GREATER SUDBURY HYDRO INC. (GSHI) – OPEB – ARGUMENT IN CHIEF

EB-2024-0026

Contents

Summary of Relief Requested

This is Greater Sudbury Hydro Inc.'s (GSHi's) argument in chief with respect to the outstanding issues in its application for rates effective May 1, 2025, filed on October 30, 2024 (EB-2024-0026).

The outstanding issues and the claimed relief by GSHi are as follows:

a) GSHi is seeking approval of a quantified transition amount of $25,068,558[1] (grossed-up for PILs) (the "Transition Amount"), recorded in the "OPEB Cash to Accrual Transitional Amount Deferral Account", related to GSHi's transition from cash-based to accrual-based recovery of post-employment benefit obligations (OPEBs) in rates beginning in 2020, a debit to be recovered from GSHi's distribution customers;
b) GSHi is seeking approval of a quantified net actuarial gain of $6,881,814[2] (inclusive of PILs) recorded in the "OPEB Actuarial Gains & Losses Deferral Account", a credit to ratepayers, and
c) The approval of a rate rider to recover the net amount associated with a) and b) of $18,186,744, to be recovered over a 10-year period.

GSHi respectfully submits that it has accurately and fairly calculated the Transition Amount to be recovered from its distribution customers as a result from the transition from cash-based to accrual-based recovery of OPEB costs as of the 2020 rate year, that it has accurately and fairly calculated the net actuarial gain in relation to its unfunded OPEB related liabilities from 2020 to 2023, and that it is appropriate to recover the net total of those two amounts from distribution customers over a 10-year period from May 1, 2026 to April 30, 3036.[3]

These submissions are intended to summarize the requested relief, as updated during the application process. GSHi fully reserves its right to make submissions in reply to any

[1] Ontario Energy Board, Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc., EB-2024-0026 (13 June 2025), SEC-31(g). – GSHi: $16.109 M – 4.66 % ($0.751 M) = $15.359 M; tax gross-up 26.5 % ⇒ $5.537 M; total $20.896 M. GSHPi: $3.067 M + $1.106 M tax = $4.173 M. Combined transitional amount = $25.069 M.

[2] Ontario Energy Board, Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc., EB-2024-0026 (13 June 2025), SEC-31(g). – Actuarial gain/loss deferral: $5.305 M – 4.66 % ($0.247 M) = $5.058 M; tax gross-up 26.5 % ⇒ $1.824 M; total credit $6.882 M.

[3] GSHi has proposed this start date for the rider given the probable timing of any OEB decision with respect to the outstanding issues; this proposed start date would coincide with the implementation of GSHi's 2026 rates, avoiding a mid-year rate change related only to the proposed rider.

issues raised by the other parties to the proceeding in its reply submissions due July 25, 2025.

Overview

GSHi is a rate-regulated electricity distributor. As such, it recovers its prudently incurred costs to serve its distribution customers through its Ontario Energy Board (OEB) approved distribution rates. GSHi's prudently incurred costs include, as is the case for all distributors regulated by the OEB, the costs it incurs to fund post-employment benefits ("OPEBs").

Prior to 2020, GSHi always recovered the OPEB costs related to the employees that provided service to its distribution customers in rates on a cash accounting basis. This entailed recognizing in distribution rates the cash outlay GSHi was obligated to fund each year as those costs were actually incurred, either directly for its own internal employees or for the employees of its affiliate Greater Sudbury Hydro Plus Inc. ("GSHPi") through affiliate transactions based on fully allocated costing.[4] With OPEB costs being recovered on a cash-accounting basis, GSHi fully recovered its OPEB costs from its distribution customers, subject only to the risk that the recovery of OPEB costs approved in rates on a forecast basis varied against the actual OPEB costs incurred by GSHi in the year, a risk borne entirely by GSHi.

The OEB's September 14, 2017, *Report on the Regulatory Treatment of Pension and OPEB Costs* ("the Report"), for the first time and on a generic basis, established accrual accounting as the default basis for the recovery of OPEB costs in rates.[5]

Accordingly, because of the OEB's expectation for accrual-based recovery of OPEB costs, GSHi applied to the OEB to transition from cash-based to accrual-based recovery of its OPEB costs in its approved distribution rate application for the 2020 rate year (EB-2019-0037).

