



**Ontario Energy Board  
Commission de l'énergie de l'Ontario**

---

**DECISION AND ORDER**

**EB-2018-0002**

**ONTARIO POWER GENERATION INC.**

**Application for an Accounting Order**

**BEFORE: Allison Duff**  
Presiding Member

---

**May 31, 2018**

## 1 INTRODUCTION AND SUMMARY

Through this Decision and Order, the Ontario Energy Board (OEB) approves the accounting order application (Application) filed by Ontario Power Generation Inc. (OPG) on December 29, 2017. OPG proposed that a new deferral account be approved to record certain impacts from January 1, 2018 until the effective date of the OEB's next nuclear payment amounts order.

OPG is the largest electricity generator in Ontario. Provincial regulation requires that the OEB set the payment amounts that OPG charges for the generation from its nuclear facilities (Pickering and Darlington) and most of its hydroelectric facilities (including Sir Adam Beck I and II on the Niagara River, and RH Saunders on the St. Lawrence River). These payment amounts are included in the electricity costs, which are shown as a line item on a customer's electricity bill sent from the customer's local electricity distributor.

The OEB already approved the establishment of the deferral account on an interim basis to enable OPG to make entries effective January 1, 2018. In this Decision and Order, after an interrogatory and submission process, the OEB approves the establishment of the deferral account on a final basis and the associated accounting order (attached as Schedule A).

In a subsequent proceeding when OPG applies to dispose of balances in the new deferral account, the OEB will review and assess the prudence of entries made to the account.

## 2 THE PROCESS

OPG filed the Application with the OEB on December 29, 2017 under section 78.1 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B). The Application requested approval to establish a deferral account to record the revenue requirement impact of changes to nuclear liabilities and depreciation and amortization expense resulting from changes to station end-of-life dates for OPG's Pickering prescribed nuclear facilities effective December 31, 2017. OPG proposed the new account enable entries recorded from January 1, 2018 to the effective date of OPG's next payment amounts order from the OEB.

The Application was filed after the OEB issued its decision and order regarding OPG's 2017-2021 payment amounts (2017 Decision)<sup>1</sup>. The 2017 Decision referred to previous payment amounts orders<sup>2</sup> that generally set out that OPG must file an accounting order application to record the revenue requirement impact of changes to station end-of-life for depreciation and amortization purposes and changes to nuclear liabilities (other than as a result of an Ontario Nuclear Funds Agreement Reference Plan update) exceeding \$10 million. The Application referenced a similar deferral account approved by the OEB in a prior OPG proceeding.<sup>3</sup>

On January 31, 2018, the OEB approved the establishment of the new deferral account on an interim basis to allow OPG to begin booking entries in January 2018.

The OEB issued the Notice of Application and Hearing and Procedural Order No. 1 (Notice) on February 28, 2018. The Notice adopted the intervenors from the 2017-2021 payment amounts proceeding as intervenors in this proceeding including cost award eligibility. The Notice also provided for interrogatories and written submissions by OEB staff and intervenors, and a reply submission by OPG.

OEB staff filed its interrogatories on March 14, 2018, and OPG filed its response on March 28, 2018. OEB staff filed a written submission on April 11, 2018, with OPG filing its reply submission on April 18, 2018. No intervenor filed interrogatories or submissions in this proceeding.

---

<sup>1</sup> EB-2016-0152

<sup>2</sup> EB-2012-0002 deferral and variance account payment amounts order issued on April 18, 2013 and EB-2013-0321 2014-2015 payment amounts order issued on December 18, 2014

<sup>3</sup> EB-2015-0374 March 10, 2016 deferral account decision and order

### 3 DEFERRAL ACCOUNT

The criteria outlined in the OEB's *Filing Requirements For Electricity Distribution Rate Applications* (the Filing Requirements) for the establishment of a new deferral or variance account are not specific to OPG, yet are typically applied to all OEB regulated utilities. The Filing Requirements indicate that the following eligibility criteria must be met:<sup>4</sup>

1. Causation: The forecasted expense must be clearly outside of the base upon which rates were derived.
2. Materiality: The forecasted amounts must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor, otherwise they must be expensed in the normal course and addressed through organizational productivity improvements.
3. Prudence: The nature of the costs and forecasted quantum must be reasonably incurred although the final determination of prudence will be made at the time of disposition. In terms of the quantum, this means that the applicant must provide evidence demonstrating as to why the option selected represents a cost-effective option (not necessarily least initial cost) for ratepayers.

