Aiken & Associates

578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6

Phone: (519) 351-8624
E-mail: randy.aiken@sympatico.ca

June 11, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi,

RE: EB-2024-0136 – Review of OPG Filing Guidelines – Written Comments of the London Property Management Association

On behalf of the London Property Management Association ("LPMA") I have reviewed the proposed amendments to the Ontario Power Generation ("OPG") Filing Guidelines presented by Ontario Energy Board ("OEB") Staff in the May 14, 2024 Stakeholder Consultation meeting as well as the draft update to the filing guidelines provided in Appendices A and B to the OEB letter of April 23, 2024. The comments that follow have been provided for each of the items included in the key changes being proposed and the feedback sought on specific topics from the Board Staff presentation at the stakeholder consultation meeting.

Key Changes Being Proposed

Item 1: Keep Filing Guidelines "evergreen" by removing sections that require constant updates.

LPMA supports the changes as proposed by Board Staff with respect to the removal of the list of deferral and variance accounts, the removal of the list of orders and directives from past proceedings and the removal of the list of prescribed generation facilities.

In each instance, LPMA sees no need for the Filing Guidelines to list specific items in each of the above categories. The Filing Guidelines should reflect general statements on each of the three areas noted above.   This would eliminate the need to update the Filing Guidelines every time a deferral or variance account is created or eliminated, every time an order or directive from a past proceeding is made and every time there may be a change in the list of prescribed generation facilities.

While general in nature, LPMA submits that the wording should make clear the expectation that the filings encompass all deferral and variance accounts in existence at the time of the filing, a response to all of the orders and directives from past proceedings, and a current listing of all prescribed generation facilities, noting any changes that may occurred from the last filing.

<u>Item 2: Harmonize with Filing requirements for transmission and distribution.</u>

LPMA has reviewed the specific proposals from Board Staff with respect to the harmonization of the filing requirements for transmission and distribution utilities and supports them.

<u>Item 3: Remove year-over-year OM&A cost variance analysis.</u>

Board Staff propose that the requirement for year-over-year variance analysis should be excluded for OM&A costs. It is assumed that this exclusion includes year-to-year historical, bridge and test years. At the same time, the Board Staff proposal maintains the requirement for variance analysis between OEB-approved and actual OM&A costs for each of the historic years and between the OEB-approved and bridge year forecast.

The only rationale provided by Board Staff for this exclusion is that staff has found little value in the year-over-year cost variance analysis for OM&A. That does not mean that other parties to a hearing do not find value in this analysis, both historically and through the bridge and test years.

LPMA believes that the requirement for year-over-year variance analysis of OM&A costs should remain in place. Staff states that with respect to the inclusion of a term-over-term OM&A cost analysis it has conducted this analysis which was then verified by OPG through the interrogatory process, which from a regulatory point of view was not efficient. LPMA submits that the removal of the year-over-year analysis could result in the same loss of regulatory efficiency. Parties could conduct their own year-over-year analysis, which would be time consuming, and ask OPG through the interrogatory process to verify their figures. Parties would also be asking OPG through interrogatories for explanations of significant variances that they found.

Finally, LPMA notes that the current requirement for a written explanation for any variance greater than or equal to 10% of the category expenses is proposed to be retained. LPMA submits that the OEB should maintain the year-over-year variance analysis and the 10% threshold noted above, but also consider the inclusion of a dollar value threshold such that an explanation is required when a variance is greater than or equal to 10% of the category expense or $XXX, whichever is higher. This would eliminate the need for variance explanations in smaller cost categories where the 10% may be exceeded, but where the dollar value is not surpassed. The OEB should consult with OPG and other parties in determining an appropriate dollar value to be used.

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

LPMA assumes that the term-over-term analysis for all costs is not limited to OM&A, but also includes capital costs (i.e. capital expenditures, capital additions to rate base, cost of debt, cost of equity, depreciation and taxes). If it does not, then LPMA believes it should be changed to include all of the above.

The proposal also states that the term-over-term variance analysis should be provided for all cost categories. LPMA believes that this should be more specific and indicate that that the variance analysis should be at the same level of granularity as is currently done.

The Board Staff reasoning for this proposal is that they conducted this analysis manually and through the interrogatory process asked OPG to verify their calculations. LPMA agrees that this proposal would enhance regulatory efficiency.

The wording proposed by Board Staff is "*Term-over-term variance analysis (most recent payment amounts application versus the proposed payment amounts application)*".

