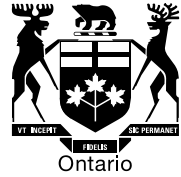


**Ontario Energy
Board**

P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**

C.P. 2319
2300, rue Yonge
27^e étage
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

February 10, 2016

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

Dear Ms. Walli:

**Re: Ontario Power Generation Inc.
Board File No. EB-2015-0374**

Please find attached OEB staff's submission with respect to Ontario Power Generation Inc.'s application for an accounting order to establish a deferral account.

Yours truly,

Original signed by

Violet Binette
Project Advisor, Applications

Attach

**ONTARIO POWER GENERATION INC.
ACCOUNTING ORDER TO ESTABLISH
DEFERRAL ACCOUNT**

EB-2015-0374

**Ontario Energy Board
Staff Submission**

February 10, 2016

1 INTRODUCTION

On December 22, 2015, Ontario Power Generation Inc. (OPG) filed an application with the Ontario Energy Board (OEB) for an accounting order to establish a deferral account to record changes to nuclear liabilities and depreciation and amortization expense arising from changes to station end-of-life dates for Bruce Power, Pickering and Darlington that are effective December 31, 2015.

The OEB issued the Notice of Application and Hearing, Interim Order and Procedural Order No. 1 on January 27, 2016. The OEB approved the “Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account” on an interim basis pending the outcome of this proceeding. The OEB made provision for submissions on OPG’s application and draft accounting order, and submissions on whether there is a need for further discovery of OPG’s evidence.

2 APPLICATION AND DRAFT ACCOUNTING ORDER

The application was filed in response to the OEB’s deferral and variance account payment amounts order issued on April 18, 2013 and the 2014-2015 payment amounts order issued on December 18, 2014. The OEB requires OPG to file an accounting order application if a proposed accounting change (not the result of an Ontario Nuclear Funds Agreement Reference Plan update) impacts the calculation of nuclear liabilities and revenue requirement, or if a change in prescribed nuclear station lives for depreciation and amortization purposes results in a revenue requirement impact related to non-asset retirement cost. OPG also filed a draft accounting order describing the account and general ledger entries.

OPG has provided background information related to changes to end-of-life effective December 31, 2015, for certain units at Bruce Power, Pickering and Darlington. The impact of changes to end-of-life is estimated to exceed the \$10 million threshold set by the payment amounts orders. OEB staff submits that the application has been filed in accordance with the April 18, 2013 and December 18, 2014 payment amounts orders.

The application filed on December 22, 2015 and the draft accounting order filed on February 3, 2016, propose that simple interest be applied to the monthly opening account balance. OEB staff submits that this proposal is not consistent with the approved interest treatment for similar accounts, namely (A) the Nuclear Liability Deferral Account and (B) the Pickering Life Extension Depreciation Variance Account.

(A) Nuclear Liability Deferral Account

The Nuclear Liability Deferral Account records the revenue requirement impact of any change in OPG's decommissioning liability arising from an approved reference plan measured against the forecast impact in the approved revenue requirement. Impacts related to changes in nuclear liability related to Bruce Power are not recorded in this account.

At page 13 of Appendix B of the April 18, 2013 payment amounts order and at page 9 of Appendix G of the December 18, 2014 payment amounts order, it states that OPG shall not record interest on the balances of the nuclear liability deferral account.

The Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account records the impact of an accounting change (not the result of an Ontario Nuclear Funds Agreement Reference Plan update) that impacts the calculation of nuclear liabilities and revenue requirement. OEB staff submits that the account is similar to the Nuclear Liability Deferral Account, except for the triggering event, and that no interest should be recorded on the balance. OEB staff also notes that interest is not recorded in other accounts related to future costs, e.g. Pension & OPEB Cash Versus Accrual Differential Deferral Account.

(B) Pickering Life Extension Depreciation Variance Account

The Pickering Life Extension Depreciation Variance Account was established by the April 18, 2013 payment amounts order. The account recorded lower depreciation expense and the associated lower income taxes in relation to the non-asset retirement cost components of the Pickering fixed asset balances relative to the amounts reflected in the 2011-2012 payment amounts. The April 18, 2013 payment amounts order and the December 18, 2014 payment amounts order state that no interest shall be recorded on the balance in this account. OEB staff submits that OPG's proposal regarding non-asset retirement cost revenue requirement impact in the current proceeding is similar to the Pickering Life Extension Depreciation Variance Account, and that no interest should be recorded on the balance of this part of the proposed account.

3 FURTHER FILINGS OR DISCOVERY

OEB staff submits that no further discovery on the matter is required.

OPG stated in the application that a substantial amount of work based on year-end information is required to determine the December 31, 2015 asset retirement obligation and asset retirement cost adjustments reflecting the end-of-life date changes.

OPG currently plans to apply to the OEB in 2016 for new regulated prices for production from its regulated hydroelectric and nuclear facilities, effective in 2017.¹ OEB staff submits that review of the amounts recorded in the deferral account would be appropriate as part of the payment amounts application. It is OEB staff's expectation that the OPG Depreciation Review Committee Report setting out the changes to end-of-life at Bruce Power, Pickering and Darlington effective December 31, 2015 will be filed with the payment amounts application.

OEB staff submits that, as noted in point 3 of the School Energy Coalition letter of February 5, 2016, it would be appropriate for OPG to provide references or baseline data that will be used to determine the Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account additions. The current payment amounts order sets out monthly reference amounts for several accounts in the description of those accounts.

All of which is respectfully submitted

¹ OPG Third Quarter Financial Results, November 13, 2015