UNDERTAKING J1.2

Undertaking

OPG TO DESCRIBE THE CIRCUMSTANCES AND MEANS BY WHICH IT WOULD RECORD FIRM FINANCIAL COMMITMENTS IN THE NDVA

Response

This undertaking arose from a discussion regarding financial and regulatory accounting details related to the Nuclear Development Variance Account ("NDVA").[1] Pursuant to O. Reg. 53/05, section 5.4(1), the account records "differences between actual non-capital costs incurred and firm financial commitments made and the amount included in payments made under [section 78.1 of the *Ontario Energy Board Act, 1998*] for planning and preparation for the development of proposed new nuclear generating facilities".

Before turning to the specific undertaking request, OPG wishes to clarify that while the NDVA is referred to as a variance account, as opposed to a deferral account, nothing in its definition under O. Reg. 53/05 or the implementing payment amounts order issued by the OEB precludes the "amount included in the payments" from being nil. In such a case, actual costs incurred would be compared against the nil amount included in the payment amounts, resulting in the full amount of actual costs being recorded in the account. This was the case in the EB-2010-0008 and EB-2013-0321 proceedings, where the approved revenue requirement contained $0 of costs for planning and preparation for the development of new nuclear facilities and where such actual costs were measured against the $0 amount for purposes of entries into the NDVA.[2]

With respect to the NDVA recording amounts related to "firm financial commitments", at Tr. Vol. 1, p. 86, lines 7-15, Ms. Ladak clarified OPG's position that the impact of any such commitments is captured in the account only in the circumstances and at point in time that they give rise to a non-capital cost recognized in OPG's financial statements under generally accepted accounting principles. Thus, OPG does not record amounts in the NDVA that it has not otherwise recognized for financial accounting purposes, a determination that it makes like any other regulated or unregulated entity following US GAAP.

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[1] Tr. Vol. 1, pp. 52-68.

[2] For example, the EB-2013-0321 Payment Amounts Order, App. G, p. 9 stated with respect to the NDVA: "The monthly reference amount shall be 1/24 of the total forecast amount of $0 underpinning the two-year revenue requirement approved by the Board for 2014 and 2015."

As a further point of clarification, OPG notes that any non-capital costs incurred for planning and preparation for development activities for new nuclear facilities would not be subsequently capitalized under US GAAP if the project meets capitalization criteria at a later date. OPG would seek clearance of any such eligible costs recorded in the NDVA in a subsequent proceeding.