

Board Staff Interrogatory #016

Interrogatory

Reference(s):

Decision with Reasons, EB-2013-0321, page 125
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.

Response

In OPG's view, the customer bill impacts and payment amounts approved by the OEB in EB-2013-0321 are the relevant starting point for considering the impacts from the current application; not an alternative set of customer bill impacts or payment amounts that was neither proposed nor approved in the last proceeding. Notwithstanding this view, OPG provides the following responses:

1 a) This question is very similar to one that was asked in EB-2013-0321 (i.e., Board Staff 192).
2 Accordingly, OPG has responded to this question using the same assumptions as were
3 used in EB-2013-0321 Ex L-9.6-1 Staff-192. These assumptions are summarized below.
4

- 5 • Accounts with balances over \$100M are recovered over 24 months with the following
6 two exceptions;
 - 7 ○ The balance in the Pension and OPEB Cost Variance - Nuclear – Future account is
8 recovered over 120 months, which is the period remaining per the Settlement
9 Agreement in EB-2012-0002.
 - 10
 - 11 ○ In accordance with the Settlement Agreement in EB-2012-0002, clearance of the
12 derivative sub account of the Bruce Lease Net Revenues Variance account is to be
13 accomplished using OPG's forecast of payouts to Bruce Power rather than by straight
14 line amortization of the balance. For purposes of this response, OPG has used
15 \$79.8M (EB-2013-0321 Ex. G2-2-1 Table 8 line 15 col. c) less tax thereon at 25% for
16 a net of \$59.9M for the year 2015.
 - 17
 - 18 • All other balances are recovered over 12 months.

19
20 Using the hypothetical scenario set out in the question, the proposed base payment
21 amounts in EB-2013-0321, Ex. N2-1-1, and the assumptions outlined in EB-2013-0321 Ex
22 I1-1-2, the estimated impact of this hypothetical scenario on the bill of a typical residential
23 consumer during 2014 and 2015 vs 2013 rates and riders would have been \$7.01/month or
24 5.9%.
25

26
27 b) OPG has calculated the hypothetical impact set out in this question using the same
28 amortization assumptions as in part a) with one exception.
29

30 The exception is that the Capacity Refurbishment Variance Account – Hydroelectric is
31 amortized over 12 months as directed by the OEB in the EB-2013-0321 Decision.
32

33 Using the hypothetical scenario set out in this question, the estimated impact on the bill of a
34 typical residential consumer during 2014 and 2015 vs 2013 rates and riders would have
35 been \$4.22/month or 3.6%.
36

37 OPG notes that the hypothetical impacts in both a) and b) fall well short of the OEB's 10%
38 threshold for mitigation.
39

40 OPG also notes that the total estimated impact on the bill of a typical residential consumer
41 of the EB-2013-0321 Decision with Reasons and the current application, which proposes
42 disposition of 2014 account balances rather than 2013 balances, is \$5.53/month or 4.4% on
43 the bill. This combined impact still falls well short of of the OEB's 10% threshold for
44 mitigation.
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