During GSHi's 2020 cost-of-service proceeding the OEB approved recovery of OPEBs on an accrual basis prospectively and agreed to defer recovery of the Transition Amount (the cumulative difference between what had been paid under the historic cash method and

[4] Ontario Energy Board, Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc., EB-2024-0026 (13 June 2025), SEC-31(f) — SEC-31 f) explains that OPEB costs for affiliates form part of the fully-allocated costs that GSHPi recovers from GSHi, in line with the requirements of the Affiliate Relationships Code.
[5] *Report on the Regulatory Treatment of Pension and OPEB Costs,* September 14, 2017, page 8.

what would have been paid had recovery been determined using accrual-based accounting) until GSHi's next rebasing application.[6]

As explained in GSHi's evidence, the need for the recovery of a Transition Amount by GSHi from its customers is a result of the fact that on transitioning from cash-based to accrual-based recovery of OPEB costs GSHi would no longer be held whole for its OPEB costs through recovery in rates going forward from 2020.[7] This is because the transition from cash to accrual-based accounting for OPEBs materially reduces the prospective recovery of OPEB amounts in rates, a reduction that must necessarily be offset through the recovery of a Transition Amount in order to avoid a funding shortfall. GSHi notes by way of example that when Enbridge Gas Distribution Inc. transitioned from cash-based to accrual-based accounting for OPEB costs in rates, that transition included the recovery of a transition amount calculated in the same fashion as what GSHi has proposed in this proceeding.[8]

The recovery of the Transition Amount as proposed by GSHi does nothing more than hold GSHi whole on the transition from cash to accrual-based accounting. Accordingly, it must be kept in mind that recovery of the Transition Amount from distribution customers corresponds with reductions in the OPEB amounts recovered in base rates from 2020 forward, as illustrated in the example provided by GSHi in its supplemental evidence;[9] there is no windfall for GSHi through the transition from cash to accrual accounting or through the recovery of the Transition Amount.

In this proceeding, GSHi's proposal focuses on the actuarially determined unfunded OPEB liability as at December 31, 2019. From the determination of that unfunded OPEB liability GSHi has quantified the resulting Transition Amount and proposes to dispose of it, net of the balance booked in the Actuarial Gains and Losses Deferral Account and grossed up for PILs, through a rate rider over a period of 10 years. As updated between the initial

[6] Ontario Energy Board, *Decision and Rate Order: Greater Sudbury Hydro Inc.*, EB-2019-0037 (7 May 2020) Schedule C — Accounting Order.

[7] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), page 8.

[8] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), Appendix E; GSHi summarizes the transition amount claimed by Enbridge Gas Distribution Inc. and approved for recovery.

[9] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), page 9 - illustrative example shows equal full recovery under cash and accrual accounting ($501,535); however, transitioning to accrual on January 1, 2020 creates a shortfall of $251,946 that must be recovered as a transition amount to achieve the full $501,535 lifetime OPEB recovery.

application and the interrogatory responses filed on June 13, 2025, the net amount proposed to be recovered is $18,186,744.[10]

Calculation of Transition Amount

In quantifying the Transition Amount to be recovered, GSHi began with the gross unfunded OPEB liability as of December 31, 2019, as separated into two actuarially determined components: (i) the portion attributable to GSHi's own employees and retirees and (ii) the portion attributable to employees and retirees of its affiliate, GSHPi. These figures before PILs are $16,109,318 for GSHi and $3,680,589 for GSHPi as shown in the *Greater Sudbury Utilities Inc. Report on the Actuarial Valuation of Post-Retirement Non-Pension Benefits as at December 31, 2019.*[11] These are "gross" in the sense that they represent the total unfunded OPEB obligation before determining the appropriate allocation of the gross amount to GSHi for recovery from its distribution customers.

GSHi's actuary (RSM) calculated each amount using actual employee and retiree data at year-end 2019 together with the applicable 2019 vintage actuarial assumptions.[12] Because the liabilities arose during the pre-2020 period under cash-based recovery of OPEB costs in rates, they are unfunded liabilities that are no longer recoverable through base rates as a result of the transition to accrual-basis recovery in 2020.[13] Instead, they constitute a unfunded liability that must be recovered by GSHi outside of base rates for GSHi to be held whole with respect to the recovery of its OPEB related costs.

