GREATER SUDBURY HYDRO INC. (GSHI) – OPEB – REPLY SUBMISSION

EB-2024-0026

Contents

1. Introduction & Overview

Greater Sudbury Hydro Inc. (“GSHi” or the “Company”) appears before the Ontario Energy Board (“OEB” or “Board”) in EB-2024-0026 seeking final disposition of its post-employment benefits and other post-employment benefits (“OPEB”) deferral and variance accounts. All matters in the application have been settled save for the two OPEB-related sub-accounts:

- **Account 1508, Sub-account “OPEB Cash-to-Accrual Transitional Amount.”** This account captures the amount recoverable by GSHi from ratepayers as a result of the transition from cash to accrual accounting. GSHi’s evidence shows a **$25.07 million debit balance** (including tax gross up) to be collected from ratepayers (the “Transition Amount”).

- **Account 1508, Sub-account “OPEB Actuarial Gains and Losses.”** This account records the actuarial re-measurement of GSHi’s accrued benefit obligation after 2020. As at December 31, 2023, the account carries a **$6.88 million credit** (including tax gross up) to customers.

As outlined in GSHi’s argument in chief (“AIC”) GSHi proposes to clear both balances concurrently and to refund/collect the net debit of approximately **$18.19 million** (including tax gross up) using a ten-year, straight-line rate rider beginning May 1, 2026. The ten-year horizon smooths bill impacts for every rate class to well below the OEB’s 10 per cent total-bill impact trigger where rate mitigation would be required.

In addition, the transition from cash to accrual-based accounting for OPEBs causes a reduction in the future OPEB costs recovered in rates, offsetting the impact of the proposed rider (as the OEB will be aware it is the future reduction in OPEB recovery in base rates as a result of the transition from cash to accrual accounting that makes the recovery of a transition amount necessary).

In its July 11, 2025, submission, OEB Staff advanced their view of what should be recoverable as a transition amount. OEB Staff recommends:

- reducing the Transition Amount to approximately **$9.5 million** (including tax gross up), calculated as the difference between cash amounts embedded in rates from 2009-2019 and the corresponding accrual costs. This figure excludes certain fiscal year transactions: (i) the $6.491 million opening-day liability recorded in the year

2000, (ii) the net actuarial loss recognized between 2000-2019, and (iii) all cash-to-accrual differences prior to 2009;[1] and

- deferring disposition of the $6.88 million actuarial-gain credit.

1.1. Summary of Additional Cuts Proposed by the Intervenors

VECC and SEC both provided submissions on July 18th, 2025, in response to GSHi's Argument in Chief.

VECC proposed to ignore all unfunded OPEB liability earlier than May 2012 and limit recovery to only employees who were directly on GSHi's payroll in each year from 2012 through 2019. They accept the same cash-vs-accrual calculation as the first component of GSHi's Option C, but apply it only for 2012-2019 and exclude any amounts tied to affiliate staff and actuarial gains and losses. Like OEB Staff, VECC opposes disposing of the $6.88 million actuarial-gain credit. Whatever debit (or credit) emerges under its revised method should, in VECC's view, be cleared over no more than five years.

SEC recommends the OEB disallow recovery of every transition amount recorded before 2006 on the grounds that the 2000-2006 rate-freeze regime was never intended to ensure full cost recovery. For 2006-2008, SEC also recommends disallowance, citing what it sees as insufficient evidence on the OPEB costs embedded in base rates. SEC further objects to including any costs related to employees of an affiliate, maintains that actuarial gains and losses should remain deferred, and—opposite to VECC—asks the Board to stretch whatever balance remains over a 12-year disposition period to align recovery with the timing of benefit payments and "moderate impacts on current ratepayers."

1.2. Purpose and Scope of This Reply

What follows is GSHi's response to the final submissions of OEB Staff, VECC, and SEC.[2] In short, GSHi does not agree that the reductions those parties propose to the Transition Amount are reasonable, in that they do not reflect the OEB's policy with respect to the transition from cash to accrual accounting and are not supported by the evidentiary record.

The reply runs long despite addressing the disposition of only two deferral/variance accounts because OEB Staff and the intervenors advance substantially different—often

[1] See the table provided in section 5.1 of this response for a reconciliation between GSHi's "Option B" and the amount proposed for disposition by OEB Staff.
[2] CCMBC and AMPCO provided submissions that generally endorsed the positions advanced by other parties.

mutually inconsistent—approaches to the complex accounting questions at issue. Several submissions require GSHi to address detailed technical points.

1.3. Alternative Relief – Return to Cash Accounting for OPEBs

Given the wide divergence in the parties' proposals, GSHi's reply also sets out an alternative form of relief to ensure it can recover its OPEB costs and maintain its financial stability so it can continue delivering safe, reliable distribution service to its customers over the long term. GSHi proposes a return to cash-basis recovery if the OEB determines that a fair transition to accrual cannot be achieved, an outcome that the OEB contemplated may be necessary in its 2017 report on the accounting treatment of pension and OPEB expenses (the "Report").[3] The details of GSHi's proposal to return to cash accounting for OPEBs in rates are set out in Section 9 of this submission and in Appendix A.

2. The Approach by OEB Staff and Intervenors do not follow the Principles in the Report

GSHi respectfully submits that the positions of OEB Staff's, VECC's and SEC's submissions — essentially a "snapshot" approach that treats isolated historical transactions as self-contained and proposes that entire fiscal years' worth of transactions be excluded—would crystallise a material, permanent under-recovery of GSHi's cost to provide service to its customers and undermine the very policy objectives the Board articulated in the Report:

> *The OEB has concluded that there is no need for separate and distinct principles to guide its approach to the treatment of utility pension and OPEB costs. The regulatory treatment of pension and OPEB costs will be based on established regulatory principles. These principles are:*
>
> - *fairness*
> - *minimizing intergenerational inequity*
> - *minimizing rate volatility*
> - *appropriate allocation of risk*
> - *transparency*
> - *providing value to customers*

[3] Report of the Ontario Energy Board Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs EB-2015-0040 issued September 14, 2017, page 8.

> *The OEB believes that adherence to these principles should achieve a stable, reasonable and efficient level of these costs for ratepayers, and a predictable and fair level of recovery of these costs by utilities. The objective of approving or setting just and reasonable rates will continue to be the primary driver of the regulatory treatment of pension and OPEB costs. The OEB has and will retain the authority to establish regulatory requirements and rate setting methods consistent with these principles.*[4]

If the Board adopts the recovery levels proposed by OEB Staff and the intervenors, the resulting rates would not be just and reasonable. GSHi would still be legally bound to pay those benefits yet would have insufficient revenue in rates to cover them. In practical terms, denying a material portion of the transition amount would leave GSHi with a permanent funding gap that could only be covered from its regulated return on equity (ROE). Because GSHi relies on that ROE to finance capital projects, bridging the shortfall would mean either (i) scaling back capital work to preserve the current debt to equity ratio, or (ii) borrowing more to maintain investment levels, thereby worsening GSHi's debt to equity ratio, pressuring credit metrics, and increasing borrowing costs for future projects. In both cases, the long-term effect would result in constrained financial capacity leading to heightened risk of system reliability.

The regulatory principles from the Report are all in service of approving just and reasonable rates, including a "predictable and fair level of recovery" for utilities. Forcing GSHi to absorb a large, permanent under-recovery would run counter to each of those principles: it would be unfair to the utility, misallocate risk entirely to GSHi, obscure the true cost of service, and threaten the stability and reliability of the distribution system that a fair level of cost recovery supports.

Perhaps most notably, the proposed reductions to the Transition Amount by OEB Staff and intervenors ignore one of the fundamental principles that underpins rate regulation - that costs follow benefits; were the OEB to endorse the proposals of OEB Staff and intervenors it would impose costs on GSHi's shareholder that were incurred to provide benefits to GSHi's customers.

GSHi submits that its proposal is the only one that fully upholds the regulatory principles set out in the Report. Recovering the Transition Amount as proposed by GSHi is essential

[4] Report of the Ontario Energy Board Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs EB-2015-0040 issued September 14, 2017, page 3.

because future base-rate revenues will fall by $25 million dollars[5] as a result of the transition from cash to accrual accounting for OPEB costs—a point GSHi addressed in detail in its supplementary evidence, such as the illustrative example and accompanying write up included in GSHi's supplemental evidence submission dated May 9th, 2025, but which Staff and the intervenors have not addressed. GSHi's proposal does nothing more than seek to offset that future reduction in base rates with the necessary offsetting Transition Amount.

