Lindsey Arseneau-MacKinnon
Director, Ontario Regulatory Affairs

700 University Avenue, Toronto, Ontario M5G 1X6 Tel: 647-237-3703 lindsey.arseneau@opg.com

June 11, 2020

VIA RESS AND EMAIL

Ms. Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
27th Floor,
2300 Yonge Street,
Toronto, ON M4P 1E4

Dear Ms. Long:

Re: Board File No. EB-2020-0133
Notice of Interest of Ontario Power Generation Inc.

Please find attached Ontario Power Generation Inc.'s ("OPG") comments on the draft issues list in the above referenced Board consultation. This consultation deals with the development of new accounting guidance and filing requirements for the review and disposition of the deferral account relating to the impacts arising from the COVID-19 emergency in the electricity and natural gas sectors.

If there are any questions with respect to this notice, please do not hesitate to contact me.

Yours truly,

"*original signed by*"

Lindsey Arseneau-MacKinnon

Cc: B. MacDonald, Ontario Power Generation Inc. (by email)
A. Collier, Ontario Power Generation Inc. (by email)

ONTARIO POWER GENERATION

EB-2020-0133

Introduction

The Ontario Energy Board ("OEB") has established a deferral account to track the impacts arising from the COVID-19 emergency ("Deferral Account") effective on March 24th, 2020. The account applies to all OEB rate-regulated utilities. On May 14th, 2020, the OEB issued a draft issues list for its consultation on the Deferral Account. On May 28th, 2020 the OEB held a preliminary stakeholder meeting on the draft issues list, and has invited comments by stakeholders to be submitted by June 11th, 2020.

Additionally, in a letter of May 12th, 2020, as clarified in a letter of May 20th, 2020, the OEB implemented non-confidential monthly reporting requirements of balances recorded in the Deferral Account by licensed electricity distributors. On June 4th, 2020, the OEB issued a letter setting out its intention to make this reporting data available to participants in the consultation and noted that it would take appropriate steps to make available similar data for other regulated utilities, including Ontario Power Generation ("OPG").

OPG appreciates the OEB's recognition of the pandemic's impact on the industry and the opportunity to participate in this consultation. As customers, utilities, and the OEB continue to work through the unprecedented circumstances posed by the evolving COVID-19 emergency, OPG supports a thoughtful yet expeditious approach to addressing the various issues related to the Deferral Account. OPG believes that providing all parties with greater certainty would improve the industry's overall ability to manage these inherently uncertain conditions for the benefit of both customers and shareholders. For its part, OPG remains committed to continuing to provide a safe, reliable, and sustainable supply of electricity to Ontario, while taking measures to help protect the health and safety of its workers and communities.

In this submission, OPG provides comments generally intended to simplify and consolidate the issues list in order to more efficiently advance the consultation, while recognizing that different utilities may experience different circumstances

through the pandemic. As requested by the OEB, OPG also provides substantive comments on Issue 1(a), namely regarding potential advanced policy direction to provide greater certainty with respect to the recoverability of amounts tracked in the Deferral Account.

Section A: Advanced Policy Direction (Issue 1)

Issue 1

As a substantive matter related to Issue 1(a), OPG believes there is one area that would benefit from some advanced guidance from the OEB. Namely, OPG believes that utilities could benefit from interim guidance on any screening criteria the OEB believes should be considered in determining costs for inclusion in the Deferral Account reporting contemplated by its letters of May 12th, 2020 and June 4th, 2020, beyond causality, prudence and materiality. In addition to providing a set of "ground rules" to facilitate a degree of consistency for this initial reporting, such guidance could also help provide greater near-term certainty with respect to the potential recoverability of certain amounts tracked in Deferral Account.

OPG appreciates that it is not practical for the OEB to set out a full framework of criteria at this stage, indeed as the final determination of such criteria is intended to be informed by this consultation. OPG also believes that any such interim criteria should not preclude utilities from including other legitimate costs in the Deferral Account reporting. However, OPG is of the view that some degree of initial alignment on the reporting data would make it more meaningful for consultation participants.

OPG does not have any revisions or comments on Issues 1(b) and 1(c) as proposed.

