

Review of OPG Filing Guidelines

EB-2024-0136 Stakeholder Consultation

May 14, 2024

Agenda

- Introductions
- Meeting purpose & structure
- Objectives for the OPG Filing Guideline Review
- Project timeline
- Proposed changes from OEB staff
- Feedback sought on specific topics
- Open discussion & questions

Meeting Purpose & Structure



Purpose of today's meeting

- I. Present a summary of the proposed amendments to the OPG Filing Guidelines
- II. Seek input on these changes
- III. Seek input on other changes that parties may wish to propose

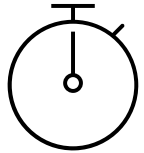


Participant questions & feedback

OEB staff will facilitate a discussion at the end of the initial presentation. Participants are encouraged to also provide input through written comments, even if they have already mentioned these points during today's consultation.

Objectives for the OPG Filing Guidelines Review

The objectives for the OPG Filing Guidelines review are to...



Account for the passage of time:

The current version of OPG's Filing Guidelines was created in 2011.



Reflect updates from recent OPG decisions:

Since 2011, the OEB has issued three major decisions on OPG's Payment Amounts applications.

The OEB is not proposing to completely revamp the OPG Filing Guidelines.

Project Timeline – Fall 2024 Target Completion



Changes Being Proposed

The initial draft of the updated Filing Guidelines propose the following key changes:

Item 1: Keep Filing Guidelines “evergreen” by removing sections that require constant updates

Item 2: Harmonize with Filing Requirements for transmission and distribution

Item 3: Remove year-over-year OM&A cost variance analysis

Item 4: Add term-over-term variance analysis for all costs

Item 5: Add requirement for information on transition to IFRS as well as transitioning from capitalizing indirect overheads

Changes Being Proposed: Item 1

Keep Filing Guidelines “evergreen”

Ensure language is general such that it can apply to future Payment Amounts applications:

- Remove list of orders and undertaking from past proceedings
- Remove list of prescribed generation facilities
- Remove list of Deferral Variance Accounts

Prescribed Facilities

Introduction

The generation facilities in question are identified in the Payments Under Section 78.1 of the Act Regulation, O. Reg. 53/05 (“O. Reg. 53/05”) and are:
~~Sir Adam Beck I, Sir Adam Beck II, Sir Adam Beck Pump Generation Station, De Cew Falls I...~~

OPG Filing Guidelines 2011, p. 1

Past Orders & Undertakings

~~1.3 BOARD DIRECTIVES AND UNDERTAKINGS FROM PREVIOUS DECISIONS*~~

| Directives and Undertakings Include | EB-2010-0008 Decision with Reasons Page Number |
|--|---|
| Niagara Tunnel-- The Board will expect OPG to file Project Execution Plans, as well as any other progress reports completed over the duration of the project, at the time of the prudence review. | 28 |

OPG Filing Guidelines 2011, p. 2

Deferral Variance Accounts

EXHIBIT H DEFERRAL AND VARIANCE ACCOUNTS

A listing and detailed description (including account definition) of all outstanding deferral and variance accounts - those specified by O. Reg. 53/05 as well as those established by the Board in previous decisions,

including:

- ~~Hydroelectric Water Conditions Variance Account~~
-

OPG Filing Guidelines 2011, p. 20

Changes Being Proposed: Item 2

Harmonize with Filing Requirements for transmission and distribution

The following changes are proposed:

- Add completeness review
- Add updated process for confidentiality requests
- Add certifications (personal information, certificate of evidence, certificate of Deferral Variance Accounts)
- Revise from “Filing Guidelines” to “Filing Requirements”

Completeness

The filing of a comprehensive application is essential for the development of an accurate Notice of Hearing and for the timely and effective review of an application. Therefore, before the OEB can begin processing the application, it must conduct a preliminary review to determine if the application is complete...

Draft OPG Filing Requirements, April 4, 2024, Chapter 2 General Requirements, p. 3

Confidential Information

The OEB relies on complete disclosure of all relevant material to ensure that its decisions are well-informed. To ensure a transparent and accessible rate review process, OPG should make every effort to file all material publicly and completely. However, the OEB’s Rules of Practice and...

Draft OPG Filing Requirements, April 4, 2024, Chapter 2 General Requirements, p. 4

Certifications

If desired, the certifications listed in this section can be completed by a single individual within a single document, as long as the requirements set out below are met (i.e., the Chief Executive Officer, or Chief Financial Officer, or equivalent provide all certifications)...

Draft OPG Filing Requirements, April 4, 2024, Chapter 2 General Requirements, p. 7

Changes Being Proposed: Item 3

Remove year-over-year OM&A cost variance analysis

In past Payment Amounts proceedings, OEB staff has found little value in year-over-year OM&A cost variance analysis provided in the prefiled evidence.

