

# **DECISION AND PAYMENT AMOUNTS ORDER**

**EB-2018-0243**

## **ONTARIO POWER GENERATION INC.**

**Application for 2019 Hydroelectric Payment Amount Adjustment  
and Recovery of Deferral and Variance Account Balances effective  
January 1, 2019**

**BEFORE: Susan Frank**  
Presiding Member

**Lynne Anderson**  
Member

**Allison Duff**  
Member

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**February 21, 2019**

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# 1 INTRODUCTION AND SUMMARY

Ontario Power Generation Inc. (OPG) filed an application with the Ontario Energy Board (OEB) on August 9, 2018 under section 78.1 of the *Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B)* seeking approval for an order or orders related to deferral and variance accounts (DVA), including disposition of balances related to its nuclear generating facilities and most of its hydroelectric generating facilities as at December 31, 2017. OPG also applied to increase the amount it charges for the output of most of its hydroelectric generating facilities effective January 1, 2019 using an OEB-approved formula that is tied to inflation and other factors intended to promote efficiency. This Decision addresses OPG's deferral and variance accounts.<sup>1</sup>

OPG is the largest electricity generator in Ontario. Provincial regulation<sup>2</sup> 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 (e.g. 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 OPG application proposed to recover \$233.1 million relating to costs recorded in hydroelectric deferral and variance accounts and \$1,088.5 million relating to nuclear costs recorded in deferral and variance accounts starting January 1, 2019.

On January 30, 2019, OPG filed a settlement proposal reached by parties to this proceeding representing a full settlement. OPG estimates that the incremental year-over-year impact on typical residential customers' bills resulting from the settlement proposal is 0.7% (\$0.75/month) in 2019, 0.0% (\$0.05/month) in 2020, and 0.9% (\$0.97/month) in 2021.

The OEB accepts the settlement proposal as filed. The settlement proposal addressed all issues on the OEB-approved issues list.<sup>3</sup>

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<sup>1</sup> On November 9, 2018, OPG filed a letter requesting the OEB bifurcate the two requests in this proceeding. The OEB approved this request on November 18, 2018 and issued a decision on the hydroelectric adjustment portion of the application on December 13, 2018.

<sup>2</sup> Section 78.1(1) of the *Ontario Energy Board Act, 1998* establishes the OEB's authority to set payment amounts for OPG. Ontario Regulation 53/05 provides that the OEB may establish the form, methodology, assumptions and calculations used in making an order that sets payment amounts.

<sup>3</sup> EB-2018-0243, Decision on Issues List, January 7, 2019, Schedule A.

## 2 THE PROCESS

OPG filed this application on August 9, 2018. Information relating to the filing of this application was published in a Notice of Application (Notice).<sup>4</sup>

In Procedural Order No. 1, the OEB granted intervenor status to the Association of Major Power Consumers in Ontario, Canadian Manufacturers & Exporters, the Consumers Council of Canada, Energy Probe Research Foundation, the Independent Electricity System Operator, the Power Workers' Union, the School Energy Coalition, and the Vulnerable Energy Consumers Coalition.<sup>5</sup>

Following an interrogatory process and a technical conference, a settlement conference was held starting on January 8, 2019 regarding the requested order or orders related to deferral and variance accounts. On January 30, 2019, OPG filed a settlement proposal reached by active parties to the proceeding, which is attached as Schedule A.

The settlement proposal represents a full settlement on all issues. The parties agreed to the balances as filed by OPG.

OEB staff filed a submission on the settlement proposal on February 5, 2019.

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<sup>4</sup> Issued on September 13, 2018.

<sup>5</sup> The Independent Electricity Systems Operator was not an active intervenor in this proceeding.

### 3 DECISION ON THE SETTLEMENT PROPOSAL

The OEB accepts the settlement proposal as filed. The settlement proposal addressed all issues on the OEB-approved issues list.<sup>6</sup>

The OEB has reviewed the submission of OEB staff on the settlement proposal. OEB staff submitted that the settlement proposal as filed represents an acceptable outcome from a public interest perspective.<sup>7</sup> The OEB agrees with staff's assessment.