Section B: General Principles (Issues 2-3)

Issue 2

The COVID-19 emergency is continuing to evolve, with industry impacts potentially varying now and in the future, regionally across the province and between sector participants. For example, impacts on utilities may depend on location (urban versus rural), service provided (distribution, transmission or generation) and the extent and manner in which human resources are deployed. Given that the extent and nature of the COVID-19 emergency is unlike any other circumstance that has previously given rise to costs and revenue consequences and been the subject of OEB policy, OPG believes it is appropriate to broaden the scope of this issue and not limit consideration to issues considered in past consultations.

OPG proposes to revise wording of this issue to read as follows:

> *What regulatory principles should the OEB consider for matters relating to recording and disposition of the Account?*

Issue 3

OPG does not have any revisions or comments on this issue as proposed.

Section C: Accounting Matters (Issues 4-6)

Issue 4

OPG believes that given the OEB has established an "other" sub-account, this item can be eliminated from the issues list. The measures utilities are taking in response to the COVID-19 pandemic will vary and it is likely impractical to establish sub-accounts to capture the full range of potential impacts. Therefore, OPG proposes that utilities make use of the "other" sub-account rather than await a consultation outcome to determine if further sub-accounts are established. Disposition of the balances in the three currently established sub-accounts would be subject to the principles and criteria established as part of this consultation.

Issue 5

OPG believes it would be appropriate to remove this item from the issues list. As expressed by various participants at the May 28th stakeholder session, the impacts of the current emergency will manifest differently for utilities across the province. The COVID-19 emergency is not akin to routine or typical cost or revenue related endeavours undertaken by utilities that enable comparator groups and benchmarking opportunities. Indeed, there would be no historical basis of comparison. OPG does not see any practical or meaningful benchmarking solution that could be applied and as such believes that Issue 5 (parts (a) and (b)) should be excluded from the issues list.

Issue 6

Given the range of industry participants, OPG believes that this issue should first consider whether there should be a consistent accounting methodology applied across utilities before assessing what criteria should be used to determine the basis for such a methodology. It may also be helpful to clarify that the issue is in reference to a regulatory accounting methodology, as utilities would be required to account for COVID-19 related impacts and the Deferral Account under their respective financial accounting frameworks for financial statement purposes.

OPG proposes this issue be revised and worded as follows:

> *Should there be a consistent regulatory accounting methodology utilized across the sector including both the electricity and gas sectors, including electricity transmitters and OPG? If so, what criteria should be considered to determine the appropriate approach?*

Section D: Nature of Costs and Materiality (Issues 7-14)

Issue 7

Given the unique circumstances that each utility faces in responding to COVID-19, OPG believes that it would not be practical or useful to approach this consultation with the aim of producing a discrete list of identifiable costs and

savings that are eligible for inclusion in the Deferral Account. Rather than focus on types of items, OPG proposes that the issue should focus on a set of criteria utilities should use to assess whether cost impacts are eligible for inclusion in the account. OPG also believes that discussion of financing costs and "offsetting" sources of funds referred to in Issue 8 and Issue 9, respectively, can be accommodated under this issue rather then being broken out on their own.

OPG proposes revised wording of this issue to read as follows:

> *What criteria should be used to assess the incremental costs (including pass-through amounts), cost savings and "offsetting" sources of funds to be recorded in the Account, including the effective date of recording these components in each of the sub accounts?*

Issue 8

As noted under Issue 7, OPG does not believe that an issue focussing specifically on financing costs is required. The proposed revised Issue 7 subsumes the consideration of financing costs with the context of the criteria that would be considered to assess the eligibility of recorded costs.

Issue 9

As identified under Issue 7, OPG proposes to consolidate this issue with Issue 7.

Issue 10

As noted under Issue 7, given the unique circumstances that each utility faces in responding to COVID-19, OPG believes that it would not be practical or useful to approach this consultation with the aim of producing a list of revenue impacts that are eligible for inclusion in this account. Rather than focus on the types of items, OPG proposes that the issue should focus on the criteria utilities should use to assess whether revenue impacts are eligible for inclusion in the account.