Annual Variance Analysis described in Section 2.6 Key Planning Parameters

A detailed variance analysis should also be provided comparing OEB-approved to actual costs and production for each Historic Year and Bridge Year.³

...

³The requirement for year-over-year variance analysis is excluded for operating, maintenance and administration costs. See section 8 for more details.

*The **highlighted** section refers to the text in question that has been added to the draft OPG Filing Requirements*

Draft OPG Filing Requirements, April 4, 2024
Chapter 2 General Requirements, p. 7

Changes Being Proposed: Item 3

Remove year-over-year OM&A cost variance analysis

In past Payment Amounts proceedings, OEB staff has found little value in year-over-year OM&A cost variance analysis provided in the prefiled evidence.

Although year-over-year variance analysis for OM&A is proposed to be removed, please note that variance analysis for specific years is still a requirement

Section 8.2 Operating, Maintenance & Administration Costs

Draft OPG Filing Requirements, April 4, 2024, p. 18

A variance analysis for OM&A, and components of OM&A (including asset service fees, regulatory affairs costs), should be provided for the following:

- OEB-approved vs. actual for each of the Historic Years
- OEB-approved vs. Bridge Year forecast
- Term-over-term variance analysis (most recent payment amounts application versus the proposed payment amounts application)
- A written explanation is required for any variance greater than or equal to 10% of category expenses

Annual Variance Analysis described in Section 2.6 Key Planning Parameters

A detailed variance analysis should also be provided comparing OEB-approved to actual costs and production for each Historic Year and Bridge Year.³

...

³The requirement for year-over-year variance analysis is excluded for operating, maintenance and administration costs. See section 8 for more details.

The *highlighted* section refers to the text in question that has been added to the draft OPG Filing Requirements

Draft OPG Filing Requirements, April 4, 2024
Chapter 2 General Requirements, p. 7

Changes Being Proposed: Item 4

Add term-over-term variance analysis for all costs

All costs are to be totaled for the most recent and the next Payment Amounts term to aid cost variance analysis.

In past OPG payment amount applications, OEB staff conducted this analysis manually. This analysis was then verified by OPG through interrogatories. The addition of this requirement is intended to enhance regulatory efficiency.

Term Variance Analysis described in Section 2.6 Key Planning Parameters

Cost variance analysis should include a comparison of the total costs for the most recent payment amounts term (i.e., the term sought for approval in the previous payment amounts application) with the total costs for the next payment amounts term (i.e., the term sought for approval in the current payment amounts application) to provide a term-over-term variance analysis. The term-over-term variance analysis should be provided for all cost categories. The term-over-term analysis is not required for production data.

*The **highlighted** section refers to the text in question that has been added to the draft OPG Filing Requirements*

Draft OPG Filing Requirements, April 4, 2024
Chapter 2 General Requirements, p. 7

Changes Being Proposed: Item 5

Add requirement for information on transition to IFRS as well as transitioning from capitalizing indirect overheads

Currently, OPG follows the United States Generally Accepted Accounting Principles (US GAAP) until it transitions to International Financial Reporting Standards (IFRS).

IFRS transition described in Section 2.6 Key Planning Parameters

For IFRS transition guidance, OPG should refer to the [*Report of the Board: Transition to IFRS dated July 28, 2009*](#) (IFRS Report), and subsequent amendments and addendum. While the IFRS Report was directed to electricity and gas distributors, the OEB will consider OPG's transition to IFRS in the context of the policies established in the IFRS Report as well as transitioning away from capitalizing indirect overheads.²

² EB-2020-0200, Decision and Order, December 21, 2023, pp. 98-99.

*The **highlighted** section refers to the text in question that has been added to the draft OPG Filing Requirements*

Draft OPG Filing Requirements, April 4, 2024
Chapter 2 General Requirements, p. 7

Feedback Sought on Specific Topics

Item 1: Thresholds for capital projects & OM&A expenses

Item 2: Requirement for year-over-year and/or term-over-term variance analysis for Other Revenue

Item 3: Organization of the Operating Revenue Exhibit

Feedback Sought on Specific Topics: Item 1

Thresholds for capital projects & OM&A expenses

These Filing Requirements establish thresholds for the level of detail required when describing capital projects and OM&A expenses in the payment amounts application.

These thresholds were last set in 2011.