In accepting the settlement proposal, the OEB notes the following:

- The parties agreed the accrual method is the appropriate regulatory accounting and recovery basis for pensions and other post-employment benefits for OPG consistent with the *Report of the Ontario Energy Board: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs* (Report), issued in EB-2015-0040.
- The parties agreed that the recovery of the registered pension plan costs and related income tax, which together total \$55.1 million for the regulated hydroelectric facilities and \$354.6 million for the nuclear facilities, will be deferred to OPG's next rebasing application. The intervenors accepted the Deferred Pension Amount and agreed that any future positions taken by them with respect to these amounts shall be limited to the appropriate period of recovery of these amounts.
- OPG committed to preparing a forward-looking study to assess the management of its generating facilities in relation to surplus baseload generation conditions in consultation with the Independent Electricity System Operator. The study is to be filed with OPG's next rebasing application.

The incremental year-over-year impact on typical residential customers' bills resulting from the above payment riders is estimated by OPG to be 0.7% in 2019, 0.0% in 2020, and 0.9% in 2021.

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<sup>6</sup> Decision on Issues List, January 7, 2019, Schedule A.

<sup>7</sup> EB-2018-0243, OEB Staff Submission on Settlement Proposal, February 5, 2019.

## 4 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The OEB orders the following payment riders for the January 1, 2019 to December 31, 2021 period:

	January 1 to December 31, 2019	January 1 to December 31, 2020	January 1 to December 31, 2021
Hydroelectric Payment Rider C	\$1.16/MWh	\$1.25/MWh	\$2.05/MWh
Nuclear Payment Rider C	\$2.20/MWh	\$2.28/MWh	\$6.13/MWh

Hydroelectric Payment Rider C will apply to 50% of the output from OPG's Chat Falls GS.

2. Cost eligible intervenors shall file with the OEB and forward to OPG their respective cost claims by February 28, 2019.
3. OPG shall file with the OEB and forward to intervenors any objections to the claimed costs by March 11, 2019.
4. Intervenors shall file with the OEB and forward to OPG any responses to any objections for cost claims by March 18, 2019.

**DATED** at Toronto February 21, 2019

### ONTARIO ENERGY BOARD

*Original Signed By*

Kirsten Walli  
Board Secretary

**SCHEDULE A**

**ONTARIO POWER GENERATION INC. - SETTLEMENT PROPOSAL**

**FILED JANUARY 30, 2019**

**ONTARIO POWER GENERATION INC.**

**EB-2018-0243**

**FEBRUARY 21, 2019**

# **SETTLEMENT PROPOSAL**

**Ontario Power Generation Inc.**

Application for 2019 Hydroelectric Payment Amount  
Adjustment and Recovery of Deferral and Variance  
Account Balances effective January 1, 2019

**EB-2018-0243**

**January 30, 2019**



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**Ontario Power Generation Inc.**

**Application for 2019 Hydroelectric Payment Amount Adjustment and Recovery of  
Deferral and Variance Account Balances effective January 1, 2019**

**EB-2018-0243**

**SETTLEMENT PROPOSAL**

**A. PREAMBLE**

This Settlement Proposal is filed with the Ontario Energy Board (the “OEB”) in connection with an application by Ontario Power Generation Inc. (“OPG”) for an order or orders approving the disposition of the audited balances as of December 31, 2017 in its deferral and variance accounts, less amounts previously approved for recovery through Hydroelectric Payment Rider A and Nuclear Payment Rider A established in the EB-2016-0152 Payment Amounts Order, the income tax impacts associated with the approved recovery of the Pension & OPEB Cash Versus Accrual Differential Deferral Account, and resulting nuclear and hydroelectric payment riders, with an effective date of January 1, 2019 (the “Application”). The deferral and variance accounts in question are as follows<sup>1</sup>:

