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BY EMAIL and RESS

January 19, 2017
Our File No. 20160152

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2016-0152 – OPG Payment Amounts – Issue 8.1 and Evidence

We are counsel for the School Energy Coalition. We are writing this letter on behalf of ourselves and a number of other intervenors to request that Issue 8.1 be shifted to Primary, and OPG be directed to file additional evidence with respect to that issue. While SEC and other intervenors are cognizant of the Board's statement in the December 21, 2016 Issues List Prioritization Decision that it does not intend to reprioritize issues, in light of subsequent events we concluded that the Board would want us to bring this to their attention.

Issue 8.1 relates to the methodology for recovering decommissioning and used fuel costs from ratepayers. At the time of the Issues Prioritization, all parties agreed that it should be secondary, and the Board agreed.

Since the parties and the Board looked at the prioritization of issues, it has become clear through new evidence that the situation with respect to these costs has changed dramatically. In Exhibit N1, OPG notes that nuclear waste and decommissioning costs have been reduced due to approval by the Minister of a new ONFA Reference Plan effective January 1, 2017, and the result of that is seen in the 2017-2019 Business Plan at page 10, where OPG says:

The impacts over the planning period include the elimination of ~\$180 million per year in OPG's contributions to the ONFA segregated funds, due to lower funding obligations for nuclear decommissioning and waste management. The impacts also

include a decrease of ~\$1.5 billion in OPG's present value accounting liability for these obligations, at the end of 2016.

The Business Plan goes on to provide the following further information:

The reduction in segregated fund contributions reflects the expectation that both the Decommissioning Segregated Fund and the Used Fuel Segregated Fund will be fully funded when the new ONFA Reference Plan with lower obligations is approved by the Province. This change improves OPG's operating cash flow but will not impact earnings, as the contributions are not treated as operating expenses. The reduction in the accounting liability lowers future depreciation, accretion and other related expenses; however, the majority of this impact does not affect net income as it will reduce amounts recovered through regulated rates.

The effect appears to be that, during the test period for this application, OPG will be on a contribution holiday, somewhat akin to a contribution holiday for a pension fund.

When this is read in conjunction with the financial statements attached to 8.1-SEC-91, Attachment 4, it appears that OPG's position with respect to funding these accounts has now changed by virtue of the new reference plan.

We also note that, while these changes were presaged in the commentary and notes to OPG's Q3 financial statements, released November 11, 2016, the details of how this would impact contributions and other aspects of OPG's nuclear waste accounting were not known at that time.

This appears to be the first time both of the funds have been fully funded, and a contribution holiday has arisen. The impact over the test period appears to be several hundred million dollars, although the evidence currently in the record is probably not sufficient to know that with certainty. Further, it is not yet clear that the methodology approved by the Board for recovery of these costs in rates works equally well when funding is still taking place, as when accounts are fully funded.

SEC and other intervenors have sought to determine, based on the current record, whether there is a reasonable analogy between pension contribution holidays and nuclear waste and decommissioning contribution holidays, whether in terms of matching recovery to funding, or ensuring intergenerational equity. It would appear that the current record does not contain sufficient information to reach an informed conclusion.

SEC, on behalf of itself and others, therefore requests that the Board:

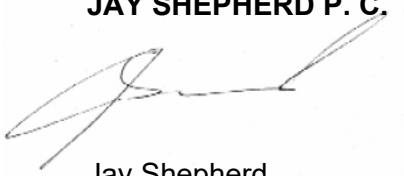
1. Direct OPG to file written evidence providing details on
 - a. the funded status of the two funds, current and forecast;
 - b. the impact if any of that status on the rate recovery using the current methodology (i.e. fuller details in addition to the explanation provided in Ex. N1);
 - c. the interaction between rate recovery and seg fund status, including in particular the amounts that have been recovered from customers to date, and a reconciliation of those amounts with the balances in the seg funds and the cash contributions provided by OPG and the province;

- d. OPG's view of the rationale for continuing the current rate recovery methodology during a contribution holiday.
If there is additional information OPG has that may be helpful to the Board and the parties on this complex issue, that should also be provided.
- 2. Amend the Board's December 21, 2016 decision to re-categorize Issue 8.1 as primary, so that the existing evidence, and the new evidence to be provided by OPG, can be tested and reviewed in the oral hearing.

SEC notes that it hesitated to seek this amendment, in light of the Board's clear direction on December 21, 2016. However, in light of the additional information that is now available, we concluded that it was appropriate to do so.

All of which is respectfully submitted.

Yours very truly,
JAY SHEPHERD P. C.



Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested Parties