The sections that follow address OEB Staff and intervenor submissions, explaining why a holistic approach is required, and demonstrating that GSHi's proposal both protects customers and upholds the Board's core principles—fairness, appropriate risk allocation, and reliable service—by providing a predictable pathway for funding the utility's ongoing obligations while ensuring that ratepayers only fund the OPEB liabilities incurred to provide distribution service.

3. Overview Assertions

GSHi calculated the gross outstanding unfunded OPEB liability associated with the employees of GSHi and its affiliate GSHPi as of December 31, 2019, to be $19,789,907[6].

No party took issue with the accuracy of the calculated gross outstanding OPEB liability as of December 31, 2019. GSHi asserts that this is with good reason; the calculated unfunded OPEB liability is based on:

a) the actual employment data[7] relating to 115 retired and 114 current employees,

b) the details of the actual applicable OPEB entitlements; and

c) professionally determined actuarial assumptions and consequential projections,

as set out in the report by the actuary RSM in Attachment 1 to GSHi's interrogatory response to SEC-31 filed June 13th, 2025.

[5] Equal to GSHi's proposed transition amount as of December 31, 2019, adjusted for tax gross-up, subject to ongoing actuarial adjustments.
[6] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-31, Attachment 1, Appendix — Detailed Accounting Schedules (GSHi $16,109,318 + GSHPi $3,680,589 = $19,789,907). These figures exclude the tax gross up component.
[7] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-31(c), Supplementary tables.

GSHi allocated the unfunded OPEB liability amongst itself, GSHPi, its other affiliates and its 3rd party non distribution customers based on how the gross labour costs associated with the employees are allocated to each of those groups, to ensure that only the percentage of the gross unfunded OPEB liability associated with labour used by GSHi to provide distribution service to GSHi's distribution customers is put forward for recovery from those customers.[8] As a result of this allocation exercise, only $18,425,390[9] of the unfunded OPEB liability has been allocated to GSHi for recovery, before tax gross-up.

No party challenged the appropriateness of GSHi's proposed allocation of the gross unfunded OPEB liability.[10] GSHi asserts that this is with good reason; it is clear on the evidence, not only within this proceeding, but in all of GSHi's applications before the OEB, that the vast majority of the work performed by the employees of both GSHi and GSHPi is in support of the maintenance of GSHi's distribution system[11], making the unfunded OPEB liability associated with that work mostly recoverable from GSHi's customers.

In other words, the calculated unfunded OPEB liability of $18,425,390 quantifies the causal link between the accrued OPEB benefits owed to employees and the ratepayers who benefited from the work those employees performed. The principal of cost causality dictates that the allocated unfunded OPEB liability of $18,425,390 should be recovered from GSHi's distribution customers.

GSHi explained how, under cash accounting for OPEBs throughout the period prior to January 1, 2020, GSHi was entitled to full recovery of its cash based OPEB costs related to all of the employees of both GSHi and GSHPi subject only to the normal forecast risk associated with the OEB's ratemaking process, and how GSHi would continue to be

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

[9] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-31(g); and *Rate Application Evidence: Exhibit 9, Tab 1, Schedule 1* (30 October 2024) pg 11 — GSHi transitional amount: $16,109,318 − 4.66 % ($750,694) = $15,358,624. GSHPi: $3,680,589 − $613,823 (allocated to other affiliates) = $3,066,766. Combined Transitional Amount before tax gross up = $18,425,390.

[10] GSHi recognizes that VECC and SEC question whether, from an accounting perspective, work performed by an affiliate employee is properly charged to the regulated distributor that benefits from that work; aside from GSHi's submission that VECC and SEC are incorrect on that point, neither VECC nor SEC disputed that the work performed by GSHPi was to the benefit of GSHI's customers or that GSHi has over allocated the level of work performed by GSHPi employees for the benefit of GSHi's distribution customers.

[11] Ontario Energy Board, *Rate Application Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (30 October 2024), Exhibit 4, Tab 4, Schedule 2, at 4, Table 4 ("Shared Services from Affiliates" — 78 % of GSHPi work performed for GSHi, billed at cost).

entitled to full recovery of its cash based OPEB costs related to all employees of both GSHi and GSHPi beyond January 1, 2020 were it to remain on cash based accounting.

No party challenged the assertion that GSHi has recovered its full OPEB related costs in rates on a cash basis historically (subject to forecast risk), and that GSHi would be entitled to recover its full OPEB related costs were it to remain on cash-based accounting for OPEB costs from January 1, 2020, onward. GSHi asserts this is with good reason; there is no basis, subject to properly allocating costs between GSHi, its affiliates and 3rd party non-distribution customers, to deny GSHi recovery of the OPEB costs it incurs in respect of employees that provide the labour resources it needs to provide distribution service to its customers.

In other words, under cash accounting the principle of cost causality was followed, as OPEB costs were recovered from the customers that benefited from the labour that generated those OPEB obligations. In GSHi's view it is obvious that a transition from cash to accrual accounting for OPEBs should not change the fact that customers who benefited from labour should bear the costs associated with that labour.

GSHi explained conceptually, using an illustrative example prepared by its actuary[12], how the outstanding unfunded OPEB liability as of December 31, 2019 is the Transition Amount that GSHi needs to recover from its distribution customers in order to offset the reduced recovery in base rates that will occur prospectively as a result of replacing the annual cash based expense for the accrual based expense in rates. No party challenged GSHi's explanation as to the need for the Transition Amount in relation to the impact on GSHi's cash flow going forward under accrual accounting for OPEBs in rates after having recovered OPEBs on a cash basis for all years prior to the transition.

Based on the foregoing, the outstanding issue is whether, having established an outstanding unfunded OPEB liability as of December 31, 2019, of $18,425,390 attributable to the employees of GSHi and GSHPi based on the service those employees have provided to GSHi's customers, there are reasons to adjust the amount. In GSHi's view there are no such reasons that are based on the principles underpinning the Report.

In GSHi's respectful submission the only compelling reason to deny the recovery of the Transition Amount is because of its sheer magnitude, which GSHi concedes is material relative to the size of GSHi in terms of its annual revenue requirement. However GSHi

[12] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), Illustrative-Example write-up and accompanying model.

respectfully submits that if the OEB is of the opinion that the unfunded OPEB liability is too large to be recovered as part of a transition to accrual accounting, that is not a reason to simply shift responsibility for funding material portions of that Transition Amount onto GSHi's shareholder despite the unchallenged fact that the entire unfunded OPEB liability is causally linked to the provision of service to GSHi's ratepayers. In GSHi's view such an opinion would dictate that the OEB return GSHi to cash accounting for OPEBs, as is contemplated in the Report.

4. Response to Common Points Amongst Parties

Several points that have been brought up by the parties in this proceeding are common amongst the stakeholders. GSHi responds to these common points in this section.

4.1. Which Question Does Each Methodology Answer?

Generally speaking, the OEB Staff and intervenor approach asks, in effect: "*What would GSHi's rates have been if the utility had shifted to accrual accounting in its first cost-of-service (COS) year, 2009, and what cumulative difference would that have produced up to December 31, 2019?*" The answer to that hypothetical, looking forward only from 2009 to the transition date and ignoring the cumulative obligation before it, becomes their transition amount. By contrast, GSHi's methodology asks the more relevant regulatory question: "*What transition amount, calculated as of December 31, 2019, will produce just-and-reasonable rates going forward?*"

The difference is immediately apparent. OEB Staff and Intervenors limit the calculation to the accounting entries that would have been recorded—and recovered in rates—only during the years GSHi was under COS oversight, artificially excluding all pre-2009 obligations (or pre 2012 obligations in the case of VECC), creating a sizable windfall to the credit of ratepayers, particularly in conjunction with the lower future recovery of OPEB in base rates under accrual accounting.

By contrast, GSHi's method encompasses the entire OPEB liability that exists at the transition date, ensuring the full obligation is recognised on the transition to accrual accounting the same as it would be had GSHi continued under cash-based accounting for OPEBs.

4.2. Nuance in the Presentation

OEB Staff repeatedly describes GSHi's proposal as consisting of "three parts,"[13] dismantling decades of annual transactions into three buckets. Intervenors support this same interpretation, relying on OEB Staff's assessment of the balance and components.