- Hydroelectric Water Conditions Variance Account
- Ancillary Services Net Revenue Variance Account – Hydroelectric and Nuclear Sub-Accounts
- Hydroelectric Surplus Baseload Generation Variance Account
- Income and Other Taxes Variance Account
- Pension and OPEB Cost Variance Account – Future Recovery and Post-2012 Additions components
- Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
- Pension & OPEB Cash Payment Variance Account
- Pension & OPEB Cash Versus Accrual Differential Deferral Account (“Interim Account”)
- Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account
- Nuclear Liability Deferral Account
- Nuclear Development Variance Account
- Bruce Lease Net Revenues Variance Account – Derivative and Non-Derivative Sub-Accounts
- Nuclear Deferral and Variance Over/Under Recovery Variance Account
- Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account
- S&RED ITC Variance Account (collectively, the “Deferral and Variance Accounts”).

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<sup>1</sup> The Capacity Refurbishment Variance Account (CRVA) and the Fitness for Duty Deferral Account were excluded from OPG’s Application for the reasons set out in OPG’s pre-filed evidenced at Ex.H1-1-1, pp. 10-11 and 25, while the Gross Revenue Charge Variance Account had a zero balance as at December 31, 2017. The balances in the CRVA and the Fitness for Duty Deferral Account as at December 31, 2017 are shown in Attachment A, Tables 1 and 2.

The total of the balances in the Deferral and Variance Accounts and the income tax impacts associated with the recovery of the Interim Account requested for recovery in this Application is \$233.2M for the regulated hydroelectric facilities and \$1,088.4M for the nuclear facilities.<sup>2</sup> Of these amounts, \$21.1M for the regulated hydroelectric facilities and \$411.5M for the nuclear facilities is for balances in the Pension and OPEB Cost Variance Account that were approved for recovery in previous proceedings.<sup>3</sup>

With the exception of the Interim Account (and associated income tax impacts), the Bruce Lease Net Revenues Variance Account – Non-Derivative Sub-Account, and the Pension and OPEB Cost Variance Account, OPG requested recovery of the balances in the Deferral and Variance Accounts over a three-year period from January 1, 2019 through December 31, 2021. For the Interim Account and associated income tax impacts and the Bruce Lease Revenues Variance Account – Non-Derivative Sub-Account, OPG requested recovery of the balances over an eight-year period from January 1, 2019 to December 31, 2026. For the Pension and OPEB Cost Variance Account, OPG sought to recover the balances over recovery periods previously approved by the OEB.<sup>4</sup>

On the basis of the above recovery periods and straight-line amortization, OPG requested the following payment riders for the January 1, 2019 to December 31, 2021 period<sup>5</sup>:

	<b>January 1 to December 31, 2019</b>	<b>January 1 to December 31, 2020</b>	<b>January 1 to December 31, 2021</b>
<b>Hydroelectric Rider C</b>	\$1.65/MWh	\$1.65/MWh	\$1.56/MWh
<b>Nuclear Rider C</b>	\$4.55/MWh	\$4.76/MWh	\$3.43/MWh

Pursuant to the OEB’s Procedural Order No. 1 dated October 16, 2018, a Settlement Conference was scheduled to be held commencing January 8, 2019. The settlement discussions were held at the OEB’s offices on January 8 and 9, 2019, in a manner consistent with the process contemplated by the OEB’s *Practice Direction on Settlement Conferences* (the “Practice Direction”).

<sup>2</sup> Ex. H1-2-1 Table 1, line 15, col. (e) and Ex. H1-2-1 Table 2, line 21, col. (e).

<sup>3</sup> Pension and OPEB Cost Variance Account- Future Recovery has been approved for recovery by December 31, 2024 (EB-2016-0152 Payment Amounts Order, Appendix G, p. 11). Pension and OPEB Cost Variance Account - Post-2012 Additions has been approved for recovery by June 30, 2021 (EB-2016-0152 Payment Amounts Order, Appendix G, p. 11).

<sup>4</sup> *Ibid.*

<sup>5</sup> Ex. H1-2-1, Table 1, line 17, cols. (g), (h), and (i); Ex. H1-2-1, Table 2, line 23, cols. (g), (h), and (i).