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[10] $26,089,910 ("OPEB Cash-to-Accrual Transitional Amount" account; Transition Amount inclusive of PILs gross up) less $7,218,181 ("OPEB Actuarial Gains & Losses" account; net 2020-2023 actuarial gains and losses inclusive of PILs gross up) less $684,985 (June 13th interrogatory response to SEC-31 g), adjustment amount of $503,464 plus PILs gross up of $181,521); $26,089,910 - $7,218,181 - $684,985 = $18,186,744

[11] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-31, Attachment 1, Appendix to Actuarial Report, pages 3, 5.

[12] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-31, Attachment 1, Actuarial Report, pages 6-13 summarizes the employees included in RSM's analysis and the methodology for projecting the unfunded liability. In addition, the response to SEC-31 c) provides a breakdown of the GSHi and GSHPi employees and retirees included in the analysis, including the portion of the gross unfunded liability attributable to active and retired employees, both under the current OPEB plan that provides benefits to age 65 and the previous OPEB plan that provides lifetime benefits.

[13] The unfunded liability outstanding on December 31, 2019, is not recoverable in 2020-and-beyond base rates because, under accrual accounting, only the annual current-service cost plus interest is recovered each year. Had accrual accounting been used from the outset, that liability would already have been recovered during the pre-2020 service period; instead, it remains to be collected and therefore must be recovered separately as a "transition amount."

GSHi notes that the December 31, 2019, unfunded liability reflects only the discounted future OPEB payments that would, under cash accounting, have drawn down the unfunded liability over time as benefit payments were made. It does not include any prior under-recovery for cash amounts paid prior to 2020. Any such past shortfalls were at GSHi's risk; the unfunded liability as of December 31, 2019, represents solely the forward-looking portion of the unfunded liability that accrual accounting for OPEBs in base rates will not capture without separate recovery through the proposed rate rider.

With the calculation of the gross unfunded liability completed, the next step is to allocate the appropriate amount to GSHi for recovery from its distribution customers.

Allocation of Transition Amount

Historically—and today—both GSHi and its affiliate GSHPi devote the majority of their employees' time to providing distribution service for GSHi's distribution customers. Consequently, GSHi has historically and continues to recover the majority of the related OPEB costs in its distribution rates, to the extent that employee labour supports those distribution services. However, both GSHi and GSHPi perform some work that is not attributable to GSHi's distribution customers; it is therefore necessary to attribute a portion of the gross unfunded liability to GSHi and GSHPi's affiliates and non-distribution customers.

As detailed in response SEC-31,[14] GSHi calculated that 4.66% of its total internal labour relates to affiliate services (such as street-light maintenance) or other third-party, non-rate regulated contract work. Although that share was not quantified and accounted for in the original filing, GSHi acknowledges that an appropriate portion of its gross unfunded liability should be allocated to work performed for its affiliates and to third-party non-distribution customers. Accordingly, GSHi has applied the 4.66% factor to allocate a portion of the gross unfunded liability related to GSHi's employees and retirees to its affiliates and to third-party non-distribution customers. As described in SEC-31 this means that of the calculated $16,109,318 (pre-tax) gross unfunded liability associated with GSHi's employees and retirees, only $15,358,624 (pre-tax) is sought for recovery from GSHi's distribution customers within the Transition Amount.

At Exhibit 9, Tab 1, Schedule 1, page 12 GSHi explains that the portion of the unfunded OPEB liability for GSHPi's employees and retirees that supports GSHi's distribution

[14] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-31(g).

operations has already been allocated to GSHi, with the balance remaining with GSHPi. This means that of the calculated $3,680,589 total gross unfunded liability associated with GSHPi's employees and retirees as of December 31, 2019, only $3,066,766 or 83% is sought for recovery from GSHi's distribution customers.[15]

Calculation of Transition Amount

Description	GSHi	GSHPi	Total
Gross unfunded OPEB liability (pre-tax) **(a)**	$16,109,318	$3,680,589	$19,789,907
Portion not attributable to GSHi & ratepayers (%) **(b)**	4.66%	(100% - 83.32%) = 16.68%	
Portion not attributable to GSHi & ratepayers ($) **(a * b = c)**	$750,694	$613,823	$1,364,517
Sub-total: Gross unfunded OPEB liability attributable to GSHi & ratepayers (pre-tax) **(a – c = d)**	$15,358,624	$3,066,766	$18,425,390
PILs tax gross-up **(d * 26.5% / (1 – 26.5%)) = e**	$5,537,463	$1,105,705	$6,643,168
Transition Amount (d + e)	**$20,896,087**	**$4,172,471**	**$25,068,558**

In this way GSHi respectfully submits that its proposed Transition Amount appropriately reflects the portion of the gross unfunded liability that is attributable to GSHi's distribution customers.