The Transition Amount GSHi seeks to dispose of is not a bundle of fixed, historical line-items. It is one cumulative figure—GSHi's forward-looking obligation as of December 31, 2019. Analysts may legitimately examine that figure to test the evidence and assumptions that are foundational to its calculation, but the amount before the OEB remains an integrated balance that must account for all of the evidence and assumptions that underpin its calculation; one cannot disregard one or more elements of the calculation without disrupting the remaining balance.

The issue with OEB's Staff's approach is most immediately apparent in relation to their treatment of the opening-day initial recognition amount of $6.491 million (the "Initial Recognition Amount"). It is tempting to conclude by reading OEB Staff's summary that $6.491 million of GSHi's 2019 transitional balance proposed for disposition represents a discrete amount booked in 2000, as presented by OEB Staff as one of three "components" of the balance, that can be plucked from the Transition Amount without impacting the remaining balance. That view, GSHi submits, is incorrect.

From 2000 through 2019 the Initial Recognition Amount of $6.491 million was increased by accrual and interest costs, drawn down by cash benefit payments made on behalf of retired employees that the accrued liability related to, and re-valued by multiple actuarial estimates. Said another way, the other pieces and the amounts summarized on rows B and D of the table in section 5.1 below have a material impact on this balance year-over-year.

What remains in the unfunded OPEB liability on December 31, 2019, is an evolved amount that does not include a stand-alone $6.491 million; it is likely that no material part of that Initial Recognition Amount remains in the balance, given the total cash payments of $7,936,777 over the period.[14] In other words, seen as a discrete item, the Initial Recognition Amount has already been materially recovered in rates on a cash basis. By purporting to remove the Initial Recognition Amount from the outstanding balance without recognizing

[13] Ontario Energy Board, *OEB Staff Submission*, EB-2024-0026 (11 July 2025), pg.3 numbers 1 through 3, pg.4 first bulleted paragraph,
[14] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), Appendix A, Option A — sum of column B ("OPEBs actually paid under cash method").

that GSHi's cash amounts in rates were in service to the OPEB liability that amount represents, OEB Staff's proposal inappropriately skews the Transition Amount by applying cash payments made towards the Initial Recognition Amount from 2000 to 2019 against the remaining balance in the Transition Account.

4.3. Initial Recognition Amount

GSHi discusses above how ignoring the fiscal year transaction that recorded the Initial Recognition Amount inappropriately skews the Transition Amount calculation; in this section GSHi explains why the Initial Recognition Amount is an appropriate component underpinning the calculation of the Transition Amount.

OEB Staff and intervenors ask the OEB to deny recovery of the Initial Recognition Amount as it is related to OPEB liabilities that accrued prior to 2000, an amount quantified as $6.491 million. OEB Staff and intervenors ask the OEB to ignore this aspect of the outstanding OPEB liability on the theory that as it represents accruals that predate the creation of GSHi and regulation of GSHi by the OEB that it is, somehow, not recoverable as a cost to GSHi on transitioning from cash to accrual-based accounting for OPEBs.

GSHi asserts that the OEB Staff and intervenor position on the Initial Recognition Amount is categorically incorrect. The Initial Recognition Amount was specifically quantified and transferred to GSHi effective November 1, 2000, pursuant to a municipal transfer bylaw authorized by s. 145 of the *Electricity Act*[15] as part of the transition of the distribution of electricity to municipal electricity corporations under that same act. GSHi explained this fact in its response to an interrogatory from OEB Staff:

> *GSHi notes that the initial recognition amount was ultimately transferred from the Sudbury-Hydro Electric Commission to GSHi, as reflected in the initial financial statement of GSHi for the November 1, 2000 to December 31, 2000 period pursuant to s.145 of the Electricity Act, which was enacted in order to ensure that, upon fulfilling the obligation to transfer the business of distributing electricity from municipal commissions to a distribution corporation, the assets and liabilities, including employee related liabilities, were transferred to the new corporation.*[16]

[15] Electricity Act, 1998, S.O. 1998, c. 15, Sched. A, s. 145.
[16] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), OEB Staff-3(b).

Despite having explained the transfer of the liability to GSHi, OEB Staff does not reference s. 145 of the *Electricity Act* or the transfer of OPEB liabilities to GSHi under a by-law made pursuant to s. 145 of the *Electricity Act* at all in their submission.

Given the profound impact that disregarding the fiscal year transaction that recorded the $6.491 million Initial Recognition Amount has on GSHi's recovery of OPEB costs, GSHi would have expected OEB Staff to explain why the transfer of an OPEB liability to the regulated distribution company as part of the provincial framework created to facilitate the continuation of service between predecessor electricity commissions and successor municipally owned distribution companies should be ignored.

In GSHi's view there is no good explanation for ignoring the fiscal year transaction that recorded the Initial Recognition Amount, particularly since that aspect of the liability underpinned cash recovery in rates through to 2019. In other words, the cash amounts that were recovered in rates from 2000 to 2019 were materially satisfying the pre-2000 liability. GSHi respectfully submits that the historical accrual liabilities and the cash payments made to satisfy those liabilities are not separable in the way that OEB Staff and intervenors treat them.

GSHi respectfully reiterates that the Initial Recognition Amount was legally transferred to GSHi effective November 1, 2000, and that having legally transferred that OPEB liability to the regulated entity it must be incorporated into any accounting for the transition amount to be recovered by GSHi in transitioning from cash to accrual-based accounting for OPEBs. To that end GSHi provides the following analysis of the framework under which the transfer was completed.

In GSHi's respectful submission, a review of s. 145 and related sections under Part XI of the of the *Electricity Act* illustrates the wide scope afforded to municipalities to ensure that they were able to seamlessly transfer their distribution activities to a municipal corporation that conformed with the new requirements relating to the generation, transmission, distribution and retailing of electricity.

S. 145 of the *Electricity Act* establishes the broad authority of a municipality to enact transfer by-laws to transfer the employees, assets, liabilities, rights and obligations of (in this case) electricity commissions to a municipally owned distribution company, transfers that are binding on all persons (which, GSHi respectfully notes, includes the OEB) without the need to obtain the consent of any person:

Transfer by-laws

> ***145*** *(1) The council of a municipality may make by-laws transferring employees, assets, liabilities, rights and obligations of the municipal corporation, or of a commission or other body through which the municipal corporation generates, transmits, distributes or retails electricity, to a corporation incorporated under the Business Corporations Act pursuant to section 142 for a purpose associated with the generation, transmission, distribution or retailing of electricity by the corporation incorporated pursuant to section 142. 1998, c. 15, Sched. A, s. 145 (1).*
>
> ***Binding on all persons***
>
> *(3) A transfer by-law is binding on the transferee, the transferor and all other persons. 1998, c. 15, Sched. A, s. 145 (3).*
>
> ***No consent required***
>
> *(5) A transfer by-law does not require the consent of the transferor, the transferee or any other person. 1998, c. 15, Sched. A, s. 145 (5).*

S. 146 of the *Electricity Act* provides municipalities the discretion to describe the assets, liabilities, rights or obligations transferred as specifically or as generally as the municipality believes is required:

> ***Description of things transferred***
>
> ***146*** *A transfer by-law may describe employees, assets, liabilities, rights or obligations to be transferred,*
>
> *(a) by reference to specific employees, assets, liabilities, rights or obligations;*
>
> *(b) by reference to any class of employees, assets, liabilities, rights or obligations; or*
>
> *(c) partly in accordance with clause (a) and partly in accordance with clause (b). 1998, c. 15, Sched. A, s. 146.*

S. 150 of the *Electricity Act* provides municipalities the ability to make transfers effective retroactively:

> ***Effective date of transfer***
>
> ***150*** *(1) A transfer by-law may specify a date not later than the second anniversary of the day section 142 comes into force as the date that a transfer takes effect and any interest in property that is transferred by the by-law vests in the transferee on that date. 1998, c. 15, Sched. A, s. 150 (1).*

> ***Retroactive transfer***
>
> *(3) A transfer by-law may provide that a transfer shall be deemed to have taken effect on a date earlier than the date the transfer by-law is made, but the effective date shall not be earlier than the day this section comes into force. 1998, c. 15, Sched. A, s. 150 (3).*

And, finally, s. 158 of the *Electricity Act* provided municipalities a broad authority to enact provisions within a transfer by-law not specifically referred to in the *Electricity Act*:

> ***Transfer by-laws, other matters***
>
> ***158*** *A transfer by-law may contain provisions dealing with other matters not specifically referred to in this Part that the municipal council considers necessary or advisable in connection with a transfer. 1998, c. 15, Sched. A, s. 158.*