## **The Parties**

OPG and the following intervenors (the “Intervenors”, and, collectively with OPG, the “Parties”), participated in the Settlement Conference:

- Association of Major Power Consumers in Ontario (“AMPCO”)
- Canadian Manufacturers & Exporters (“CME”)
- Consumers Council of Canada (“CCC”)
- Energy Probe Research Foundation (“EP”)
- Power Workers’ Union (“PWU”)
- School Energy Coalition (“SEC”)
- Vulnerable Energy Consumers Coalition (“VECC”).

The Independent Electricity System Operator did not participate in the Settlement Conference.

OEB Staff also participated in the settlement discussions, but in accordance with the Practice Direction is neither a Party nor a signatory to this Settlement Proposal. Although OEB Staff is not a Party to this Settlement Proposal, OEB Staff who did participate in the settlement discussions are bound by the same confidentiality provisions that apply to the Parties to the proceeding.

This document is called a “Settlement Proposal” because it is proposed by the Parties to the OEB to settle certain issues in this proceeding. It is termed a proposal as between the Parties and the OEB. However, as between the Parties, and subject only to the OEB’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual rights and obligations, and to be binding and enforceable in accordance with its terms. As set forth later in the Preamble, this agreement is subject to a condition subsequent, that if this Settlement Proposal is not accepted by the OEB in its entirety, then, unless amended by the Parties, it is null and void and of no further effect. In entering this agreement, the Parties understand and agree that, pursuant to the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B) (the “Act”) the OEB has the exclusive jurisdiction with respect to the interpretation and enforcement of the terms hereof.

## **Confidentiality**

The Parties agree that the settlement discussions shall be subject to the rules relating to confidentiality and privilege contained in the Practice Direction, as amended on October 28, 2016. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the OEB’s *Practice Direction on Confidential Filings*, and the rules of that latter document do not apply. The Parties interpret the revised Practice Direction to mean that the documents and other information provided, the discussion of each issue, the offers and counter-offers, and the negotiations leading to settlement of each issue during the course of the settlement discussions are strictly confidential and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, except where the filing of such settlement information is necessary to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal and subject to the direction of the OEB. In such case, only the settlement information that is necessary for the purpose of interpreting the Settlement Proposal shall be filed

and such information shall be filed using the appropriate protections afforded under the relevant legislation and OEB instruments.

Further, the Parties have a positive and ongoing obligation not to disclose settlement information to persons who were not attendees at the settlement conference. However, the Parties agree that “attendees” is deemed to include, in this context, persons who were not physically in attendance at the settlement conference but were: (a) any persons or entities that the Parties engage to assist them with the settlement conference; and (b) any persons or entities from whom the Parties seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions.

### **Parameters of the Proposed Settlement**

The Parties have organized this Settlement Proposal in a manner that is consistent with the Approved Issues List as set out in Schedule ‘A’ of the OEB’s Decision on Issues List dated January 7, 2019, which sets out four distinct issues.<sup>6</sup> The Parties are pleased to inform the OEB that the Parties have reached agreement on all four issues.

The Settlement Proposal describes the agreements reached on the settled issues, and identifies the Parties who agree or who take no position on each issue. For each issue, the Settlement Proposal provides a direct reference to the supporting evidence on the record to date. In this regard, the Parties are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to such settled issue, and moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, should allow the OEB to make findings on these issues.

Best efforts have been made to identify all of the evidence that relates to each settled issue. The supporting evidence is identified individually by reference to its exhibit number in an abbreviated format such that, for example, Exhibit A4, Tab 1, Schedule 1 will be referred to as Ex. A4-1-1. In this regard, OPG’s response to an interrogatory (“IR”) is described by citing the relevant exhibit in the Application, name of the Party and the number of the IR (e.g. H-Staff-1). The identification and listing of the evidence that relates to each issue is provided to assist the OEB. The identification and listing of the evidence that relates to each settled issue is not intended to limit any Party who wishes to assert, in any other proceeding, that other evidence is relevant to a particular settled issue, that evidence listed is not relevant to the issue, or that evidence listed is also relevant to other issues.