Clearing the Actuarial Gains & Losses Deferral Account

The OPEB Actuarial Gains & Losses Deferral Account was established when GSHi shifted to recovering OPEB costs on an accrual basis in 2020 to capture year-to-year re-measurements that arise whenever key valuation assumptions (discount rate, salary growth, mortality, health-care trend, etc.) are updated. The account functions as a running true-up between the liability embedded in base rates, the Transition Amount and the utility's evolving obligation. Successive assumption updates through to 2023 have

[15] Ontario Energy Board, *Pre-ADR Clarification Questions – Responses of Greater Sudbury Hydro Inc.*, EB-2024-0026 (8 February 2025), Pre-ADR OEB Staff-3. As noted in this Pre-ADR response, GSHi discovered an allocation error that omitted $127,720 of the 2019 increase in its unfunded liability. Because the corrected amount would raise the total amount allocated to GSHi and recovered from distribution customers, the utility has elected not to revise the allocation.

produced a net actuarial gain of $6,881,814[16] (including a gross up for PILs) attributable to GSHi customers, recorded as a credit to GSHi's distribution customers in this deferral account.

GSHi proposes to clear that credit now, in tandem with the transitional debit balance, for four reasons:

1. Alignment of balances: Disposing of the credit ensures the recognized liability reflects today's best actuarial view; leaving it in the account would over-state the amount GSHi seeks to recover through the transition rider and distort the net obligation carried forward. To that end, GSHi notes that were it to recalculate the Transition Amount to the end of December 31, 2023, it would naturally pick up the impact of this net gain as part of that calculation; the fact that this amount is notionally treated as separate from the Transition Amount is merely a function of timing.

2. Inter-generational equity: The credit represents costs that—had the revised assumptions been known in 2019—would have flowed to customers in prior years. Accounting for it now minimizes the shifting of the impact to future ratepayers.

3. Regulatory alignment: The OEB's 2017 Pension & OPEB Report contemplates clearing balances that "do not substantially offset over time";[17] the $7.2-million credit would materially offset the $26.1-million transitional debit, producing a more balanced, ten-year rate rider.

4. Uncertainty of future offsets: Actuarial gains and losses are inherently unpredictable; GSHi's evidence confirms it cannot reliably forecast whether future losses will reverse the present credit, making deferral speculative and potentially unfair. However, GSHi would note that the bulk of the net gain is necessarily related to the Transition Amount, as opposed to variations related to the now embedded accruals in base rates.

Taken together, these considerations support clearing the actuarial-gains credit simultaneously with the transitional debit to provide an up-to-date, principled, and

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[16] Ontario Energy Board, Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc., EB-2024-0026 (13 June 2025), SEC-31(g). – Actuarial gain/loss deferral: $5.305 M – 4.66 % ($0.247 M) = $5.058 M; tax gross-up 26.5 % ⇒ $1.824 M; total credit $6.882 M.

[17] Ontario Energy Board, *Report of the Board: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs*, EB-2015-0040 (14 September 2017) page 13.

customer-focused outcome, leaving GSHi whole while delivering an immediate benefit to ratepayers and avoiding the burden of tracking a large credit balance for another rate cycle.

No Double-Recovery or Windfall Risk

To safeguard against any double-recovery or windfall risk, the OEB approved the OPEB Cash to Accrual Transitional Amount Deferral Account. This account serves as a vehicle for tracking GSHi's historical OPEB obligations under the accrual basis of accounting and ensures that only costs not already embedded in historical rates are now being brought forward for disposition.

GSHi respectfully submits that its historical rate record illustrates that the proposed Transition Amount does not duplicate amounts already collected in rates.

