.

Yours truly,

*Original signed by*

Violet Binette  
Project Advisor, Applications

Attach

**Ontario Energy Board (OEB) Staff Interrogatories**  
**Ontario Power Generation Inc. (OPG)**  
**Deferral and Variance Accounts**  
**EB-2014-0370**  
**March 6, 2015**

**EXHIBIT H – DEFERRAL AND VARIANCE ACCOUNTS**

**H-Staff-1**

Ref: Exh H1-1-2 Table 1

*Summary of Deferral and Variance Accounts*

The last column of Table 1 summarizes the 2014 year end balances. Please provide a revision to this table, or prepare another table that illustrates the balances (a) previously approved for disposition by EB-2012-0002 and (b) previously approved for disposition by EB-2013-0321 and (c) requested for disposition by EB-2014-0370.

**H-Staff-2**

Ref: Exh H1-1-2 Table 1c

*Continuity of Account Balances – November and December 2014*

Please create a separate table breaking out lines 1 to 16 for Previously Regulated and Newly Regulated Hydroelectric where sub-accounts exist.

**H-Staff-3**

Ref: Exh H1-1-1 page 6, Exh H1-1-2 Table 4

*Hydroelectric Incentive Mechanism Variance Account*

For the period November to December 2014, please provide a table that breaks out actual incentive payment and incentive payment adjustment due to SBG separately for the previously and newly regulated hydroelectric facilities. Provide data in \$k.

**H-Staff-4**

Ref: Exh H1-1-2 Table 5

*Hydroelectric Surplus Baseload Generation Variance Account*

Note 1 to Table 5 states that the Actual Foregone Production Due to SBG Conditions (GWh) for the Previously Regulated Hydroelectric Facilities for 2014:

Includes an upward adjustment of 29.7 GWh to the 2013 estimated foregone production reflected in the EB-2013-0321 Board-approved account balance, reflecting a refinement to OPG's spill reporting methodology in 2014 based on an accumulation of data since the new Niagara Tunnel was placed in service in March 2013.

The 2013 year end SBG Variance Account balance was approved for clearance in EB-2013-0321.

- a) Does the upward adjustment of 29.7 GWh reflect 2013 foregone production or 2014 foregone production?
- b) Line 1 of Table 5 is "Actual Foregone Production". Please explain the need for an adjustment to actuals.
- c) Please explain further the spill reporting refinement with respect to the explanation at Exh E1-2-1 page 3 of EB-2013-0321.

**H-Staff-5**

Ref: Exh H1-1-2 Table 5

*Hydroelectric Surplus Baseload Generation Variance Account*

The Jan-Oct 2014 actual foregone production due to SBG conditions was 1,061 GWh, and the Nov-Dec 2014 actual foregone production due to SBG conditions was 581 GWh. Please provide the drivers behind the Nov-Dec 2014 foregone production.

**H-Staff-6**

Ref: Exh H1-1-2 page 5

*Income and Other Taxes Variance Account*

The application update filed on February 20, 2015 refers to a difference in Scientific Research & Experimental Development (SR&ED) investment tax credits. Were the changes to the expected recoveries for SR&EDs based on negotiations with the tax authorities or based on tax rules? Please explain.

**H-Staff-7**

Ref: Exh H1-1-2 Table 7

*Capacity Refurbishment Variance Account - Hydroelectric*

The OEB approved the addition to rate base for the Niagara Tunnel Project in EB-2013-0321. OPG has used cost of capital numbers from EB-2010-0008 for the weighted average cost of capital of 7.40% and ROE of 9.55% in Table 7. The OEB made the following findings concerning the Niagara Tunnel Project in EB-2010-0008.

*Board Findings*

The Board will not require additional reporting on the status of the Niagara Tunnel Project prior to OPG's next payments case. The Board does not intend to manage the project, nor will it to conduct any sort of intermediate review, or "mini-hearing". The appropriate course of action is for the Board to conduct a thorough prudence review at the time that OPG proposes to add the project to rate base. The Board will

expect OPG to file Project Execution Plans, as well as any other progress reports completed over the duration of the project, at the time of the prudence review.<sup>1</sup>

- a) Please explain when and in which proceeding the OEB approved the *Capacity Refurbishment Variance Account – Hydroelectric*.
- b) Please explain why OPG has used the cost of capital parameters from the EB-2010-0008 case when the OEB approved the project costs in EB-2013-0321.

#### **H-Staff-8**

Ref: Exh H1-1-2 Table 12a Note 6

*Capacity Refurbishment Variance Account - Nuclear*

The Table to Note 6 summarizes the 2014 Actual Darlington Refurbishment Net Plant Rate Base Amount. The OEB approved 2014 in-service additions of \$18.7M and \$209.4M in 2015. OPG has shown \$43.5M as 2014 in-service additions in Table 12a. Please explain how the data in this table are consistent with the EB-2013-0321 Decision with Reasons at page 58.

#### **H-Staff-9**

Ref: Exh H1-3-1, Attachment 1, Page 14 of 15

*Pensions & OPEB Cash Versus Accrual Differential Deferral Account*

In the description of the account OPG has stated: The deferral account shall also record any associated income tax impacts. In the OEB's Payment Amounts Order,<sup>2</sup> the OEB stated the following.

The Decision's description of the Pensions & OPEB Cash Versus Accrual Differential Deferral Account did not include taxes and the Board finds that this account will not record taxes. When a determination is made regarding the account balance, any tax matters can be addressed at that time.

In the Payment Amounts Order in Appendix G on page 14, the paragraph includes the sentence, "The deferral account shall also record any associated income tax impacts."

It appears to OEB staff that the wording in Appendix G was original wording proposed by OPG in the related application that was inadvertently not amended for the final Payment Amounts Order to reflect the OEB's finding on page 6 of the Order. Please explain if OPG agrees with this view. If OPG disagrees, please explain what OPG wants the OEB to decide and why.

