Board Staff Interrogatory #339

Interrogatory

Reference:
Exhibit H1 / Tab 2 / Schedule 1 / pp. 2-4

Preamble:

With respect to the recovery period of the DVAs, OPG stated that with the exception of components of the Pension & OPEB Cash Versus Accrual Differential Deferral Account and the portion of the Bruce Lease Net Revenues Variance Account – Non-Derivative Sub-Account approved in OPG's 2019 Annual Update and Deferral Account Disposition proceeding[1], OPG proposed to recover the DVA account balances, on a straight-line basis, over the three-year period January 1, 2022 to December 31, 2024.

OPG stated the recovery period of Bruce Lease Net Revenues Variance Account – Non-Derivative Sub-account reflected the approved amortization period in OPG's 2019 Annual Update and Deferral Account Disposition proceeding.[2]

OPG stated that it proposes to align the recovery period for the EB-2018-0243 Registered Pension Plan component (and its associated income tax impacts) and the Post-2017 Additions component (and its associated income tax impacts) of the Pension & OPEB Cash Versus Accrual Differential Deferral Account, to the full January 1, 2022 to December 31, 2026 term. The resulting five-year recovery period would be close to the six-year recovery period for the EB-2018-0243 Non-Registered Pension Plan component.

Question(s):

a) Please explain why OPG is proposing to align the recovery period (five years) of the Pension & OPEB Cash Versus Accrual Differential Deferral Account components referenced above to close to the six-year recovery period for the EB-2018-0243 Non-Registered Pension Plan component.

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[1] EB-2018-0243.
[2] Exhibit H1 / Tab 2 / Schedule 1 / Table 2 / Line 10 / Column (f). The total approved recovery period of eight years from January 1, 2019 to December 31, 2026 is per EB-2018-0243 / Exhibit / M1 / Attachment A / Table 2 / Line 8.

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b) Please provide OPG's position on recovering the Pension & OPEB Cash Versus Accrual Differential Deferral Account components over a three-year period, consistent with the recovery period of other DVAs.

c) Please provide a bill impact comparison between the five-year recovery period and the three-year recovery period for the Pension & OPEB Cash Versus Accrual Differential Deferral Account EB-2018-0243 Registered Pension Plan component and the Post- 2017 Additions component.

Response

a) OPG is proposing to align the recovery period for the Pension & OPEB Cash Versus Accrual Differential Deferral Account components (and associated income tax impacts) referenced in the question to the 2022-2026 IR term ending on December 31, 2026. As OPG's evidence observes, the resulting five-year recovery period is close to the six-year recovery period for the EB-2018-0243 Registered Pension Plan Component. More generally, the proposal is consistent with the OEB's previous approvals of longer time frames for recovery of similar, larger balances, compared to the majority of OPG's other accounts.

b) OPG believes that its proposed recovery period for the Pension & OPEB Cash Versus Accrual Differential Deferral Account components (and associated income tax impacts) provides a balanced consideration of a desire for timely recovery of the underlying costs of prior periods as well as of past practice with respect to larger balances. OPG also recognizes that a shorter recovery period, such as three years, may be a reasonable alternative.

c) Adjusting the recovery period of the noted balances in the Pension & OPEB Cash Versus Accrual Differential Deferral Account (and associated income tax impacts) would have no effect on customer bill impacts in the 2022-2026 period under OPG's rate smoothing proposal. As a result of rate smoothing, the effect of adjusting deferral and variance account riders would be offset by a corresponding change in amounts deferred to the Rate Smoothing Deferral Account. Specifically, recovering the noted balances over three years, as compared to five years, would increase the nuclear payment amount rider in the first three years of the IR term and, in order to

maintain the same WAPA trajectory as proposed in Ex. I1-3-1, increase the amounts deferred to the Rate Smoothing Deferral Account in those years.