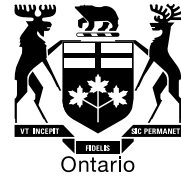


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BY E-MAIL

October 26, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Ontario Power Generation Inc.
2019 Application for 2019 Hydroelectric Payment Amount Adjustment and
Clearance of Deferral and Variance Account Balances
OEB Staff Interrogatories
OEB File No. EB-2018-0243**

In accordance with Procedural Order No.1, please find attached OEB staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Ontario Power Generation Inc.'s responses to interrogatories are due by November 19, 2018.

Yours truly,

Original Signed By

Georgette Vlahos
Advisor, Incentive Rate-Setting & Accounting

Encl.

Ontario Energy Board (OEB) Staff Interrogatories
Ontario Power Generation Inc. (OPG)
2019 Hydroelectric Payment Amount Adjustment and Clearance of Deferral and Variance
Account (DVA) Balances
EB-2018-0243
October 26, 2018

EXHIBIT H – DEFERRAL AND VARIANCE ACCOUNTS

H-Staff-1

Ref: Exhibit H1/Tab 1/Schedule 1

Please confirm which accounts will record interest.

H-Staff-2

Ref: Exhibit H1/Tab 1/Schedule 1/Page 6-7

Ref: Ancillary Services Net Revenue Variance Account – Hydroelectric Sub-Account

- (a) Please confirm what hydroelectric reference amounts have been used by OPG for calculation of account entries (a) for the period prior to the June 1, 2017, and (b) for the period commencing June 1, 2017.
- (b) Please confirm for any other applicable hydroelectric accounts being requested for disposition, what reference amounts have been used by OPG for calculation of account entries (a) for the period prior to the June 1, 2017, and (b) for the period commencing June 1, 2017.

H-Staff-3

Ref: Exhibit H1/Tab 1/Schedule 1/Page 7

There were no additions into the Hydroelectric Incentive Mechanism (HIM) Account in 2016 and 2017 as actual HIM revenues were significantly below the specified threshold of \$58M. Please explain what the drivers were behind the HIM revenues being significantly below the threshold.

H-Staff-4

Ref: Exhibit H1/Tab 1/Schedule 1/Pages 7-8

Ref: Exhibit H1/Tab 1/Schedule 1/Table 5

As indicated in the above references, actual surplus baseload generation (SBG) foregone production due to SBG conditions in 2017 was higher than 2016. Foregone production in 2016 was approximately 2,744 GWh for the previously regulated hydroelectric facilities and 1,525 GWh for the newly regulated hydroelectric facilities. For 2017, actual foregone production due to SBG conditions was approximately 3,721 GWh for the previously regulated hydroelectric facilities and 1,504 GWh for the newly regulated hydroelectric facilities.

Given that refurbishment of the first of Darlington nuclear's four reactors (i.e. unit 2) began in October 2016, please explain why foregone production values would be higher in 2017 than 2016.

H-Staff-5

Ref: Exhibit H1/Tab 1/Schedule 1/Page 15

OEB staff notes a typographical error at line 26 of the above noted reference. EB-2016-0321 should be EB-2013-0321.

Please confirm that OPG agrees.

H-Staff-6

Ref: Exhibit H1/Tab 2/Schedule 1/Pages 4-5

Ref: Exhibit H1/Tab 2/Schedule 1/Tables 2 and 3

OPG is requesting recovery of the audited 2017 year-end balances (less amortization amounts approved in EB-2016-0152) in certain deferral and variance accounts. OPG proposes payment amount riders for the period January 1, 2019 to December 31, 2021.

Please explain OPG's rationale for a "straight-line" recovery as opposed to varying weightings similar to what was approved in EB-2016-0152.

H-Staff-7

Ref: Exhibit A1/Tab 2/Schedule 2/Pages 1-3

Ref: Report of the OEB – Regulatory Treatment of Pension and OPEB Costs

The Report of the OEB on the Regulatory Treatment of Pension and OPEB costs states:

For some utilities, the OEB has set rates using the cash method and used variance accounts to keep these prior periods open to further adjustments pending the outcome of this consultation. For these utilities, disposition of the variance account would be considered in the next cost-based rate application, **if the OEB approves the accrual method to recover pension and OPEB costs in rates.**¹

From the list of approvals being sought as part of this application, it is not clear if OPG is seeking an order to approve the use of the accrual method of recovery for its pension and OPEB costs effective November 1, 2014. Please clarify what is being requested as part of this application.