From 2000 through 2019 every OPEB dollar recovered in distribution rates was included on a cash basis; at no point prior to 2019 did GSHi recover its OPEB costs in rates on an accrual basis. This is confirmed in the supplementary evidence and related interrogatories, which discuss GSHi's rates through to 2019, noting that cash accounting for OPEBs in rates "persisted until GSHi's first rebasing application for 2009 rates" and then continued until GSHi applied to transition to accrual-based accounting for the first time starting with the 2020 test year.[18]

Because recovery of OPEB costs was on a cash accounting basis for all years prior to 2019, the only concern that could arise would be if the cash-accounting based allowances in rates for OPEBs had materially exceeded the cash amounts for OPEBs actually paid by GSHi. GSHi's detailed comparison shows the opposite: from 2009-2019 rates under-recovered cash payments by $847,996 ($5.449 million paid vs. $4.601 million embedded in rates).[19]

For the earlier 2000-2008 period, increases in the audited cash payments GSHi made towards its OPEB obligations materially outpaced any implicit OPEB provision in rates over the same period.[20] In GSHi's view it is clear from GSHi's historical recovery of OPEB costs

[18] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), Section 4.2.
[19] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), OEB Staff-1(b).
[20] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), page 13.

that there is no concern that it has over or double recovered its OPEB costs through its proposed Transition Amount calculation.

GSHi has anchored its transition calculation on the actual audited cash payments—an approach GSHi believes is conservative because it understates, rather than inflates, the amount that could otherwise be cleared. GSHi submits that Option A[21] in the supplemental evidence meets the expectations of the accounting order in a reasonable and conservative way by tracking the cumulative difference between the actual cash-based OPEB amounts and the corresponding accrual-based obligation, recording that balance in a dedicated sub-account, and setting it up for disposition. In short, Option A provides a transparent, auditable and policy-compliant path to clear the Transition Amount.

In GSHi's submission the methodology that underpins Option A aligns with the Report, which contemplates that a utility switching accounting methodologies could be required to quantify the "cumulative difference to date"[22]—i.e., the gap between (i) the OPEB amounts recovered in rates since the utility first came under OEB regulation and (ii) the amounts that would have been embedded had the proposed new accounting methodology been used from the outset.

In GSHi's respectful submission, it is fundamental to the rates set between 2000 and 2019 that GSHi bore the risk of any variance between the OPEB cash amounts embedded in base rates and the actual cash paid. Therefore, the appropriate comparison of the amount "embedded in rates" versus what would have been recovered on an accrual basis is the Option A calculation in GSHi's supplementary evidence, which acknowledges the variance risk is borne by GSHi. This approach aligns with the precedent established for Enbridge Gas Distribution Inc., where the OEB similarly approved recovery of a Transition Amount equal to the difference between accrual-based recoverable costs and the company's actual cash payments over the historical period.[23]

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[21] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), Appendix A. GSHi notes that this Appendix was prepared before GSHi allocated $750,694 of the Transition Amount to reflect work performed by GSHi for affiliates and non-distribution customers; making this adjustment to the balance reconciles Option A with the updated Transition Amount.

[22] Ontario Energy Board, *Report of the Board: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs*, EB-2015-0040 (14 September 2017) page 9.

[23] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), OEB Staff-7(c) Attachment 1 — values approved for disposition in the Enbridge proceeding are highlighted ($80 M + $4 M); these figures are actuarially determined and already embed the underlying cash payments (i.e., no further adjustment was made).

In any event, GSHi reiterates that:

a) over the 2009 to 2019 period GSHi clearly experienced a material under-recovery in rates relative to its actual cash payments, and
b) from 2000 to 2008 the escalation in actual cash payments far outpaced the annual increases in distribution rates experienced by GSHi over the same period,

such that there is no reasonable suggestion that GSHi experienced the kind of “windfall” that the OEB intends to guard against though a comparison between what was historically “embedded in rates” vs. what would have otherwise been recovered under the proposed new accounting methodology.[24]

This conclusion is reinforced using OEB Staff’s Alternative Proposal, wherein the average of the “embedded in rates” amounts from 2009 and 2010 is used as a proxy amount for the “embedded in rates” values for the 2000 to 2008 period.[25] The use of OEB Staff’s Alternative Proposal results in a net difference between the amount “embedded in rates” and the amount actually paid by GSHi towards OPEBs of only $109,715 over that 19 year period.