In the case of GSHi the applicable transfer bylaw is By-law TB-33 as amended by BYLAW-2001-212A (the “Bylaw”); GSHi’s Financial Statement for the period November 1, 2000, to December 31, 2000,[17] provides an overview of the transfer process culminating in the issuance of By-Law TB-33:

> *Incorporation and reorganization:*
>
> *On October 1, 2000, Greater Sudbury Hydro Inc./Hydro du Grand Sudbury Inc. (the Corporation) was incorporated under the Business Corporations Act (Ontario). The incorporation of Greater Sudbury Hydro Inc./Hydro du Grand Sudbury Inc. was required in accordance with the Electricity Act, 1998 (Ontario) (the "EA"). The Corporation continues the Sudbury Hydro-Electric Commission's, Capreol Hydro-Electric Commission's and Nickel Centre Hydro-Electric Commission's ("the Commission's") business of distributing electricity in the City of Greater Sudbury.*
>
> *Pursuant to the City of Greater Sudbury Act, 1999 (Ontario), a transition Board was appointed as a body corporate to assume the powers of the municipalities of The Regional Municipality of Sudbury, The City of Sudbury, The Towns of Capreol, Onaping Falls, Nickel Centre, Rayside-Balfour, Valley East and Walden collectively (the "Predecessor Municipalities"). Also pursuant to The City of Greater Sudbury Act, the Predecessor Municipalities will amalgamate to become a body corporate under*

[17] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-29, Attachment 2 of 2, pg 5.

the name of the "City of Greater Sudbury" effective January 1, 2001. The Transition Board will be dissolved on January 31, 2001 and all assets, liabilities and contractual benefits and obligations accruing thereto will become those of the City of Greater Sudbury immediately prior to such dissolution.

In order to meet the requirements of the EA, the Transition Board enacted a transfer by-law, dated October 16, 2000 and effective November 1, 2000 ("TB-33"), under which the Predecessor Municipalities and the Commissions transferred the book value of certain assets, liabilities and employees associated with the distribution of electricity and related activities to the Corporation.

GSHi provides a copy of the referenced transfer bylaw TB-33 (including amendment) as Appendix C to this submission. GSHi notes the following specific sections relating to the transfer of OPEB Liabilities to GSHi:

AND WHEREAS *the liabilities relating to post employment benefits such as maternity leave benefits, compensated sick leave and short and long term disability benefits (the "Post Employment Benefits") and post retirement benefits such as life insurance, supplemental health and dental coverage for employees who retire from active employment (the "Post Retirement Benefits") should be transferred to the Distribution Company, as of the date of the Transfer By-Law;*

AND WHEREAS *<u>the net present value of the liability associated with the Post Employment Benefits' and Post Retirement Benefits, as of November 1, 2000, was $6,822,984;</u>*

Amendment of the Transfer By-Law

4. By-Law TB-33 is hereby amended as and from November 1, 2000 as follows:

(a) Schedule "A" of By-Law TB-33 is hereby amended to include the following definitions:

"Post Employment Benefits" means benefits such as maternity leave benefits, compensated sick leave and short and long term disability benefits, underwritten primarily by the Sun Life Assurance Company of Canada.

"Post Retirement Benefits" means benefits such as life insurance, supplemental health and dental coverage for employees who retire from active employment, underwritten Primarily by Liberty Health.

(b) Clause 3.08(7) of By-Law TB-33 is hereby deleted and replaced by the

following clause: "All of the Assumed liabilities related to former Employees and their beneficiaries are transferred to the Services Company, save and except for liabilities relating to the Post Employment Benefits and Post Retirement Benefits which are transferred to the Distribution Company. (emphasis added)

BY-LAW TB-33

5. The Transition Board has authorized Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. ("Holding Company") and its subsidiaries, Sudbury Hydro Inc./Hydro Sudbury Inc. ("Distribution Company"),[18] Greater Sudbury Hydro Plus Inc./Hydro Plus du Grand Sudbury Inc. ("Services Company") and Greater Sudbury TeleCommunications Inc./TeleCommunications du Grand Sudbury Inc. ("Telecommunications Company"), (collectively the "Corporations"), to be incorporated under the Business Corporations Act (Ontario) pursuant to Subsection 142(1) of the Electricity Act, 1998 (Ontario) and Sections 71 and 73 of the Ontario Energy Board Act, 1998, (Ontario), and the Corporations were incorporated on October 1, 2000; (emphasis added)

As set out in the Bylaw and explained in the evidence, the liabilities associated with OPEBs were transferred to GSHi effective November 1, 2000, a transfer that, pursuant to section 145(3) of the *Electricity Act*, is binding on all persons. The value of the transfer as of November 1, 2000 was quantified as $6,822,984; this consists of the original Initial Recognition Amount of $6.491 million as of January 1, 2000, plus the accrual expense of $480,000 and minus the benefits paid of $147,000 over the January 1, 2000 to October 31, 2000 period as detailed in the final financial statement of the Sudbury Hydro Electric

[18] GSHi notes that at the time the initial bylaw was drafted the corporate name for the Distribution Company was Sudbury Hydro Inc.; the name was later changed to Greater Sudbury Hydro Inc. through Articles of Amendment, a copy of which is attached as Appendix D to this submission.

Commission.[19] The $6.822 million OPEB liability is then included on the first financial statement for GSHi.[20]

Accordingly, GSHi reiterates, the pre-2000 accrued OPEB liability was properly transferred to GSHi effective November 1, 2000, and therefore became a legal obligation of GSHi underpinning its cost structure, binding, per the *Electricity Act*, on all persons.

GSHi respectfully submits that beyond the technical aspects of the transfer of the OPEB liabilities from the predecessor hydro-electric commission to the newly created municipally owned distribution company, it is obviously just and reasonable that those liabilities would become liabilities of the new distribution company to be, ultimately, recovered from its distribution customers.

The accrued OPEB liability of $6.822 million as of November 1, 2000, including the Initial Recognition Amount of $6.491 million, relates to the OPEBs owed to employees that, throughout the period that they accrued rights to benefits, performed work that was entirely or almost entirely related to the provision of distribution service in connection with the distribution assets used to serve the customers of GSHi.[21] That the province would ensure through section 145 of the *Electricity Act*, and that the municipality would ensure through the Bylaw, that the unfunded OPEB liability related to the employees that serviced GSHi's distribution network prior to 2000 would continue be a recoverable expense under regulation by the OEB should not be a surprise to anyone.

What is surprising, GSHi respectfully submits, are positions that purport to deny the recoverability of such expenses on an accrual basis through a properly quantified Transition Amount, particularly when those expenses have been and would continue to be fully recoverable under cash accounting.

The OEB Staff and intervenor position, it appears to GSHi, is that despite:

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[19] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-29, Attachment 1 of 2, pg 5 of Notes to Financial Statements (Note #6).
[20] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-29, Attachment 2 of 2, pg 6 of the Notes to Financial Statements (Note #7)— GSHi records an OPEB liability of $6.889 million as at December 31, 2000, representing the $6.822 million initial transfer set out in the by-law, plus two months of 2000 accrual expense and minus two months of benefits paid; this breakdown is also summarized in *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), Appendix A, Option A.
[21] To the extent that employees have provided service to affiliates or to 3rd parties, GSHi has allocated a portion of the gross transition amount to account for that service.

a) the legislative efforts on both a provincial and municipal level to ensure the effective transfer of OPEB liabilities to the newly created, newly regulated entity, and

b) the inherent reasonableness that the obligation to fund OPEB liabilities through rates would continue unaffected through the transition when the distribution system, the employees that maintain it, and the customer base that they both serve remained unchanged,

that the OEB should determine that the fiscal year transaction that recorded the unfunded OPEB liability for OPEBs that accumulated prior to January 1, 2000, should be permanently unrecoverable from customers. The OEB Staff and intervenor position seeks permanent un-recoverability despite those liabilities;

a) remaining a legitimate expense to GSHi,
b) being attributable to work performed for the benefit of ratepayers, and
c) having been funded in rates continuously through to December 31, 2019, on a cash basis.

In the absence of a transition amount that includes the impact of the fiscal year transaction that recorded the Initial Recognition Amount, the result is a liability that persists without funding in rates that will cause unjustifiable financial impairment to GSHi,[22] while creating an unjustified windfall for customers who would not be required to fund a portion of the OPEB liabilities that were incurred to provide distribution service to them.