According to the Practice Direction (p. 4), the Parties must consider whether a Settlement Proposal should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. OPG and the other Parties who participated in the settlement discussions agree

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<sup>6</sup> Pursuant to its December 13, 2018 Decision and Payment Amounts Order, the OEB approved an increase to the base payment amount OPG charges for the output of its prescribed hydroelectric generating facilities effective January 1, 2019. Consequently, issue #5 as filed in the draft issues list proposed by OPG at Ex. A1-2-3 was excluded from the Approved Issues List.

that no settled issue requires an adjustment mechanism other than as may be expressly set forth herein.

All of the issues contained in this proposal have been settled by the Parties as a package and none of the provisions of these are severable. Numerous compromises were made by the Parties with respect to various matters to arrive at this Settlement Proposal. The distinct issues addressed in this proposal are intricately interrelated, and reductions or increases to the agreed-upon amounts or changes in other agreed-upon parameters may have consequences in other areas of this proposal, which may be unacceptable to one or more of the Parties. If the OEB does not accept this package in its entirety, then there is no settlement (unless the Parties agree that any portion of the package that the OEB does accept may continue as part of a valid Settlement Proposal).

In the event the OEB directs the Parties to make reasonable efforts to revise the Settlement Proposal, the Parties agree to use reasonable efforts to discuss any potential revisions, but no party will be obligated to accept any proposed revision. The Parties agree that all of the Parties who took a position on a particular issue must agree with any revised Settlement Proposal as it relates to that issue prior to its re-submission to the OEB.

None of the Parties can withdraw from this Settlement Proposal except in accordance with Rule 30.05 of the OEB's *Rules of Practice and Procedure*.

Attached to this Settlement Proposal are:

Attachment A: Tables showing deferral and variance account amortization, payment riders and impacts arising from this Settlement Proposal

The Attachments to this Settlement Proposal provide further support for the Settlement Proposal. The Parties acknowledge that the Attachments were prepared by OPG. While the Intervenors have reviewed the Attachments, the Intervenors are relying upon their accuracy, and the accuracy of the underlying evidence, in entering into this Settlement Proposal.

Unless stated otherwise, the settlement of any particular issue in this proceeding and the positions of the Parties in this Settlement Proposal are without prejudice to the rights of the Parties to raise the same issue and/or to take any position thereon in any other proceeding, whether or not OPG is a party to such proceeding, provided that no Party shall take a position that would result in the agreement not applying in accordance with the terms contained herein.

Where in this Agreement, the Parties “**accept**” the evidence of OPG, or the Parties or any of them “**agree**” to a revised term or condition or action, including a revised budget or forecast, then unless the Agreement expressly states to the contrary, the words “**for the purpose of settlement of the issues herein**” shall be deemed to qualify that acceptance or agreement.

## Issues Settled by the Parties

As indicated above, the Parties were able to settle all issues, and have therefore agreed that, subject to OEB approval of this Settlement Proposal, there are no issues that need to be considered through a hearing. Based on the foregoing, and the particulars of the Settlement Proposal detailed below, the Parties accept this Settlement Proposal as appropriate and recommend its acceptance by the OEB.

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## B. Description of Settlement

*Issue 1 Are the amounts recorded in the applicable deferral and variance accounts appropriate?*

*Issue 2 Are the balances for recovery in each of the deferral and variance accounts appropriate?*

### Settled

There is an agreement to settle these two issues as described below.

- The Parties accept the appropriateness of the amounts recorded and balances for recovery as at December 31, 2017 in the Deferral and Variance Accounts, including the Interim Account, and the income tax impacts associated with the recovery of the December 31, 2017 balances of the Interim Account, all as set out in cols. (e) of Attachment A, Tables 1 and 2.