Regarding causation, OPG indicated that the revenue requirement impact is incremental to the payment amounts approved in the 2017 Decision.<sup>5</sup> OEB staff submitted that the criterion of causation had been met.

Regarding materiality, OPG projected that the balance in the deferral account as at December 31, 2021 would be a credit balance of \$137.7 million.<sup>6</sup> OEB staff submitted that the criterion of materiality had been met as the projected balance in the deferral account as at December 31, 2021 is a credit of \$137.7 million, which exceeds the \$10 million materiality threshold indicated in similar previous OEB decisions.

Regarding prudence, OPG indicated that a prudence test was not applicable to the Application for a change in Pickering's end-of-life. OPG explained that the Pickering's end-of-life extension had been approved by the OEB in the 2017 Decision.<sup>7</sup> OEB staff

---

<sup>4</sup> Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications - Chapter 2 Cost of Service, July 20, 2017, Section 2.9.6 Establishment of New Deferral and Variance Accounts

<sup>5</sup> OEB Staff Interrogatory #5

<sup>6</sup> OEB Staff Interrogatory #1, Table 1

<sup>7</sup> OEB Staff Interrogatory #5

noted that the prudence criterion exists to provide the OEB with sufficient confidence that an applicant has a plan in place to demonstrate that the costs are reasonable. OEB staff submitted that it is satisfied that OPG has a plan in place for tracking these costs.

OPG and OEB staff agreed that the final determination of prudence relating to the amounts recorded in the deferral account, in addition to the method for calculating the entry amounts, will be tested in a future proceeding.

OPG proposed that no interest be recorded on the balance of the new deferral account, consistent with the Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account approved in a prior proceeding<sup>8</sup>.

## Findings

The OEB approves the establishment of the deferral account on a final basis, effective January 1, 2018. The OEB finds that OPG has satisfied the three criteria of causation, materiality, and prudence. This finding should not be construed as approval of the entries that will be recorded in this account, which will be reviewed when the account balance is brought forward to the OEB for disposition.

### 1. Causation

The OEB finds that the proposed revenue requirement impact to be recorded in the deferral account was not embedded in OPG's payment amounts approved in the 2017 Decision.

### 2. Materiality

The OEB finds that the projected balance in the deferral account as at December 31, 2021 is material. Although the proposed credit balance of \$137.7 million was not tested in this proceeding, it clearly exceeds the \$10 million threshold for OPG to file an accounting order.

### 3. Prudence

The OEB finds that it is prudent to establish the new account as OPG's plans to track costs and support its calculation of accounting entries are reasonable.

---

<sup>8</sup> EB-2015-0374

The OEB agrees with OPG and OEB staff that the prudence of entries and balances related to the deferral account will be addressed in a future proceeding, when OPG applies for disposition. As a result, a detailed review of OPG's proposed account calculations supporting the proposed \$137.7 million credit balance is not required at this time.

The OEB accepts OPG's proposal to record no interest on the balance of the new deferral account as, for example, a reduction in depreciation expense has no cash value on which to accrue interest.

## 4 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. OPG shall establish the following new deferral account on a final basis effective January 1, 2018, in accordance with Schedule A:  
  
Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account.
2. Intervenors shall submit to the OEB and copy OPG their cost claims no later than **7 days** from the date of issuance of this Decision and Order.
3. OPG shall file with the OEB and forward to intervenors any objections to the claimed costs within **14 days** from the date of issuance of this Decision and Order.
4. Intervenors shall file with the OEB and forward to OPG any responses to any objections for cost claims within **21 days** from the date of issuance of this Decision and Order.
5. OPG shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, EB-2018-0002 and be made electronically through the OEB's web portal at <http://www.pes.ontarioenergyboard.ca/eservice/> in searchable/unrestricted PDF format. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at [https://www.oeb.ca/oeb/Documents/e-Filing/RESS\\_Document\\_Guidelines\\_final.pdf](https://www.oeb.ca/oeb/Documents/e-Filing/RESS_Document_Guidelines_final.pdf). If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB flash drive in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Fiona O'Connell at