4.4. Start Date of Proposals

OEB Staff base their calculation on January 1, 2009—the first year GSHi rebased under cost-of-service (COS)—and ignore everything that came before. SEC adopts the same date, while VECC proposes May 1, 2012.

GSHi asks that the OEB consider the reality under cash-based accounting: as of December 31, 2008, the utility carried an accrued OPEB liability of $17.314 million.[23] OEB Staff's

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[22] In effect, the Initial Recognition Amount was paid down in cash between 2000 and 2019, yet OEB Staff and intervenors purport to exclude it from the proposed Transition Amount, while the same cash payments remain embedded as credits against OEB Staff's proposed unfunded liability. This mismatch is what produces the persistent under-recovery in rates.

[23] *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), "OPEB Appendices" Excel file, tab "Appendix A" — sum of columns C, D and E for 31 Oct 2000 to 31 Dec 2008 equals $17,314,063, matching the OPEB liability included in the "long-term obligations" line total of $18,866,711 of the 2008 balance sheet included in evidence in GSHi's Interrogatory Responses to Supplemental Evidence at CCMBC-29, Attachment 9.

proposal writes off that entire amount simply because it predates the first COS filing. They read the phrase "since the beginning" in GSHi's 2020 accounting order—and interpret the 2017 OPEB Report it mirrors[24]—as "since the beginning of COS regulation,"[25] a limitation the Report never imposes.

The OEB has had jurisdiction over distribution rates since before January 1, 2000, GSHi's pre-2000 OPEB liability was legally transferred to the regulated entity effective November 1, 2000, and GSHi accrued further unfunded liabilities while regulated up to December 31, 2008. The liability did not disappear the moment GSHi first filed a COS application. Ignoring the accounting transactions that build the pre-2009 (or pre-2012) balance leaves a real, material shortfall that contradicts the Board's principles of fairness and inter-generational equity.

OEB Staff and intervenor proposals effectively rewrite history as though GSHi had switched to accrual accounting on January 1, 2009, or May 1, 2012, with no accumulated unfunded liability as of the date of transition despite having been on cash-based accounting prior to those dates. Had such a transition occurred on either of those dates, the Board would have been asked to approve—and GSHi would have had to collect—a corresponding transition amount to avoid the gap in funding the OEB Staff and intervenor proposals seek to create. Setting the unfunded OPEB liability to zero, despite a $17.314 million accrued obligation on December 31, 2008, implicitly assumes GSHi perfectly recovered its accrual costs prior to January 1, 2008, despite only ever recovering its OPEB costs on a cash basis in rates until 2020, and ignores any mechanism to reconcile the shortfall in funding going forward.

GSHi notes, by way of example, that had it been on accrual accounting from 2000 to 2008 and was proposing a transition to cash accounting, it would not expect the OEB to be satisfied with simply ignoring the pre 2009 OPEB costs and recovery because 2009 happened to be the first Cost of Service proceeding; GSHi would expect the OEB to look at the differential between the accrual costs from 2000 to 2008 and the cash costs and make

[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) pg 9 — second-paragraph guidance allows a panel, where warranted, to require a transition and to calculate the cumulative difference to date for disposition; the OPEB Report does not impose an arbitrary cut-off where pre-Cost of Service liabilities are to be ignored.
[25] Ontario Energy Board, *OEB Staff Submission*, EB-2024-0026 (11 July 2025), pg.9 — "… requires a comparison of the OPEB costs embedded in rates and the OPEB costs under accrual basis 'since the beginning,' which OEB staff interprets as the first year in which OPEBs were subject to full regulatory scrutiny."

adjustments to the transition amount based on that differential in order to eliminate any windfall for GSHi.

OEB Staff effectively argues that—despite the consequences and impact on a distributor's financial viability—the Board should treat every utility moving from cash to accrual accounting as if it had already recovered its OPEB costs perfectly on an accrual basis up to its first cost-of-service (COS) year, completely disregarding any unfunded liability on January 1st of that year.

The Report says nothing of the sort. Far from endorsing this simplifying assumption, the Report cautions that transitioning frameworks can be "serious and difficult to resolve fairly,"[26] and expressly notes that a utility may have to remain on cash accounting where circumstances warrant.[27]

Staff's approach disregards that guidance, overlooks the documented impact on GSHi, and never substantively addresses the evidence GSHi has filed to support its transition balance. Instead, it substitutes an unstated premise—perfect pre-COS accrual recovery—that appears nowhere in Board policy.

GSHi demonstrated this point—conceptually and numerically—in its supplemental evidence filed May 9, 2025[28] and in interrogatory responses dated June 13, 2025.[29] Those filings showed why any calculation that starts in 2009 can never produce an appropriate transition balance.[30] OEB Staff's submission does not address that evidence or the answer to their own interrogatory question; instead, it focuses on trimming the transitional balance through an overly narrow reading of one sentence of GSHi's 2020 accounting order. The result is a proposal that disregards established ratemaking policy and the factual record GSHi has placed before the OEB.

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[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) pg 9.
[27] Ontario Energy Board, *Report of the Board: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs*, EB-2015-0040 (14 September 2017) pg 8-9.
[28] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), pg.9 (table and accompanying discussion).
[29] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), OEB Staff-2(e).
[30] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), OEB Staff-2(e) Attachment 1 — the table (with GSHi's added row as highlighted in green) shows that adopting OEB Staff's 11 July 2025 methodology would leave GSHi under-recovering $58,413 for this single employee, creating a permanent shortfall; this outcome mirrors the approach outlined in OEB Staff's submission.

In GSHi's view it is not in service to the Report to simply write off the 2000 to 2008 period because it was not under cost-of-service regulation; it remains the OEB's task to evaluate recovery in approved rates during that period to assess whether a distributor materially over or under recovered its OPEB costs in rates.

4.4.1. OEB Staff Proposal Creates a Windfall Risk

GSHi notes that OEB Staff's proposed approach to the 2000 to 2008 cannot be applied to produce just and reasonable results under all scenarios.

Had accrual-based OPEB costs been lower than cash costs up to 2008, both GSHi's Option A and Option B would flow that over-recovery back to customers. Under OEB Staff's proposal, however, the utility would instead receive an unwarranted windfall—an outcome the Report expressly seeks to prevent. This comparison underscores the reasonableness of GSHi's proposed approach: the transition mechanisms GSHi proposes in Option A and Option B operate symmetrically, returning costs to or recovering costs from customers in order to produce a just and reasonable result. OEB Staff and intervenors proposals, by contrast, make no attempt to ensure a reasonable result that reflects the actual differential between accrual and cash-based costs in rates over the period.

4.5. OEB Staff Misinterpret Guidance in Report

The following assertion from OEB Staff, GSHi respectfully submits, highlights the fundamental flaw in the approach it advances (and the intervenors support) with respect to the calculation of the transition amount:

> *OEB staff further submits that the transitional account is not a mechanism to keep utilities whole. The OEB specifically did not prescribe a set-aside mechanism for OPEB as part of its 2017 Report. The OEB stated that it expects that utilities will manage and accept the risks inherent in funding OPEB plans and have the responsibility to manage their cash flows over time.*[31]

GSHi agrees that as a regulated distributor it manages and accepts the risks inherent in funding OPEB plans and has the responsibility to manage the "cash flows over time". GSHi has done that, without special relief from the OEB, with respect to OPEBs throughout the period prior to December 31, 2019.

[31] Ontario Energy Board, *OEB Staff Submission*, EB-2024-0026 (11 July 2025) pg 8.

The issue at hand is that the "cash flows over time" fundamentally and materially change because of the transition from cash to accrual accounting.

As explained in detail in the evidence and in GSHi's AIC, the cash flows to GSHi under a transition to accrual accounting is forecast to be reduced by $25 million.[32] It is this fundamental and material change in cash flow that causes the need to recover the Transition Amount for GSHi to be able to manage its OPEB costs going forward.

The reference by OEB Staff to the lack of a set-aside mechanism is entirely irrelevant to the issue before the OEB. A set-aside mechanism in the context of the Report refers to a requirement that a regulated distributor hold funds recovered in rates for OPEB liabilities in a separate fund or account to ensure those funds remain available for their intended purpose.[33] The lack of a set-aside mechanism has no connection with the issue at hand, which is the calculation of the transition amount required to account for the material change in future cash flow related to OPEB costs recovered in rates on changing to accrual accounting.