### Approval

Parties in Support: AMPCO, CME, CCC, EP, SEC, VECC

Parties Taking no Position: PWU

### Evidence

The evidence in relation to these two issues includes the following:

Ex. H1-1-1            Deferral and Variance Accounts  
H-Staff-1  
H-Staff-2  
H-Staff-3  
H-Staff-4  
H-AMPCO-1

H-AMPCO-2  
H-AMPCO-3  
H-CME-1  
H-CME-2  
H-CCC-1  
H-CCC-2  
H-CCC-3  
H-CCC-4  
H-EP-4



***Issue 3 Are the proposed rate riders and disposition periods for the account balances appropriate?***

**Settled**

There is an agreement to settle this issue as described below.

- The Parties agree to the disposition periods for the Deferral and Variance Account balances and income tax impacts associated with the recovery of the Interim Account as proposed by OPG, with the following modifications:
- The Parties agree that recovery of the portion of the December 31, 2017 balance in the Interim Account related to registered pension plan costs, and the income tax impacts associated with the recovery of this portion of the account balance, which together total \$55.1M for the regulated hydroelectric facilities and \$354.6M for the nuclear facilities, will be deferred to OPG's next rebasing application (the "Deferred Pension Amount"). The Deferred Pension Amount can be found in cols. (f) at Attachment A, Tables 1 and 2. The remaining Deferral and Variance Account balances and the income tax impact associated with the recovery of the remaining portion of the Interim Account, which together total \$178.0M for the regulated hydroelectric facilities and \$733.7M for the nuclear facilities, are recoverable in this Application and can be found in cols. (g) at Attachment A, Tables 1 and 2.

For greater clarity, the Intervenors accept the Deferred Pension Amount for the purposes of this and any future application, and agree that any future positions taken by them with respect to these amounts shall be limited to the appropriate period of recovery of these amounts.

The Parties agree to defer disposition of the Deferred Pension Amount in order to allow the currently forecast reduction of that amount by virtue of further differentials between registered pension plan accrual costs and actual cash funding contribution amounts in the coming years, based on the projections provided by OPG at Ex. JT1.1. The Parties acknowledge that these projections are subject to inherent variability due to the impact of actuarial assumptions and economic and financial market conditions.<sup>7</sup>

- The Parties agree that the portion of the December 31, 2017 balance in the Interim Account that is not related to registered pension plan costs, which includes other post-employment benefit ("OPEB") costs, and the income tax impacts associated with the recovery of this portion of the account balance, will be recovered over a 72 month period on a straight line basis, effective January 1, 2019. Given the deferral of the disposition of the Deferred Pension Amount described above, the Parties agree this recovery period appropriately balances OPG's cash flow needs with consumer impacts.

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<sup>7</sup> Ex. L-H-Staff-8, p. 10, lines 4-7.

- For the Deferral and Variance Account balances recoverable in this Application other than those balances in the Interim Account and the Nuclear Liability Deferral Account, and based upon the agreed-upon recovery periods above, the Parties agree to a non-straight line basis of annual amortization during the period January 1, 2019 to December 31, 2021 as set out in cols. (i), (j) and (k) of Attachment A, Tables 1 and 2. As noted above, the portion of the Interim Account balance and associated income tax impacts recoverable in this Application shall be amortized on a straight-line basis, as set out at cols. (i), (j) and (k) at Attachment A, Table 1, lines 11 and 16 and Attachment A, Table 2, lines 13 and 20. The Parties agree to the recovery of this portion of the Interim Account balance on a straight-line basis in order to enable OPG to meet one of the requirements of US GAAP necessary for it to continue to recognize this portion of the balance as a regulatory asset in its consolidated financial statements.<sup>8</sup> The Nuclear Liability Deferral Account also will be amortized on a straight-line basis, as required by Ontario Regulation 53/05.<sup>9</sup>
- The Parties agree to the following payment riders for the January 1, 2019 to December 31, 2021 period, on the basis of the above agreed upon balances for recovery, recovery periods, and annual amortization amounts:

	<b>January 1 to December 31, 2019</b>	<b>January 1 to December 31, 2020</b>	<b>January 1 to December 31, 2021</b>
<b>Hydroelectric Rider C</b>	\$1.16/MWh	\$1.25/MWh	\$2.05/MWh
<b>Nuclear Rider C</b>	\$2.20/MWh	\$2.28/MWh	\$6.13/MWh