H-Staff-8

Ref: Exhibit F1/Tab 1/Schedule 1

Ref. EB-2016-0152 Decision and Order, December 28, 2017

As part of the OEB's Decision and Order in EB-2016-0152, the OEB stated:

It is the OEB's expectation that OPG will file an application comprising the disposition of the next set of deferral and variance accounts, including OPG's proposal for the pension and OPEB Cash vs. Accrual Differential account **(that will address with detailed evidence OPG's proposal for the accounting method to be used going forward)**, at the same time as the implementation of the 2019 hydroelectric payment amounts².

¹ EB-2015-0040, Report of the OEB on the Regulatory Treatment of Pension and Other Post Employment Benefit (OPEB) Costs, page 2, September 14, 2017

² EB-2016-0152 Decision and Order, page 160, December 28, 2017

Please provide the evidence references that complies with the EB-2016-0152 Decision and Order. In the event that further information is required, please file the additional information.

H-Staff-9

Ref: Exhibit H1/Tab 1/Schedule 1/Table 7

At the above reference, OPG has provided a table that shows the 2016 and 2017 additions made to the Pension and OPEB Cash versus Accrual Differential Deferral Account.

- (a) Please explain why the total actual pension and OPEB accrual amounts (combined nuclear and hydroelectric) as presented in line 10 of Table 7 do not agree to the corresponding amounts per the actuarial valuation provided.³
- (b) Please also confirm that the explanation provided for the above also explains why the total actual cash payments made in respect to pension and OPEBs for the purposes of calculating the additions to the Pension and OPEB Cash Payments Variance Account (as presented in table 7) do not agree to the actual amounts presented in the actual valuations.

H-Staff-10

Ref: Exhibit F1/Tab1/Schedule 1/page 9

At the above reference, OPG is proposing that recoveries of amounts recorded in the Interim Account as of December 31, 2017 would not be captured in the New Differential Account and therefore not be subject to carrying charges.

Please quantify what the expected carrying charges would be on the balance in the Interim account as at December 31, 2017 if the balance is transferred to the new Differential Account. Please also provide details supporting the calculation and any assumptions that were used.

H-Staff-11

Ref: Exhibit F1/Tab 1/Schedule 1/page 9

At the above reference, OPG has proposed that the recoveries of amounts recorded in the Interim Account as of December 31, 2017 should not be captured in the New Differential Account and therefore not be subject to carrying charges.

OPG continues to record amounts in the Interim Account beyond December 31, 2017 and is required to do so up until its next rebasing application. Please explain whether OPG believes that amounts recorded in the Interim Account beyond December 31, 2017 should also not be captured by the New Differential Account and therefore not be subject to carrying charges.

H-Staff-12

Ref: Exhibit F1/Tab 1/Schedule 1

Using OPG's most recent actuarial valuation and other relevant data, please prepare a table that compares the expected pension and OPEB costs on a cash basis versus on an accrual accounting basis over the next 10-years (i.e. from 2018 inclusive). Please present the information separately for both the Nuclear and Hydroelectric operations.

³ Exhibit H1, Tab1, Schedule 1, Attachment 3, page 5

If OPG is unable to produce a forecast over the requested period, please explain why it is not possible and then prepare a forecast over a period of time that the current available information permits.

H-Staff-13

Ref: Exhibit F1/Tab 1/Schedule 1

Ref: Report of the OEB – Regulatory Treatment of Pension and OPEB Costs

With respect to the use of the accrual method as the default to recover pension and OPEB costs, The Report of the OEB on the Regulatory Treatment of Pension and OPEB costs states:

In summary, this Report establishes the use of the accrual accounting method as the default method on which to set rates for pension and OPEB amounts in cost-based applications. A panel of the OEB can use another method if accrual accounting does not result in just and reasonable rates⁴.

Using the forecast of the pension and OPEB costs that was provided in H-Staff-12, please explain why OPG believes that the use of the accrual method will result in just and reasonable rates. In providing this response, please address pensions and OPEBs separately.

⁴ EB-2015-0040, Report of the OEB on the Regulatory Treatment of Pension and Other Post Employment Benefit (OPEB) Costs, page 2, September 14, 2017