GSHi understands that there is no set-aside mechanism, and as such it is responsible for ensuring that, however it utilizes the cash flow embedded in rates for OPEBs when recovered, it is able to fund its OPEB obligations in the future as accrued liabilities crystallize in the form of cash payments. That has no relationship to the issue as to whether the cash flow itself is sufficient; that is the issue in relation to the recovery of the Transition Amount. On transitioning from cash to accrual account GSHi's OPEB related cash flow is forecast to be reduced by $25 million; it is not the intent of the Report that GSHi should be compelled to "manage" this fundamental reduction in cash flow.

4.6. Rate Freeze Years

Both VECC and SEC cite the 2002-2006 provincial rate freeze to argue that GSHi should not recover OPEB amounts tied to that period. SEC goes further, saying the entire 2000-2006 regime "was not intended to ensure full cost recovery." That view inappropriately characterizes GSHi's regulatory experience and risk under the rate freeze.

[32] Ontario Energy Board, *Argument-in-Chief: Greater Sudbury Hydro Inc.*, EB-2024-0026 (27 June 2025), "Calculation of Transition Amount," pg 5; and *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025) pg 5 (last paragraph — "Under GSHi's proposal, the transitional balance ... matches the total cash payments projected for the post-transition period").
[33] Ontario Energy Board, *Report of the Board: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs*, EB-2015-0040 (14 September 2017) pg 14.

During the 2000 to 2006 period, GSHi was expected to manage its costs under the rates established for 1999, with limited to no annual rate increases over the period, but as explained in the evidence those rates included GSHi's OPEB costs on a cash basis. It was therefore the risk associated with the cash-based recovery in rates that GSHi was and did manage over the period of the rate freeze, not the accrual-based liability.

Accordingly, GSHi already bore the impact of the rate freeze in the context of the rates that were in place from 2000 to 2006, which in turn were based on cash-based recovery for OPEBs. Having already managed its OPEB costs through the rate freeze on a cash basis, it would be inappropriate to try and reflect the impact of the rate freeze a second time based on an accounting framework that did not actually apply to GSHi; that would double count the impact suffered by GSHi during that period.

4.7. Affiliate OPEB Costs

OEB Staff accepted the way GSHi allocated unfunded OPEB liability costs associated with GSHPi employees to the proposed Transition Amount.

VECC and SEC questioned why unfunded OPEB liability costs accrued by an affiliate would be recoverable from GSHi as part of the Transition Amount.

As explained by GSHi in its interrogatory responses, the OPEB costs incurred by an affiliate such as GSHPi in providing service to GSHi are, obviously, recoverable in rates. The OEB has a well-established policy under the Affiliate Relationship Code (the "ARC") governing the recovery of such costs; specific to the shared corporate services that GSHPi has provided to GSHi both historically and presently, the OEB's policy under the ARC specifically acknowledges the practice of sharing corporate services and specifies that an affiliate can provide such services to a regulated entity as long as it is costed on a fully allocated basis.[34] Providing some of the labour necessary to maintain the distribution service through an affiliate in this manner provides a benefit to both GSHi's customers and to GSHi's affiliates insofar as it permits GSHi and its affiliates to harness efficiencies associated with sharing the resources needed to provide common corporate services.[35]

[34] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-31(f).
[35] Ontario Energy Board, *Rate Application Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (30 October 2024), Exhibit 4, Tab 4, Schedule 2.

GSHi has continuously and without issue had the OPEB costs associated with GSHPi employees recovered in its OEB approved rates, both on a cash basis prior to 2020 and on an accrual basis from 2020 forward.[36]

Both VECC and SEC question the inclusion of GSHPi related unfunded OPEB liabilities that accrued prior to 2020 on the basis that, were GSHPi simply a 3rd party supplier to GSHi, there would be no mechanism for such 3rd parties to directly charge their unfunded OPEB liability to GSHi, with GSHi then recovering that unfunded OPEB liability as part of a Transition Amount as GSHi transitioned from cash to accrual accounting for OPEBs.[37]

GSHi respectfully submits that VECC and SEC's observations with respect to the relationship between GSHPi and GSHi misrepresent the core issue that arises when a regulated entity and an affiliate that provides services to that regulated entity on an (OEB approved) fully allocated basis propose to transition from rates that recover those affiliate costs on a cash basis to rates that recover those affiliate costs on an accrual basis.

It is important to recall that up until December 31, 2019, while both GSHi and its affiliate GSHPi recovered OPEB costs in rates on a cash basis, they had to report those same OPEB costs on an accrual basis for financial-statement purposes. Accordingly, while it is true that for the purpose of establishing rates on a cash basis only the forecast test year cash amounts related to OPEBs for both GSHi and GSHPi were embedded in rates, for financial reporting purposes both GSHi and GSHPi were required to recognize the accrual cost of OPEBs.

Accordingly, for financial reporting purposes, GSHi tracked its accrual based OPEB costs on its financial statements and applied the cash-based amounts it recovered in rates against that outstanding liability based on the actual cash payments made. At the same time GSHPi charged the accrued OPEB liability attributable to work performed for GSHi to GSHi, which became part of GSHi's unfunded liability for the purpose of financial reporting requirements. The cash amounts actually paid by GSHi towards the GSHPi liability were applied against the unfunded liability as they were paid, with those cash amounts being funded in rates.

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[36] Ontario Energy Board, *Decision and Rate Order: Greater Sudbury Hydro Inc.*, EB-2019-0037 (7 May 2020) pg 50 — The Parties agree that GSHi's proposal to change its accounting for OPEB costs in rates from a cash accounting basis to an accrual accounting basis is appropriate and has been appropriately reflected in rates.

[37] Ontario Energy Board, *Submission of the Vulnerable Energy Consumers Coalition*, EB-2024-0026 (18 July 2025) point #30; and *Submission of the School Energy Coalition*, EB-2024-0026 (18 July 2025) pg 4.

To put it more simply, while GSHi recovered GSHPi related OPEB costs in rates on a cash basis for regulatory purposes, it recognized the accrual of GSHPi related OPEB costs as charges on its financial statements for financial reporting purposes. As explained in the evidence, until fiscal 2016 GSHi was charged the entire GSHPi accrual liability because the portion tied to non-GSHi work was considered negligible. In calculating the Transition Amount as at December 31, 2019, however, GSHi separately quantified GSHPi's outstanding liability and included a lesser portion attributable to GSHi's distribution activities.[38] In this way GSHi is not seeking recovery of GSHPi's entire unfunded OPEB liability—only the share directly linked to services provided to GSHi's customers.

Aside from the charge of GSHPi related OPEB liability to GSHi on an ongoing basis under accrual accounting for the purpose of financial reporting requirements, GSHi submits that the outstanding unfunded OPEB liability related to GSHPi is recoverable by GSHi in any event.

For GSHi to transition from cash to accrual-based accounting for the costs charged to it by GSHPi, the transition amount experienced by GSHPi must be accounted for. This is because, exactly as was demonstrated for GSHi, switching from OPEB recovery on a cash basis to an accrual basis means reducing GSHPi's future recovery of OPEB costs through the fully allocated costing exercise, leaving an unfunded OPEB liability that, without the recovery of a transition amount, becomes a stranded cost of GSHPi. In this way the transition amount is the trade-off for having GSHPi's OPEB costs recovered in rates on an accrual accounting basis going forward.

In GSHi's view to switch from recovering OPEB liabilities from an affiliate on a cash basis to an accrual basis a transition amount related to the switch is required for the affiliate in the same way a transition amount is required for the regulated entity; the only issue is how the OEB should facilitate the recovery of that transition amount through fully allocated costing.

In GSHi's view there are three possible ways in which the OEB can manage the transition issues related to OPEB costs for employees of an affiliate as in the case of GSHPi:

a) the OEB can recognize the unfunded OPEB liability of the affiliate that is properly allocable to the regulated entity as part of the Transition Amount claimed by the regulated entity, in exchange for which the future OPEB costs of the affiliate will be charged to the regulated entity based on

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

accrual rather than cash-based accounting; this is what GSHi has proposed, based in part because, for financial reporting purposes, GSHPi has already charged the accrual cost for its OPEB liabilities on an ongoing basis between the two companies;

b) the OEB can recognize the unfunded OPEB liability of the affiliate as a cost that it must recover as a transition amount and approve as part of fully allocated costing:

i) the quantum of the affiliate's transition amount, and
ii) an amortization period over which the affiliate can recover the transition amount in rates from the regulated entity,

in exchange for which the future OPEB costs of the affiliate are charged to the regulated entity based on accrual rather than cash-based accounting: assuming the OEB approves an amortization period that matches the amortization period for the recovery of the regulated entities' Transition Amount this option has the same practical outcome as option a); or

c) The OEB could, for one or more reasons, decide that in situations such as these the affiliate should continue to recover its OPEB costs on a cash basis rather than an accrual basis, avoiding the need to calculate and recover a transition amount for the affiliate.