Seeking input on whether the following thresholds for capital projects are still appropriate:

- **\$20 million or more**
- **Between \$5 million & \$20 million**
- **Less than \$5 million**

Table 1: Information Required in Capital Project Summaries

Draft OPG Filing Requirements, April 4, 2024, Section 6.2, p. 15

| Capital Project Cost Thresholds | Name, description, start date, in-service date, and cost for each project | Actual in-service dates for projects closed to rate base in the Historical Years; projected in-service dates for the Bridge Year and Test Year(s) | Total cost of all projects in this category | Number of projects and average cost of projects in this category | Total cost of projects that will close to rate base in the Test Year(s) | Business Case |
|--------------------------------------|---|---|---|--|---|---------------|
| \$20 million or more | X | X | X | | | X |
| Between \$5 million and \$20 million | X | X | X | | | |
| Less than \$5 million | | | | X | X | |

Feedback Sought on Specific Topics: Item 1

Thresholds for capital projects & OM&A expenses

These Filing Requirements establish thresholds for the level of detail required when describing capital projects and OM&A expenses in the payment amounts application.

These thresholds were last set in 2011.

Seeking input on whether the following thresholds for OM&A expenses are still appropriate:

lesser of 1% of total expenses before taxes or \$20 million

Exhibit F, Operating Costs

Draft OPG FR, April 4, 2024, Section 8.2, p. 18

8.2 Operating, Maintenance & Administration Costs

Details of the budgets for each of the Historic Years, the Bridge Year and the Test Year(s) should be provided.

The OM&A statements for each year should provide:

A breakdown on a work basis of each major item that meets the threshold of the lesser of **1% of total expenses before taxes or \$20 million**

Detailed information is to be provided for each expense incurred through the purchase of services or products that meets the threshold of the lesser of **1% of total expenses before taxes or \$20 million**. The information is to include, for each such expense:

- A summary of the tendering process used
- If a tendering process was not used, an explanation of why that was the case as well as a description of the pricing methodology used
- The identity of the company transacting with OPG
- A summary of the nature of the activity transacted

Feedback Sought on Specific Topics: Item 2

Requirement for year-over-year and/or term-over-term variance analysis for Other Revenue

In draft OPG Filing Requirements, for Other Revenues, there is a requirement to provide year-over-year analysis.

Seeking input on whether this should remain a requirement and/or add term-over-term variance analysis

Exhibit G Operating Revenue

Draft OPG FR, April 4, 2024, Section 9.2, p. 22

9.2 Other Revenues

Details of other revenue, broken down by revenue source, should be provided. This should include OPG's revenues and costs associated with the Bruce nuclear generating stations

A variance analysis of other revenues should be provided for the following:

- OEB-approved vs. actual for each of the Historic Years
- OEB-approved vs. Bridge Year forecast
- Year-over-year over the Historic Years, the Bridge Year and the Test Year(s)

A detailed explanation of how other revenues are attributed to the prescribed generation facilities should be provided

Feedback Sought on Specific Topics: Item 3

Organization of the Operating Revenue Exhibit

Seeking feedback on the organization of this section. The organization of this exhibit in the current version of the OPG Filing Guidelines is not consistent with how OPG has structured its most recent payment amounts application (2022-2026 term).

In that application, the exhibit solely focused on other revenues while broader sections of operating revenue were included in other exhibits in the application.

Exhibit G Operating Revenue

OPG Filing Guidelines, 2011, Section 9

9. Exhibit G Operating Revenue

9.1 Energy Revenue

9.2 Other Revenues

Exhibit G Other Revenues

EB-2020-0290, OPG Payment Amounts 2022-2026, December 31, 2020

Exhibit G Other Revenue

G2-01-01 Non-Energy Revenues – Nuclear

G2-01-02 Comparison of Non-Energy Revenues – Nuclear

G2-02-01 Bruce Generating Stations - Revenues and Costs

Next Steps

- Schedule for stakeholders to submit written comments
 - Jun 7** – Round 1
 - Jun 21** – Round 2
- Instructions on how to file written comments will be provided in a letter proceeding today's stakeholder consultation

Open Discussion & Questions by Topic

- General Comments
- Key changes being proposed:
 - **Item 1:** Keep Filing Guidelines “evergreen” by removing sections that require constant updates
 - **Item 2:** Harmonize with Filing Requirements for transmission and distribution
 - **Item 3:** Remove year-over-year OM&A cost variance analysis
 - **Item 4:** Add term-over-term variance analysis for all costs
 - **Item 5:** Add requirement for information on transition to IFRS as well as transitioning from capitalizing indirect overheads

Open Discussion & Questions by Topic

- Feedback sought on specific topics
 - **Item 1:** Thresholds for capital projects & OM&A expenses
 - **Item 2:** Requirement for year-over-year and/or term-over-term variance analysis for Other Revenue
 - **Item 3:** Organization of the Operating Revenue Exhibit
- Other specific feedback