---

<sup>1</sup> EB-2010-0008, Decision with Reasons, March 10, 2011, page 28

<sup>2</sup> EB-2013-0321, Payment Amounts Order, December 18, 2014, page 6.

**H-Staff-10**

Ref: Exh H1-1-1, Pages 13-16

*Pension and OPEB Cost Variance Account - Post 2012 Additions*

Amortization Period for Recovery of Balances

OPG has proposed to recover variances that have arisen since 2012 over 24 months.<sup>3</sup> In the previous application to clear the account balances as at December 31, 2012, EB-2012-0002, the balances were approved for recovery over the expected average remaining service life (EARSL) of the employees which was 12 years in 2012. In the 2013 audited financial statements the EARSL was 13 years for pensions and 14 years for OPEBs.<sup>4</sup> In the funding valuation report, the going concern special payments are made over a 15-year period.<sup>5</sup>

- a) Please recalculate the amount to be recovered in the period July 1, 2015 to June 30, 2017 using 15 years as the recovery or amortization period rather than 24 months for the amounts that have accrued since December 31, 2012.
- b) Please recalculate the rate impact using the 15-year recovery period rather than the 24-month proposal.
- c) Please identify the EARSL for pensions and for OPEBs as at December 31, 2014.
- d) If the answer to (c) is not 15 years, please provide calculations (a) and (b) for the answer to (c).

**H-Staff-11**

Ref: H1-1-2 Attachment 2, Aon Hewitt, pages 1-10

*Pickering Extension to 2020 – Impact on Pensions & OPEBs*

OPG intends to maintain Pickering in operation until the end of 2020.

- a) Please explain what assumptions the actuary has included in the valuation for December 31, 2014 related to Pickering end of life in 2020.
- b) If the actuary has not included staff reductions related to Pickering in the 2014 year end valuation, please describe in detail the reasons why staff reductions would not be assumed to occur in the pension and OPEB cost projections for regulatory purposes.
- c) If forecast staff reductions have not been included in the year end actuarial valuations, please describe when in the future OPG would include these staff

---

<sup>3</sup> Exh A1-1-2 page 1

<sup>4</sup> EB-2013-0321, Exh L-2.1-ED-3, Attachment 1, page 45.

<sup>5</sup> EB-2013-0321, Undertaking J9.6, Attachment 1, page 26.

reductions in the valuations for regulatory purposes. Please provide the reasons for the answer.

**H-Staff-12**

Ref: H1-1-2 Attachment 2, Aon Hewitt, pages 8-9

*Contributions to Pension Plan and Payments to Retirees*

In Attachment 2 filed in this proceeding, the actual payments that OPG made in 2013 and in 2014 appear to be substantially less than the estimated amounts shown on pages 8 and 9 of Aon Hewitt's report.

In the recent cost of service case, Aon Hewitt's funding valuation, Undertaking J9.6 Attachment 1, on page 19, shows the minimum required company contributions for 2014 through 2016.

Does OPG intend to make the minimum contributions recommended by its actuary? Please explain.

**H-Staff-13**

Ref: H1-1-2 Table 8a

*Pension & OPEB Cost Variance Account - Income Tax Impact*

- a) Please explain how OPG allocated the actual contributions to the pension plan and payments to retirees to the regulated business in 2013 and in 2014 up to October 31, 2014, and for the two-month period of November and December 2104. Please show the numbers, calculations and explain the basis of how the calculations were made.
- b) In Undertaking J13.7 in the last payments case, OPG stated that it would make pension contributions in 2014 and 2015 of \$729.5M for the regulated business. OPG now plans to contribute \$651.5M. Please explain why OPG plans to reduce pension contributions.

**H-Staff-14**

Ref: Exh H1-1-2 Table 1b

*Pension & OPEB Cost Variance Account*

Please explain why there is an interest entry for the Pension and OPEB Cost Variance – Nuclear – Historic for the period January 1 to October 31, 2014.

**H-Staff-15**

Ref: Exh H1-1-2 Table 10

*Nuclear Liability Deferral Account*

Please provide the details for the calculation of the average asset retirement costs for Jan.- Oct 2014 of \$(13.4)M at line 2 of the table.

## **EXHIBIT I – DETERMINATION OF RIDERS**

### **I-Staff-16**

Ref: Decision with Reasons, EB-2013-0321, page 125

Ref: Exh I1-1-2 Table 1 and Table 2

The EB-2013-0321 Decision with Reasons states:

As a result of OPG deferring its application for disposition of deferral and variance accounts, the Board is unable to render a decision on the need for rate mitigation in 2014 and 2015, based on the overall bill impact resulting from OPG's operations. This creates a difficult situation for ratepayers who will not understand the full impact on payment amounts for 2014 and 2015 until the second application is completed. Based on the evidence filed, the account balances to be cleared in a second application will be significant.

The EB-2013-0321 application consumer bill impact was \$5.31/month and the associated increase in payment amounts was 23.4% (Exh N2 of EB-2013-0321). The impact of the EB-2013-0321 Decision with Reasons was a consumer bill impact of \$2.53/month and an 11.1% increase in payment amounts.

Please determine the consumer dollar increase and bill impact percentage of EB-2013-0321 if the 2013 year end balances had been cleared for all accounts instead of just 4 for two scenarios.

- a) Equivalent to Exh N2 of EB-2013-0321, but with disposition of 2013 year end balances for all deferral and variance accounts. Clearly identify disposition periods for account balances.
- b) Equivalent to EB-2013-0321 Decision with Reasons, but with disposition of 2013 year end balances for all deferral and variance accounts. Clearly identify disposition periods for account balances.