Board Staff Interrogatory #17

Interrogatory

Reference:
Exhibit A2 / Tab 1 / Schedule 1 / Attachment 2 / pp. 13-14

Preamble:

In OPG's 2019 audited financial statements, under New Accounting Standards effective in 2019 – Lease Accounting, OPG recognized right-of-use assets and operating lease liabilities of $70 million and $74 million, respectively, as at January 1, 2019.

Questions:

a) For leases that existed, or were entered into, during OPG's 2017-2021 Payment Amounts application period that will still have term remaining as of January 1, 2022, please provide a table to include:

   i. A listing of these leases (aggregated by category, if necessary, for practical purposes)

   ii. The classification of these leases as operating or finance leases for regulatory purposes in the 2017-2021 Payment Amounts application

   iii. The treatment of the associated costs as OM&A or rate base in the 2017-2021 Payment Amounts application (including the amount)

   iv. The classification of these leases as operating or finance leases for regulatory purposes in the current application

   v. The treatment of the associated costs as OM&A or rate base in this application, including the amount

b) Please explain OPG's rationale for its inclusion of associated lease costs as OM&A or rate base in the current application for each of the leases.

c) Please quantify the revenue requirement difference between classifying these costs as operating versus capital.

d) If there has been a change in the accounting treatment of leases that existed, or were entered into, during OPG's 2017-2021 Payment Amounts Proceeding period

that will still have term remaining as of January 1, 2022, please explain OPG's proposal to address the revenue requirement differences for ratemaking purposes.

Response

a) The chart below provides the requested information for the nuclear facilities with respect to the leases for which OPG has recorded a right-of-use asset and operating lease liability in its financial statements:

Chart 1
Leases with Remaining Terms as of January 1, 2022

Category	Operating or finance lease	OM&A or rate base	Operating or finance lease	OM&A or rate base
	EB-2016-0152	EB-2016-0152	EB-2020-0290	EB-2020-0290
(a)	(b)	(c)	(d)	(e)
Office and building leases	Operating	OM&A	Operating	OM&A

b) OPG has included its lease costs in the revenue requirement on the same basis as reflected in its financial statements in accordance with US GAAP. These lease costs represent an operating cost of the prescribed nuclear facilities.

OPG's accounting policy with respect to the classification of leases in accordance with US GAAP is detailed in its audited financial statements (for example, refer to Ex. A2-1-1, Attachment 2, pp. 21-22).

c) OPG understands the question to refer to any lease for which there has been a change in the regulatory treatment as between EB-2016-0152 and this application. As seen in part b) above, there have been no such changes.

d) Refer to part c) above.