OPG proposes to revise the wording of this issue to read as follows:

> *Other than impacts arising from loss of load discussed in the next issue, what criteria should be used to assess what types of revenue impacts*

arising as a result of the COVID-19 emergency, including lost revenue associated with any actions taken to provide relief to customers, should be recorded in the lost revenue sub-account?

Issue 11

OPG does not have any revisions or comments on this issue as proposed.

Issues 12, 13, and 14

The OEB's consideration of the combined criteria of causality, prudence and materiality in respect of deferral and variance accounts is well established. Therefore, in regard to an efficient process and timely completion of the consultation, OPG proposes that it would be reasonable to also combine these three related issues instead of dealing with each causality, prudence and materiality discretely.

OPG proposes the following consolidated wording:

How should the OEB address causality, prudence and materiality for the amounts to be recorded in the account and ultimately recovered?

Section E: Recovery and Mechanism Timing (Issues 15-17)

Issue 15

OPG does not have any revisions or comments on this issue as proposed, noting that it would not be applicable to OPG's payment amounts.

Issue 16

OPG does not have any revisions or comments on this issue as proposed.

Issue 17

OPG does not have any revisions or comments on this issue as proposed.

ONTARIO POWER GENERATION

Appendix A: OPG Proposed Issues List

A. Advanced Policy Direction

1. a) Should the OEB provide advanced policy direction in the near term (for example at the time of establishing the Final Issues list), to provide greater certainty with respect to the recoverability of amounts tracked in the Account, such as by confirming the recoverability of any incremental bad debt expense?

   b) Should the OEB consider interim disposition of the Account, until such time as the final balance is brought forward for review and disposition?

   c) What specific accounting guidance or policy direction should the OEB provide for the Account that may enable the Utilities to better access incremental lines of credit and other types of borrowing facilities during the COVID-19 emergency?

B. General Principles

2. What regulatory principles should the OEB consider for matters relating to recording and disposition of the Account?
3. Are there other types of costs previously considered by the OEB that provide suitable analogies for the consideration of the Account? For example, should other precedents such as the OEB's Z-factor policy be considered by the OEB?

C. Accounting Matters

4. Should there be a consistent regulatory accounting methodology utilized across the sector including both the electricity and gas sectors, including electricity transmitters and OPG? If so, what criteria should be considered to determine the appropriate approach?

ONTARIO POWER GENERATION

EB-2020-0133

D. Nature of Costs and Materiality

5. What criteria should be used to assess the incremental costs (including pass-through amounts), cost savings, and "offsetting" sources of funds to be recorded in the Account, including the effective date of recording these components in each of the sub accounts?
6. Other than impacts arising from loss of load discussed in the next issue, what criteria should be used to assess what types of revenue impacts arising as a result of the COVID-19 emergency, including lost revenue associated with any actions taken to provide relief to customers, should be recorded in the lost revenue sub-account?
7. a) To what extent should loss of load be recoverable in the Account?
   b) If loss of load should be considered, what criteria, measurements, and limitations of the quantum impact for loss of load should be considered?
   c) If loss of load should be considered, how should the OEB differentiate between permanent and temporary lost load revenues and determine the effective date of recording these components?
   d) When determining the impacts arising from loss of load, how should the OEB address responsibility, including any rate class cross-subsidization?
   e) As an alternative to recording loss of load amounts in the Account, should there be consideration for early rebasing or a special rates adjustment to address redistribution of the overall lower load amongst the other rate classes?
8. How should the OEB address causality, prudence, and materiality for the amounts to be recorded in the account and ultimately recovered?

E. Recovery Mechanism and Timing

9. How should the impact on the different rate zones and customer classes be reflected in the Account, particularly when the Utilities seek recovery of the Account, including proposed bill impact and cost allocation issues?
10. a) Should the OEB consider a cost-sharing model between the Utilities' ratepayers and shareholders regarding the recovery of the Account?

b) What factors should the OEB take into consideration in considering any cost sharing, such as the impact of the COVID-19 emergency on the broader Ontario business environment?

c) If a cost sharing model should be considered, on what basis should the allocation of this cost-sharing be considered?

11. Should the OEB require an external audit of the Account balance, particularly in the event that a non-December 31 balance is approved for recovery?