

**Ontario Energy  
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**BY E-MAIL**

September 25, 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.  
Ontario Energy Board File No. EB-2014-0370**

Please find attached OEB staff's submission with respect to the draft payment amounts order for 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 POWER GENERATION INC.  
DEFERRAL AND VARIANCE ACCOUNTS**

**EB-2014-0370**

**Ontario Energy Board  
Staff Submission  
Draft Payment Amounts Order**

**September 25, 2015**

## 1 INTRODUCTION

On December 18, 2014, Ontario Power Generation Inc. (OPG) filed an application with the Ontario Energy Board (OEB) for an order or orders related to deferral and variance accounts, including disposition of account balances as at December 31, 2014. The OEB accepted a partial settlement proposal on June 23, 2015, and issued a decision on the unsettled matter on September 10, 2015.

The following are OEB staff's comments regarding the draft Payment Amounts Order filed by OPG on September 18, 2015.

## 2 COMMENTS ON DRAFT PAYMENT AMOUNTS ORDER

### Draft Order 2

OEB staff suggest the following revision:

The DVA amounts approved for disposition are \$190.6M for the prescribed hydroelectric facilities, as set out in Appendix A, Table 1, column (c). **These amounts include \$10.5M related to Pension and OPEB Cost Variance approved in EB-2012-0002.<sup>1</sup> Also**, these amounts are in addition to the DVA balances approved for disposition in the period from January 1, 2015 to December 31, 2015 in the EB-2013-0321 Payment Amounts Order.

### Draft Order 3

OEB staff suggest revisions similar to draft order 2.

### Draft Order 4

OEB staff suggest the following revision:

Effective from July 1, 2015 to December 31, 2016, for the production from the **previously regulated and newly regulated** ~~prescribed~~ hydroelectric facilities, a regulated hydroelectric payment amount rider for the recovery of the approved DVA balances ("Hydroelectric Rider 2015/16-A") is \$3.19/MWh, as set out in Appendix A, Table 1, line 12. This rider is in addition to the Previously Regulated Hydroelectric Rider 2015 of

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<sup>1</sup> The EB-2012-0002 decision approved a settlement that set a 12 year disposition period for the Pension and OPEB Cost Variance Account – Future

\$6.04/MWh for the production from the previously regulated hydroelectric facilities, which was established in the EB-2013-0321 Payment Amounts Order and remains in effect until December 31, 2015.

#### **Draft Order 5**

OEB staff suggest revisions similar to draft order 4.

#### **Appendix B – page 1**

OEB staff submits that the description on page 1 should refer to the EB-2012-0002 approved settlement that set a 12 year disposition period for the Pension and OPEB Cost Variance Account – Future.

#### **Ancillary Services Net Revenue Variance Account – Hydroelectric**

As per the EB-2013-0321 payment amounts order, issued on December 18, 2014, the definition should be revised to:

**For the newly regulated hydroelectric facilities sub-account**, OPG shall ensure that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its pre-filed evidence dated September 27, 2013 and the information based on OPG's 2014-2016 Business Plan. These amounts are outlined in OPG's Impact Statement dated December 6, 2013, as found at EB-2013-0321, Ex. N1-1-1 Chart 1.

#### **Hydroelectric Deferral and Variance Over/Under Recovery Variance Account**

OEB staff suggest the following revision:

This account shall record the differences between the amounts approved for recovery in the hydroelectric deferral and variance accounts and the actual amounts recovered based on actual regulated hydroelectric production and approved riders. The account ~~shall also include~~ the transfer of the previously regulated hydroelectric balances in the Tax Loss Variance Account and the Impact for USGAAP Deferral Account **following** upon their expiry on December 31, 2014, the previously regulated hydroelectric balance of the Historic Recovery component of the Pension and OPEB Cost Variance Account at December 31, 2014, and other accounts as they may expire from time to time.

## **Nuclear Deferral and Variance Over/Under Recovery Variance Account**

OEB staff suggest revisions similar to the hydroelectric over/under account.

### **Interest**

As December 31, 2014 balances have been approved for disposition, except for the new accounts established in EB-2013-0321, this section should be revised:

Except where otherwise stated, effective **January 1, 2015** ~~November 1, 2014~~, OPG shall record interest on the balances in all deferral and variance accounts using the interest rates set by the Board from time to time pursuant to the Board's interest rate policy. OPG shall apply simple interest to the opening monthly balance of the accounts until the balances are fully recovered or refunded.

### **General**

The “Board” should be replaced with the “OEB”. OEB is now the short form adopted by the Ontario Energy Board.

OEB staff notes that the OEB Panel in its decision stated the following with respect to the unsettled issue (i.e. the reference for variance determination)<sup>2</sup>:

The implications of this issue need to be considered in future applications. Because the balances in OPG's DVAs can be significant, the OEB will need to take their operation into account, particularly when setting effective dates, as will parties to the proceeding when reviewing and commenting on draft payment orders. The regulatory risk associated with the existence of DVAs has not changed, yet the ratemaking implications have evolved, particularly with the significant increases in DVA balances.

It is OEB staff's view that the text proposed for the deferral and variance accounts as part of the draft payment order, while fairly consistent with past payment amount orders, may need to be revised as part of future applications to accommodate findings on effective dates that are different from the date on which the proposed test year commences. Alternatively, the OEB may wish in future applications, to address the treatment of any impacts arising from different effective dates vis a vis the appropriate reference point for applicable deferral and variance accounts, as part of its findings.

All of which is respectfully submitted

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<sup>2</sup> Decision and Order, EB-2014-0370, p8