Board Staff Interrogatory #4

Interrogatory

Please provide OPG's actual 2022 regulatory Return on Equity (ROE), forecast 2023 ROE, and the associated calculations, both on a combined and separated basis for nuclear and hydroelectric.

Response

OPG refuses to provide the requested data on the grounds that 2022 and 2023 ROE information is not relevant to any issue before the OEB in this proceeding.

The OEB has set out three eligibility criteria that an applicant must satisfy when seeking to establish a new deferral or variance account: causation, materiality, and prudence. As summarized in Section 3.1 of the Application, OPG's evidence demonstrates that the nuclear compensation costs impacts of the Bill 124 Decision (i) are not reflected in approved payment amounts, (ii) will be material, and (iii) "recognizing that the prudence of any costs recorded would be determined in a separate process, are appropriate to be recorded in a variance account pending the consideration of prudence, since [they] reflect costs necessary for the continued operation of OPG's nuclear facilities."[1]

It is not evident that OPG's ROE, whether achieved or forecast, is relevant to any of the eligibility criteria to establish an account. The company's return on the combined prescribed assets is unrelated to whether the nuclear compensation costs to be recorded to the proposed variance account are outside of existing payment amounts or to the materiality of those costs and, as a result, do not advance the OEB's consideration as to the establishment of the account. The question before the OEB when establishing the account is whether "the nature of the amounts and forecast quantum to be recorded in the proposed account [are] based on a plan that sets out how the amounts will be reasonably incurred."[2] OPG has demonstrated that the amounts to be recorded to the proposed account will be reasonably incurred, as they are required to operate the nuclear facilities and will be based on the collective agreements in place for the unionized workforce. Neither achieved nor forecast ROE are relevant to the satisfaction of this criterion.

[1] Application, p. 11.
[2] OEB Filing Requirements for Electricity Distribution Rate Applications, December 15, 2022, p. 66.