For purposes of settlement, the pattern of annual amortization amounts and payment riders above is to address the trajectory of year-over-year customer bill impacts of OPG's proposed payment riders in its prefiled evidence during the 2019 to 2021 period. The incremental year-over-year impact on typical residential customers' bills from OPG's proposal was estimated by OPG to be 1.2% in 2019, 0.1% in 2020, and (0.3%) in 2021<sup>10</sup>. The incremental year-over-year impact on typical residential customers' bills resulting from the above agreed upon payment riders is estimated by OPG to be 0.7% in 2019, 0% in 2020, and 0.9% in 2021<sup>11</sup>.

## Approval

Parties in Support: AMPCO, CME, CCC, EP, SEC, VECC

<sup>8</sup> Technical Conference Tr. p. 55, line 23 to p. 57, line 14 and JT1.7, p. 2.

<sup>9</sup> Section 6(2)7 of O. Reg. 53/05 requires that the balance recorded in the Nuclear Liability Deferral Account be recovered on a straight line basis over a period not to exceed three years.

<sup>10</sup> Ex. I1-1-2, Table 1, line 5.

<sup>11</sup> Attachment A, Table 3, line 5.

Parties Taking no Position: PWU

**Evidence**

The evidence in relation to this issue includes the following:

Ex. H1-2-1	Clearance of Deferral and Variance Accounts
Ex. I1-1-2	Customer Impacts
H-Staff-6	
H-CME-3	
H-CCC-5	
H-EP-4	

***Issue 4 Does OPG's proposed treatment of pension and OPEB costs appropriately reflect the OEB's Decision in EB-2013-0321 and OEB policy as set out in the Report of the OEB: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs, issued in the generic proceeding EB-2015-0040?***

**Settled**

There is an agreement to settle this issue as described below.

- The December 31, 2017 balances in the Interim Account as filed by OPG and as shown in Attachment A, Table 1, lines 10 and 11, and Table 2, lines 12 and 13, for the registered pension plan and other benefit plans including OPEB, respectively, are accepted by the Parties. For the purposes of those balances, the Parties agree that the accrual method is the appropriate regulatory accounting and recovery basis for pensions and OPEB for OPG consistent with the Report of the OEB: *Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs* ("Report"), issued in EB-2015-0040. The Parties reached this agreement on the basis of the findings in the Report and consistency with past OPG proceedings.
- Amounts recovered from the December 31, 2017 balance in the Interim Account shall be subject to the Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential variance account, as established pursuant to the OEB's Report. Consistent with the Report, these amounts will be recorded in the Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential sub-account of that account (as offset by the Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Contra sub-account), with carrying charges on the monthly opening balance in the Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential sub-account assessed at the OEB's prescribed Construction Work In Progress interest rate<sup>12</sup> and recorded in the Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges sub-account for future disposition.

**Approval**

Parties in Support: AMPCO, CME, CCC, EP, SEC, VECC

Parties Taking no Position: PWU

**Evidence**

The evidence in relation to this issue includes the following:

Ex. F1-1-1            Recovery of Pension and OPEB Accrual Costs  
H-Staff-7  
H-Staff-8

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<sup>12</sup> Report, p. 12.

H-Staff-9  
H-Staff-10  
H-Staff-11  
H-Staff-12  
H-Staff-13  
H-EP-1  
H-EP-2  
H-EP-3  
H-EP-4

### **C. Other Aspects of Settlement**

The Parties further agree to the following:

- OPG undertakes to prepare a forward looking study to assess OPG's management of its generating facilities in relation to surplus baseload generation conditions, including any opportunities OPG can take to help the system respond to surplus baseload generation conditions in order to mitigate the associated cost to customers. In preparing the study, OPG will consult with the IESO and take into consideration IESO forecasts. Such study will be filed as part of OPG's next rebasing application.

### **Approval**

Parties in Support: AMPCO, CME, CCC, EP, SEC, VECC

Parties Taking no Position: PWU