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**BY EMAIL AND WEB POSTING**

September 17, 2024

**To: Ontario Power Generation Inc.  
All Participants in Consultation EB-2024-0136  
All Other Interested Parties**

**Re: Updated Filing Requirements for Ontario Power Generation Inc.  
Ontario Energy Board File No.: EB-2024-0136**

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Today, the Ontario Energy Board (OEB) issued its *Filing Requirements for Ontario Power Generation Inc.* (Filing Requirements) which apply to payment amount applications under section 78.1 of the *Ontario Energy Board Act, 1998*. The Filing Requirements revise the 2011 filing guidelines and were made as part of the OEB's ongoing efforts to enhance regulatory processes and efficiency. The updates were informed by comments received during the stakeholder meeting held on May 14, 2024, as well as written comments filed by stakeholders afterwards. The revisions aim to address the evolving regulatory landscape, incorporate lessons learned from past proceedings, and ensure the Filing Requirements remain evergreen.

Stakeholder feedback over the years has indicated that the previous guidelines were functioning reasonably well. As a result, the draft update released by OEB staff on April 23, 2024 did not propose wholesale changes but rather more targeted revisions. Some of the proposed changes were meant to align language and terminology for consistency with other OEB filing requirements, and to ensure the Filing Requirements remain current. These updates include, among other clarifications, revised exhibit titles, the removal of references to specific years and specific facilities, and the renaming of the Filing Guidelines to Filing Requirements. Those changes elicited broad support from stakeholders.

Other notable changes to the Filing Requirements are summarized below:

- Thresholds for Capital Projects
- Term-over-Term Analysis for Capital Project Costs and Project OM&A Costs
- Historic Years and Next Hydroelectric Rebasing
- Capitalization Policies

### **Thresholds for Capital Projects**

In the 2011 filing guidelines, the cost threshold for Tier 1 Capital Projects was set at \$20 million. The OEB's draft update sought feedback on whether this threshold remained appropriate given inflationary increases over the years. Feedback from Ontario Power Generation (OPG) included a proposal to increase the threshold to \$40 million to address the increasing volume of projects and the regulatory burden with filing this evidence.

Some stakeholders disagreed with this proposed approach, arguing that the \$20 million threshold is still appropriate despite inflationary increases, and that projects exceeding these amounts are significant and should be supported by comprehensive evidence.

Based on feedback from all stakeholders, the OEB is updating the cost threshold amounts for Tier 1 Capital Projects to \$30 million, with corresponding adjustments to Tier 2 and 3 cost thresholds. This update aims to account for inflationary increases and enhance regulatory efficiency by focusing on more substantial projects. It also ensures that evidence is available to conduct a comprehensive review.

### **Term-over-Term Analysis for Capital Project Costs and Project OM&A Costs**

The previous filing guidelines required year-over-year variance analysis for all cost categories. The OEB sought feedback on whether to retain this year-over-year analysis, replace it with term-over-term analysis, or include both. Stakeholders generally welcomed the inclusion of term-over-term analysis yet indicated a preference for retaining year-over-year analysis as well. OPG supported the replacement of year-over-year with term-over-term analysis as term analysis would provide a better picture of the variability and shifts in project costs over multiple years.

After considering this feedback, the OEB has updated the Filing Requirements to replace year-over-year variance analysis with term-over-term analysis for capital costs and project operating, maintenance and administration costs (OM&A). The inclusion of term-over-term analysis is expected to provide more meaningful analysis of multi-year capital projects and align the evidence for capital and project OM&A costs. In addition, the analysis will focus on material trends and drivers of variance, as well as enhance

regulatory efficiency. OPG is still required to provide a year-over-year variance analysis for base OM&A costs.

### **Historic Years and Next Hydroelectric Rebasing**

The previous filing guidelines required OPG to file at a minimum the last three years of historical data. The draft OEB staff update proposed clarifying the requirement to include “as many years as are necessary to provide actuals back to and including the most recent OEB-approved test year(s)”.

In response, OPG proposed limiting this requirement to no more than five years, citing the limited relevance of older data and the effort required to maintain it. OPG also suggested flexibility to determine the necessity of older data on a case-by-case basis. Due to the unique circumstances of its hydroelectric business which has not been rebased since 2013<sup>1</sup>, OPG proposed including a footnote in the Filing Requirements allowing for the submission of nine years (from 2016) of historical data for its next payment amounts application, with specific conditions.

Most stakeholders disagreed with explicitly limiting this requirement to five years in the Filing Requirements. Specific to OPG’s next hydroelectric rebasing, stakeholders indicated that OPG should be required to file historical data back to the OEB-approved years (including 2014 and 2015 data), similar to any other regulated utility.

In order to ensure the application evidence focuses on the most relevant data, the updated Filing Requirements require the five most recent historic years. This recognizes that older data may have limited relevance due to changes in organizational and cost structures over time and aims to reduce the effort required to maintain and provide this information on a comparable basis. Where OPG determines that it is unable to provide certain historical data, it should clearly set out the reasons for this.

However, OPG has stated its intent to file nine years of historical data for its upcoming cost-based application for its hydro electric business, expected to be effective starting January 1, 2027. The OEB is requiring this nine year period to be applicable to the next OPG hydroelectric application, instead of the five year period set out in these Filing Requirements. The OEB is not incorporating this requirement in the Filing Requirements in order to maintain the evergreen nature of the new document.

### **Capitalization Policies**

Staff had proposed a new section to the Filing Requirements on the transition to IFRS and the approach to capitalizing overheads. At this time, OPG is required by [regulation](#)

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<sup>1</sup> EB-2013-0321

to do its financial reporting under United States Generally Accepted Accounting Principles (USGAAP). While there is no corresponding requirement for the OEB to set OPG's payments based on USGAAP, to do otherwise would be a significant administrative burden. The OEB will therefore set payments based on USGAAP but will consider the appropriate approach to capitalizing indirect overheads that would not be permitted to be capitalized under International Financial Reporting Standards (IFRS). The final Filing Requirements therefore remove the proposed reference to a transition to IFRS and include the requirement for OPG to file a plan for transitioning away from capitalizing indirect overheads or provide a justification for maintaining current practice. Depending on the OEB's determination on the capitalization of indirect overheads, this issue could persist beyond the next payments application.

The OEB extends its gratitude to all stakeholders who participated in the consultation process; the input was helpful in finalizing the Filing Requirements. All of the stakeholder comments are available on the OEB's [Engage with Us webpage](#) for this initiative. The OEB will issue separate correspondence to address cost awards.

Any questions related to the updated Filing Requirements should be directed to [Registrar@oeb.ca](mailto:Registrar@oeb.ca). The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Nancy Marconi  
Registrar