GSHi has proposed option a) as it believes it is the most appropriate way to reflect the fact that it is recovering unfunded OPEB liabilities that were incurred in service to its distribution customers and reflects the already charged OPEB liabilities from GSHPi to GSHi on an accrual basis for financial reporting purposes.

GSHi acknowledges that option b) provides identical funding assuming the OEB approves an amortization period for the affiliate that matches the period of the rider and includes recovery of the amortized payments in the rider recovery.

However, GSHi recognizes that option c), requiring the affiliate to continue recovering its OPEB costs from the regulated entity on a cash basis may be attractive to the OEB particularly if the OEB concludes that GSHi should revert to cash accounting for OPEBs entirely.

The critical point, GSHi respectfully submits, is that however the OEB deals with the transition from cash to accrual accounting for OPEBs for affiliate transactions under fully allocated costing, the solution must account for the transition amount incurred by the affiliate in transitioning from cash to accrual as part of the affiliates' recovery of its fully allocated costs from the regulated entity. To not do so would prevent the affiliate from recovering its fully allocated costs.

5. Response to OEB Staff

5.1. OEB Staff's Method & Quantum

Below is a table that reconciles GSHi's "Option B" proposal to OEB staff proposal as outlined in their July 11, 2025, submission. Because OEB staff's proposal is a component of GSHi's Option B, it is helpful to show which components (i.e: which accounting transactions) are being proposed for exclusion:

Reconciling GSHi's "Option B" to OEB Staff Proposal

Description	Ref	Amount ($)[39]	Running Sub-total ($)
GSHi proposal – Appendix B, Option B "Blended Method"	A	20,024,080	20,024,080
Less: cash vs accrual difference, 2000-2008 ($6,625,791 - $2,488,092), for the period 2000 to 2008	B	(4,137,699)	15,886,381
Less: initial actuarial loss (opening balance on first adoption)	C	($6,491,000)	9,395,381
Less: net actuarial loss recognized 2000-2019	D	($2,407,049)	6,988,332
Total – OEB Staff proposal (what remains is the cash vs accrual difference, 2009-2019 ($11,589,021 - $4,600,689))	A+B+C+D	$6,988,332	

[39] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), Appendix B, Option B — figures are stated before tax gross-up and before the adjustment described in *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-31(g).

OEB Staff's proposal isolates a few historical transactions and treats them as if they were self-contained events. Taking an inventory of past entries, as GSHi provides summarized in its two options and in the above table, is a perfectly legitimate tool; the flaw is in treating those entries as self-contained when they are in fact part of a single, continuing obligation.

5.1.1. OEB Staff's Proxy Scenario

GSHi reiterates that OEB Staff initiated an inquiry that established what it believed would be a reasonable proxy for the cash-based amount embedded in rates between 2000 and 2008 through the interrogatory phase, a scenario that GSHi provided for OEB Staff.[40] That proxy methodology assumes the average of the cash amount embedded in rates for 2009 and 2010 as the amount embedded in rates from 2000 to 2008, utilizing the cost of service information from 2009 to 2019 for the amount embedded in rates from 2009 to 2019.

GSHi notes that OEB Staff's proxy approach assumes a cash amount embedded in rates from 2000 to 2008 of $382,867 for every year, a total assumed amount of $3,445,803 over the period. This compares to the actual cash payments made by GSHi over the period of only $2,488,092; in other words, OEB Staff's proxy methodology assumes an amount embedded in rates on a cash basis from 2000 to 2008 that is 38.49% higher than the amount GSHi actually paid over the period.

However, despite assuming an amount embedded in rates that was 38.49% higher than the actual cash payments, OEB Staff's Proxy methodology produces results that are only marginally less then GSHi's proposed methodology.

Under GSHi's proposed Option A methodology the 2000 to 2019 differential is $10,278,035.[41]

Under OEB Staff's Proxy methodology the 2000 to 2019 differential is $10,168,320,[42] only $109,706 less than under GSHi's proposal.[43]

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[40] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), OEB Staff-2, Attachment 2.
[41] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), Appendix A, column C ("Differences").
[42] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), OEB Staff-2, Attachment 2, column G ("Differences").
[43] This analysis excludes the fiscal-year entry that booked the Initial Recognition Amount and all actuarial gains and losses; those items are addressed separately. Here, the focus is only on the yearly difference between the accrual-based OPEB expense and the cash (or proxy) amount embedded in rates.

This compares to the approximately $15 million[44] impact that OEB Staff proposed GSHi should bear, despite evidence that only supports the conclusion that GSHi materially under collected in rates relative to the cash amount from 2000 to 2008. In GSHi respectful submission even OEB staff's proxy proposal, which assumes cash-based recovery in rates that, overall, exceeded the actual cash costs by 38.49%, and perhaps most aggressively exceeds the 2000 actual cash obligation by 117%, suggests that there is no concern that GSHi's proposal creates a windfall to the detriment of its ratepayers.

In GSHi's view, while it continues to believe its proposed analysis is sound, the OEB Proxy methodology represented a reasonable attempt to confront the essential issue posed by the Report when reviewing historical recovery, which is whether past recovery provides a windfall for the distributor. That the result demonstrated that there was no material windfall of note, in GSHi's view, is reason to abandon the approach.

5.1.2. There Are No Gains or Losses Within the Initial Recognition Amount

OEB Staff characterizes the Initial Recognition Amount as having embedded within it a component of actuarial gains and losses that should be omitted from recovery.[45] In GSHi's submission that is a mischaracterization of the Initial Recognition Amount.

The Initial Recognition Amount is not a gain or loss adjustment to a previously recovered accrual amount, nor does it have embedded within it gains or losses; it is the first calculation of the accrual amount outstanding as at the beginning of accrual accounting for financial purposes on January 1, 2000, that in turn forms the principal basis which subsequent revaluations adjust based on updated actuarial assumptions and information. Treating the Initial Recognition Amount or any part of it as an actuarial gain misunderstands its accounting significance distinct from the actuarial gains and losses that follow.

5.1.3. OEB's 2017 OPEB Report Recognizes Flexibility

While the Board's Report presumes that all regulated distributors are on or will transition to accrual accounting for OPEBs, it recognizes that it may not be appropriate in all cases. The Report expressly acknowledges, first, that *"transitioning from one recovery framework to another can raise serious and difficult issues"* and, second, that there will be

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[44] GSHi transition-amount proposal of $25,068,558; and *OEB Staff Submission*, EB-2024-0026 (11 July 2025) pg 12 — Staff transition-amount proposal of ≈ $9,500,000. The difference is $25,068,558 – $9,500,000 = $15,568,558.
[45] Ontario Energy Board, *OEB Staff Submission*, EB-2024-0026 (11 July 2025) pg 8.

circumstances where a utility should remain on the cash basis even after the Board's general directive in favour of accrual.[46] The sentiment in the Report is that the OEB should not blindly require a transition to accrual accounting for OPEBs if the result of doing so produces undesirable outcomes.

Neither OEB Staff nor intervenors test their proposal against that guidance. They advocate for their proposals without asking whether, on the facts of this case, staying on cash would better serve ratepayers and the utility. Their submission does not confront the inevitable fallout of their paradigm: a permanent shortfall in rate revenue to be funded by GSHi's shareholder despite the related OPEB costs being incurred to the benefit of GSHi's distribution customers. Nor do they acknowledge that GSHi's rates up to 2008 were set under a cash-recovery framework entirely outside the Company's control.

The OEB Staff proposal never explains why GSHi should strand recovery of a multi-million-dollar actuarial loss—and face a future funding shortfall—simply because it is moving to accrual accounting. Under the long-standing cash method, GSHi would remain fully funded except for normal forecast risk. OEB Staff's approach would instead reduce OPEB recovery by approximately $15 million,[47] even though GSHi must still pay those benefits to its employees and, through fully allocated costs, to its affiliate GSHPi.