Lastly, GSHi notes that the genesis in the Report of a comparison between what was “embedded in rates” historically vs. what would have been collected based on the proposed new accounting methodology was the OEB’s discussion around the transition to cash accounting from accrual accounting, which is not the case for GSHi:

> *For example, a change to the cash method could involve a difficult calculation to determine the cumulative amount that a regulated utility has already recovered from customers in the rates charged to date, compared to what would have been collected in the rates to date had these amounts been recovered using the cash method (the cumulative difference to date).(emphasis added)*[26]

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[24] Ontario Energy Board, *Report of the Board: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs*, EB-2015-0040 (14 September 2017) page 9.
[25] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), OEB Staff-2, Attachment 2.
[26] Ontario Energy Board, *Report of the Board: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs*, EB-2015-0040 (14 September 2017) page 9.

In that excerpt the OEB is clearly concerned with the specific and unique issues around unwinding a history of recovery based on accrual accounting to transition to cash accounting, a much more complex issue then GSHi's proposed transition from cash-based to accrual-based accounting.

In sum, the record asserts two key facts based on the evidence presented: first, GSHi did not recover OPEB costs in rates on an accrual basis prior to 2020; second, at no time did it materially collect more on a cash basis than it actually paid. Combined with the fact that GSHi bore the forecast risk associated with its OPEB costs over that period, GSHi asserts that its comparison as set out in Option A, utilizing the cash amounts actually paid by GSHi in the calculation of the Transition Amount to be recovered as was the case for Enbridge Gas Distribution Inc. when it transitioned from cash to accrual based accounting for OPEBs, supports the reasonableness of its proposed Transition Amount.

The proposed Transition Amount represents only the portion of the actuarially determined obligation that has never flowed through rates. It is fully aligned with Board guidance on fairness, cost-causality, and inter-generational equity, and will eliminate the transition related shortfall—not create a windfall—ensuring customers pay only once for the OPEB costs incurred in support of providing distribution service. While representing a large initial amount for recovery, that recovery will be amortized over a 10-year period, while at the same time the cumulative recovery in base rates from 2020 forward will be reduced because of the transition from cash to accrual-based recovery for OPEBs.

Gross-up for PILs

The transition balance GSHi seeks to clear through rates is a pre-tax figure. Because every dollar collected in distribution rates is subject to corporate income tax (or "PILs"), the utility must "gross-up" the balance so that, after tax, it receives exactly the cash required to extinguish the OPEB liability. GSHi applies the same mechanism the OEB approved for Ontario Power Generation in EB-2018-0243, where a $614 million OPEB debit was increased by 25 per cent to recover the associated tax liability, an approach accepted by all parties and endorsed by the Board in its February 21, 2019, Decision.

GSHi therefore has multiplied the pre-tax amount by *tax rate / (1 – tax rate)*, using the current combined federal-provincial rate of 26.5 per cent. The resulting tax component is added to the principal so that customers fund, and the utility receives, the precise net-of-tax cash needed to meet its OPEB obligations.

This method aligns with existing regulatory practice and prevents an artificial shortfall that would otherwise arise without increasing the claimed amount to account for the related tax impact.

Proposed 10-Year Recovery Period

GSHi proposes to amortize the net OPEB debit (after offsetting the actuarial-gain credit) over ten years via a uniform rate rider. In interrogatory evidence GSHi explains that a decade-long schedule strikes a practical balance between two OEB priorities: moderating annual bill impacts while avoiding an undue transfer of costs to future customers.[27]

Recovering the amount over ten years tempers the immediate rate effect yet keeps the bulk of the obligation with today's customers; stretching beyond ten years provides only modest additional bill relief but pushes a significant portion of the cost forward and increases concerns around inter-generational equity. GSHi's evidence notes that beyond roughly ten years, additional amortization offers diminishing customer benefit and increasing misalignment with cost causality.

The ten-year rider notionally clears the actuarial-gain credit over the same horizon as the transitional debit, matching the credit with the same customers who will pay the debit and smoothing cash-flow for both parties.

Accordingly, GSHi respectfully submits, its proposal aligns with Board policy on fairness, cost causality and rate stability.

Conclusion

For all these reasons GSHi respectfully requests that:

a) the OEB approve clearance of the claimed Transition Amount inclusive of a gross up for PILs of $25,068,558,
b) the OEB approve clearance of a net actuarial gain inclusive of a gross up for PILs of $6,881,814, and
c) the OEB approve of a rate rider to recover the net amount associated with a) and b) of $18,186,744 over a 10-year period.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 27th DAY OF JUNE, 2025

[27] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), VECC-55(a); CCMBC-31.