[Fiona.OConnell@oeb.ca](mailto:Fiona.OConnell@oeb.ca) and OEB Counsel, Michael Millar at [Michael.Millar@oeb.ca](mailto:Michael.Millar@oeb.ca).

**ADDRESS**

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4  
Attention: Board Secretary

E-mail: [boardsec@oeb.ca](mailto:boardsec@oeb.ca)  
Tel: 1-888-632-6273 (Toll free)  
Fax: 416-440-7656

**DATED** at Toronto, **May 31, 2018**

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

**Schedule A**

**To Decision and Order**

**Accounting Order**

**OEB File No: EB-2018-0002**

**DATED: May 31, 2018**

**Accounting Order**  
**Ontario Power Generation Inc.**  
**EB-2018-0002**

**Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account**

OPG shall establish this new account, effective January 1, 2018, to record the revenue requirement impact arising from changes to nuclear liabilities and depreciation and amortization expense resulting from changes to station end-of-life dates for the Pickering prescribed nuclear facilities that are effective December 31, 2017.

**Entry 1: Nuclear liability revenue requirement for prescribed facilities**

<b>Entry</b>	<b>Debit</b>	<b>Credit</b>
DR/CR Depreciation Expense	x,xxx	x,xxx
DR/CR Return on Rate Base	x,xxx	x,xxx
DR/CR Income Tax Expense	x,xxx	x,xxx
DR/CR Used Fuel Storage and Disposal Variable Expense	x,xxx	x,xxx
DR/CR Low & Intermediate level Waste Management Variable Expense	x,xxx	x,xxx
CR/DR Impact Resulting From Changes in Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account <sup>9</sup>	x,xxx	x,xxx

To record the impact on nuclear liabilities costs resulting from changes in end-of-life dates on Asset Retirement Cost (“ARC”) depreciation, the associated impacts on the return on rate base and variable used fuel and waste management expenses, and the tax impact of the settlement with customers of the net amount.

<sup>9</sup> The entry is expected to be a net debit in 2021 reflecting a higher Pickering ARC depreciation expense to be recovered from ratepayers in that year based on the extended life to 2022/2024, compared to nil ARC depreciation included in the EB-2016-0152 revenue requirement for 2021 based on December 31, 2020 end-of-life.

## Entry 2: Non-ARC revenue requirement impact for prescribed facilities

Entry	Debit	Credit
DR/CR Depreciation Expense	x,xxx	x,xxx
DR/CR Income Tax Expense	x,xxx	x,xxx
CR Return on Rate Base		x,xxx
CR/DR Impact Resulting from Changes in Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account <sup>10</sup>	x,xxx	x,xxx

To record the impact of the change in nuclear station lives on non-ARC depreciation expense, the associated impact on the return on net rate base through the change in accumulated depreciation, and the tax impact of the settlement with customers of the net amount.

OPG shall not record interest on the balance of this account.

OPG shall file the balance in the Impact Resulting from Changes in Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account in conjunction with its regular reporting on other deferral and variance accounts approved by the OEB.

The account entries will continue until the effective date of the next payment amounts order incorporating the corresponding changes to the Pickering station end-life dates in nuclear payment amounts.

---

<sup>10</sup> The entry is expected to be a net credit in 2018-2020 reflecting a lower non-ARC depreciation expense as a result of extending the Pickering End-of-Life from 2020 to 2022/2024. The entry is expected to be a net debit in 2021 reflecting a higher Pickering non-ARC depreciation expense to be recovered from ratepayers in that year based on the extended life to 2022/2024, compared to the assumed non-ARC depreciation amount included in the EB-2016-0152 revenue requirement for 2021 that was set to equal forecast Pickering in-service additions in that year.