It is not clear to LPMA that the "most recent payment amounts application" refers to the forecasted budgets for the years included in that application or to the actual historical and forecast bridge year budget for those years. LPMA assumes that it is meant to be the actual data (along with the bridge year forecast), but this should be clearly stated.

It is also not clear if the term-over-term is a comparison of the aggregate OM&A costs for the most recent payment amounts application term to the term of the proposed payments amounts application or rather a comparison of the average annual OM&A cost for the most recent payment amounts application relative to the average annual cost for the proposed payments amounts application, or both. There is no certainty that the term of future payment amounts applications will continue to be five years. Again, clarity should be added to ensure there is no need to review and make changes to the filing guidelines in the future for this issue.

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

LPMA supports the added requirement for information on the transition to IFRS, should OPG make, or be required to make, the transition to IFRS at some point in the future. It should also be required should the situation arise where there was possibility that OPG would or would be required to transition away from US GAAP during the period covered by the application.

With respect to the transitioning from capitalizing indirect overheads, this would appear to be separate from the transition to IFRS, and would have the potential to significantly alter the revenue requirement both on the quantum of the revenue requirement and the timing of the recovery of the amounts.

LPMA believes that it may be useful to the Board and other interested parties for OPG to file a separate section in their evidence that shows the potential impact of transitioning away from capitalizing indirect overheads including the impacts on OM&A, rate base, cost of capital, depreciation and taxes. This information would be useful in determining whether such a transition was appropriate and/or the potential phasing in of such a transition over a number of years to avoid significant rate shocks.

Feedback Sought on Specific Issues

Item 1: Threshold for capital projects & OM&A expenses.

The current threshold of the lesser of 1% of total expenses before taxes or $20 million was set in 2011. Given the cumulative inflation that has occurred since 2011 and that will occur before the next rebasing year of 2027, LPMA believes that the $20 million figure should be increased to reflect an increase due to this cumulative inflation. LPMA believes that an increase to $25 million, or 25% would be appropriate as it would account for a reasonable level of general inflation that has taken place since 2011.

This $25 million threshold would be applicable to both OM&A and for the larger capital projects. The current thresholds for capital projects are $20 million or more, between $5 million & $20 million and less than $5 million. LPMA submits that it would be reasonable to change these thresholds to $25 million or more, between $10 million and $25 million, and less than $10 million.

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

LPMA believes that there should be a requirement for year-over-year and term-over-term analysis for Other Revenue. This would provide OPG with the opportunity to explain increases and decreases on a year-to year basis as part of its evidence.

LPMA believes that this would enhance regulatory efficiency since it should reduce the number of interrogatories from parties asking OPG to provide the variance information. Similarly, the term-over-term variance analysis would eliminate the need for parties to do this manually and request OPG to verify their figures through the interrogatory process. This would also enhance regulatory efficiency in the same way as the Board Staff proposal for term-over-term variance analysis for costs.

Item 3: Organization of the Operating Revenue Exhibit.

LPMA believes that the organization of Exhibit G as done by OPG in EB-2020-0290 (i.e. Exhibit G Other Revenue) is sufficient to calculate the revenue requirement, as set out in the Revenue Requirement Work Form that is provided in Exhibit I of the OPG filings. The Energy Revenue that is included in the current filing guidelines as part of Exhibit G is based on the production forecast and the current payment rate that is in place. This energy revenue is only needed to calculate the revenue requirement deficiency or sufficiency. LPMA notes that this information is provided in worksheet #8 in the revenue requirement work form provided in Exhibit I for the test years.

LPMA does not see the need to duplicate the energy revenue in both Exhibit G and in the revenue requirement work form in Exhibit I for the test years. LPMA further notes that any variance in energy revenue is driven solely by changes in the production forecast, since the current payment rate remains constant over the test years. The variance in the production forecast is explained in Exhibit E and does not need to be repeated in Exhibit G.

With respect to any variance analysis of energy revenue in the historical and bridge years, LPMA notes that the variance is driven by only two factors: the payment rates in place for each of those years and the level of production in each year. Historical production levels and explanations for any significant differences are provided in Exhibit E and do not need to be repeated in Exhibit G. Changes in energy revenue due to changes in the actual payment rates in place for each year can be easily calculated, but this information would likely be of limited value.

Yours very truly,

Randy Aiken

Digitally signed by Randy Aiken
Date: 2024.06.11 14:15:49 -04'00'

Randy Aiken
Aiken & Associates