

## **EB-2024-0026**

### **Greater Sudbury Hydro Inc.**

#### **Application for electricity distribution rates beginning May 1, 2025**

#### **AMPCO Submissions July 18, 2025**

Greater Sudbury Hydro Inc. (Greater Sudbury Hydro) filed a cost of service application with the Ontario Energy Board (OEB) on October 30, 2024, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the rates that Greater Sudbury Hydro charges for electricity distribution, beginning May 1, 2025.

### **Introduction**

Parties reached a partial settlement on the application, which was filed on March 19, 2025 and approved by the OEB on April 15, 2025. The unsettled elements relate to Issue 6.1: Are the proposals for deferral and variance accounts, including the balances in the existing accounts, their disposition and period thereof, requests for new accounts, requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?

The unsettled elements arise from Greater Sudbury Hydro's transition from cash-based accounting to accrual-based accounting for Other Post-Employment Benefits (OPEBs). The disposition of both the OPEB Actuarial Gains & Losses account (a proposed credit)<sup>1</sup> and the OPEB Cash to Accrual Transitional account (a proposed debit)<sup>2</sup> were excluded from the Settlement Proposal. The Parties agreed the issue should proceed to a hearing. The OEB made provisions for supplemental written evidence to be filed by Greater Sudbury Hydro with respect to its claimed OPEB amounts, including a history of its OPEB obligations prior to 2020, interrogatories and written submissions by the Parties.

### **Request**

The relief requested by Greater Sudbury Hydro is as follows:

- a) The proposed recovery of **\$25,068,558** (grossed-up for PILs) related to Account 1508 – Other Regulatory Assets, Sub-Account OPEB Cash to Accrual Transitional Amount, including the length of any disposition period.
- b) The proposed credit of **(\$6,881,814)** related to disposition of Account 1508 – Other Regulatory Assets, Sub-Account OPEB Actuarial Gains & Losses, including the length of any disposition period.
- 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. (May 2026 to April 2036)

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<sup>1</sup> originally \$26,089,910

<sup>2</sup> originally \$7,218,181

These amounts reflect an update to the supplemental evidence (June 13, 2025) as part of the response to interrogatory SEC-31(g) to account for work performed by Greater Sudbury Hydro employees for affiliates and third parties. Using the 2025 cost-of-service labour budget, Greater Sudbury Hydro determined that 4.66 % of its labour burden relates to services provided to outside parties (affiliates and recoverable work not recovered through rates). After applying this reduction to each account, the net reduction is \$503,464.<sup>3</sup>

## **Background**

- Prior to May 1, 2020, Greater Sudbury Hydro recovered OPEB costs on a cash accounting basis.<sup>4</sup>
- In its 2020 Cost of Service application (EB-2019-0037), the OEB approved changing the basis for recovery of Other Post-Employment Benefit (OPEB) costs in rates from the cash to accrual accounting basis; and to establish two deferral accounts to track i) the cash to accrual transition impact and ii) actuarial gains and losses from the accrual basis of accounting for OPEBs, for future review and disposition.<sup>5</sup>
- The OEB established two accounts: OPEB Cash to Accrual Account and OPEB Actuarial Gains and Losses.
- The Accounting Orders for the two accounts were approved effective May 1, 2020.<sup>6</sup>
- The Accounting Order for the OPEB Cash to Accrual Transitional Amount Account referenced the “Report of the Ontario Energy Board – Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs” dated September 14, 2017 which speaks to calculating the amount that a regulated utility has already recovered from customers with regards to OPEBs in the rates charged to date, compared to what would have been collected in the rates had the newly approved method been in place since the beginning. This new account shall record the difference determined in performing the above calculation. GSHi will perform the above calculation before its next cost of service rate application.”<sup>7</sup>
- Determining the “beginning” date is an important factor in this proceeding.

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<sup>3</sup> \$750,694 (OPEB Cash to Accrual Transitional Amount) – \$247,230 (OPEB Actuarial Gains & Losses)

<sup>4</sup> AIC p. 3

<sup>5</sup> EB-2019-0037 OEB Decision p. 4

<sup>6</sup> Ibid. p. 8

<sup>7</sup> Ibid. Appendix C

- The Accounting Order for OPEB Actuarial Gains and Losses Account states “The approach to disposition of the deferral account will be for GSHi to propose disposition in its next cost of service rate application, should the gains and losses that are tracked in this account not substantially offset over time. The disposition amount will be supported by actuarial valuations.”<sup>8</sup>
- There are concerns whether Greater Sudbury Hydro has demonstrated as per the Accounting Order that the actuarial gain accumulated in this account since 2020 would not substantially offset over time.

AMPCO has discussed this application with other intervenors and reviewed the submissions of OEB Staff, as well as early draft submissions of School Energy Coalition (SEC), Vulnerable Energy Consumers Coalition (VECC) and the Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) in preparing its submissions.

OEB Staff (CCMBC), SEC and VECC do not support the disposition of the accounts as proposed by Greater Sudbury Hydro.

OEB staff submits that the OPEB transitional amount for Greater Sudbury Hydro should be calculated as follows:

- 1) Beginning from the year 2009 (alternatively, from 2006 if Greater Sudbury Hydro can provide references to the evidence regarding the OPEB amount included in its revenue requirement in the 2006 proceeding)
- 2) The difference in the period does not include the actuarial gains or losses; i.e., the difference only compares the OPEB’s accrued current service cost and interest cost on an annual basis for the period with what was embedded in rates under the cash method
- 3) Reduced by amounts related to its affiliates and third-party work which is not recovered through rates.

AMPCO supports the thorough analysis and reasoning provided by OEB Staff to address the beginning date; whether the actuarial gains align with the Accounting Order (including the view that there is no interconnection between this account and the OPEB transitional amount deferral account)<sup>9</sup>; and the exclusion of amounts related to Greater Sudbury Hydro’s affiliates and third-party work which is not recovered through rates. Further, AMPCO supports OEB Staff’s proposal to calculate the OPEB transitional amount.

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<sup>8</sup> EB-2019-0037 OEB Decision Appendix C

<sup>9</sup> OEB Staff Submission p. 10