Board Staff Interrogatory #319

Interrogatory

Reference:
Exhibit G2 / Tab 2 / Schedule 1 / Tables 1, 5
Exhibit F4 / Tab 2 / Schedule 1 / Table 3c

Preamble:

OEB staff notes that OPG included deferred tax (Line 10 at Exhibit G2 / Tab 2 / Schedule 1 / Table 5) in the computation of Bruce costs for the 2016-2026 period. The Bruce net revenues form part of OPG's calculation of regulatory income tax at Exhibit F4 / Tab 2 / Schedule 1 / Table 3c.

OEB staff also notes that OPG's income tax expense for prescribed facilities is based on the taxes payable method (i.e. excludes the impact of deferred taxes).
Question(s):

a) Please provide rationale for departing from the taxes payable method in calculating Bruce net revenues and why it is appropriate to apply a different basis for calculating taxes than the one used for OPG's prescribed facilities.

b) Is OPG aware of any prior OEB decisions where the OEB approved the inclusion of deferred tax impacts in the determination of Bruce net revenues? If so, please provide reference to those decisions.

Response

a) and b)

The deferred income tax method is applied to the Bruce facilities as required by the OEB, as it is the accounting method under generally accepted accounting principles used by unregulated entities. By reference to sections 6(2)9 and 6(2)10 of O. Reg. 53/05, the OEB determined in its EB-2007-0905 Decision with Reasons that OPG's Bruce Lease net revenues are to be calculated on this basis, including income taxes.[1] This approach has been applied consistently in all subsequent OPG proceedings. Further details on the EB-2007-0905 Decision with Reasons in this regard can be found at Ex. C2-1-1, p. 19, lines 8-30.

[1] EB-2007-0905 Decision with Reasons, p. 110.