In practical terms, denying a material portion of the Transition Amount would leave GSHi with a persistent funding gap that could only be covered from its ROE. Because GSHi relies on that ROE to finance capital projects, bridging the shortfall would mean either (i) scaling back capital work to preserve the current debt-to-equity ratio, or (ii) borrowing more to maintain investment levels, thereby worsening the ratio, pressuring credit metrics, and increasing borrowing costs for future projects. In both cases, the long-term effect would result in constrained financial capacity leading to heightened risk to system reliability.

In short, the very policy document on which OEB Staff relies warns that a transition may be inappropriate in some circumstances, yet OEB Staff does not test its own proposal to determine whether it is proposing such circumstances.

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[46] Ontario Energy Board, *Report of the Board: Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs*, EB-2015-0040 (14 September 2017) pages 8–9.
[47] GSHi transition-amount proposal of $25,068,558; and *OEB Staff Submission*, EB-2024-0026 (11 July 2025) pg 12 — Staff transition-amount proposal of ≈ $9,500,000. The difference is $25,068,558 – $9,500,000 = $15,568,558. Both proposals would have GSHi absorb the full actuarial gains-and-losses deferral account balance; the only dispute is when (and whether) that balance will ultimately be cleared.

GSHi's extensive evidence shows why the OEB should approve Option A, largely on the basis that it provides fair results for both ratepayers and GSHi based on a just and reasonable allocation of the costs to provide distribution service. However, if the OEB disagrees that GSHi's overall approach is appropriate, presumably because of, primarily, the materiality of the Transition Amount required, GSHi respectfully submits that the conclusion to be drawn from analyses provided by OEB Staff and Intervenors is not that GSHi should continue the transition to accrual accounting and suffer a material, permanent funding gap, but rather that under the circumstances GSHi should revert back to cash based recovery in rates.[48]

5.1.4. OPEB Actuarial Gains/Losses Variance Account

OEB Staff opposes disposing of the $ 6.88 million credit in the Actuarial Gains/Losses Variance Account, proposing instead to continue tracking all actuarial re-measurements from 2020 onward. Their position on the Transition Amount, however, excludes every dollar of OPEB obligation that arose before January 1, 2009, while still deferring the entire actuarial gain generated after that date that at least partially pertains to that denied historical liability. This raises an important issue: a significant portion of the 2020-2023 actuarial gains relate to the very liability OEB Staff are denying for recovery. How, then, can those gains be deferred for future refund when the underlying balance is deemed non-recoverable?

Put more simply, the $6.88 million credit currently tracked in the Actuarial Gains/Losses Account is calculated largely based on the unfunded OPEB liability calculated by GSHi as of December 31, 2019; it is recording gains and losses because of changing actuarial assumptions underpinning that initial calculated liability.[49]

Accordingly, were the OEB to adopt, for example, the elimination of the fiscal year transaction that recorded the Initial Recognition Amount from the calculation of the Transition Amount as proposed by OEB Staff, the amount included in the Actuarial Gains/Losses account is incomplete and becomes meaningless.

If the OEB adopts OEB Staff's approach, GSHi could be required to record sizable actuarial gains or losses in this account even though it has never recovered—and would not be

[48] See Appendix A to this submission — GSHi's detailed proposal for reverting to cash-basis recovery of OPEB costs in rates.
[49] The Actuarial Gains/Losses account also tracks changes in the accrued amounts added in 2020 to 2023, however the bulk of the impact in the account relates to the pre-2020 liability.

permitted to recover—the underlying principal on which those re-measurements are based. In other words, the variance mechanism would record adjustments to a liability that customers have not funded, creating an asymmetry contrary to sound ratemaking. **GSHi would refund an actuarial gain on accrual costs that were never collected in the first place—first being denied recovery of those costs, then being obliged to return a gain derived from them.**

OEB Staff suggests that only costs incurred from 2009 forward qualify for recovery in the transition balance because earlier amounts were not examined in a COS proceeding. Taken to its logical end, that view would require isolating actuarial gains and losses attributable exclusively to the post-2009 portion of the liability and deferring only these costs in this account—an exercise that is neither conceptually valid nor practicable, given the way annual actuarial valuations blend all past service.

OEB Staff does not acknowledge this fundamental inconsistency. At a minimum, one would have expected their submission to address how this variance account could operate fairly when the underlying liability is, in large part, deemed unrecoverable.

6. Response to VECC's Submission

GSHi's detailed reply to VECC's submission is provided in Appendix B of this filing. GSHi have mirrored the structure and headings used by VECC so that each point they raise is answered in the same sequence and format. This parallel layout makes it easy for the OEB to see how GSHi has addressed every issue VECC identified.

7. Why "Option A" Remains Superior

GSHi's Option A is the only method that honours the Board's existing rules and precedent.

Option A best balances customer protection with utility accountability. It clears the entire shortfall in one transparent calculation and does so alongside the $6.88 million actuarial-gain credit. In GSHi's view clearing the $6.88 million actuarial gain in connection with the approval of the Transition Amount is distinct from what may be considered the usual case for avoiding clearance, as usually clearance of the actuarial gains and losses account is considered in a scenario where the OPEB liability, on an accrual basis, has been funded on an ongoing basis. In this instance the Transition Amount remains to be approved and recovered; had the Transition occurred in 2025 rather than 2020, it would have picked up the actuarial changes from 2020 to 2023 as part of the calculation.

7.1. Board Got It Right In *Enbridge* —GSHi Follows the Same Logic

GSHi has pointed out that its proposed method mirrors the approach the Board approved for *Enbridge* in EB-2011-0354, when *Enbridge* moved from cash to accrual-based OPEB accounting. OEB Staff counter that the *Enbridge* example is irrelevant because it arose from a settlement reached before the OEB issued its Report.[50] Although OEB Staff do not explain how the *Enbridge* method conflicts with the Report's conclusions, their submission implies that the Board's earlier approval was somehow mistaken or only sound in the context of the related settlement proposal.

GSHi respectfully disagrees. It must be acknowledged that aside from the proposal being ultimately included, unaltered, in a settlement agreement accepted by the OEB, it was advanced by *Enbridge* in their application as an acceptable methodology that properly accounted for the transition costs recoverable by a regulated distributor transitioning from cash to accrual accounting for OPEBs, resulting in just and reasonable rates. GSHi has filed extensive, stand-alone evidence demonstrating why its method—and the method used in *Enbridge*—is conceptually sound. The clearest illustration appears in GSHi's supplemental evidence of May 9, 2025, which contains an illustrative model showing how the approach fairly reconciles cash and accrual differences.[51]

OEB Staff do not engage with that analysis. They offer no critique of the illustrative model or the underlying rationale GSHi has placed on the record. In GSHi's submission, the evidence supports the conclusion that the methodology employed by *Enbridge* was sound—and that adopting the same logic here will likewise produce just and reasonable rates.

In GSHi's view the only difference between the *Enbridge* methodology and GSHi's proposal is that *Enbridge*'s initial recognition amount was calculated by *Enbridge* itself in 2000 as it was in existence as a regulated entity at the time, whereas GSHi's Initial Recognition Amount was transferred to it by its predecessor Commission effective November 1, 2000. However, unlike *Enbridge*, the inclusion of GSHi's Initial Recognition Amount was facilitated by provincial legislation that is binding on all persons, including the OEB.

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[50] Ontario Energy Board, *OEB Staff Submission*, EB-2024-0026 (11 July 2025), pg 10.
[51] Ontario Energy Board, *OEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), Illustrative-example write-up and accompanying model.

8. Transition Amount Mitigation Proposal

The Transition Amount, assuming the net gain in the actuarial gains and losses account is not cleared, is $25 million. GSHi recognizes that it is a material sum to collect from its customers.

At the same time, it is critical to recognize that the $25 million Transition Amount represents the decline in OPEB costs in base rates going forward. Accordingly, at a high level, there will be no impact on customers, as the $25 million Transition Amount will net out against the decline in base rate recovery of OPEB costs.

From a more granular perspective, however, GSHi recognizes that it is currently difficult to match the recovery of the $25 million Transition Amount against the decline in base rates. Accordingly, there will likely be periods where the cumulative impact on ratepayers as a result of the recovery of the Transition Amount will be a net increase in distribution rates, where the rider recovery exceeds the decline in base rate recovery, and there will likely be periods where the cumulative impact will be a net decrease in rates, where the decline in base rate recovery exceeds the rider recovery.

As a measure to assist in smoothing the impact of the recovery of the Transition Amount, GSHi would support a framework where only 50% of the Transition Amount would be cleared immediately through a rider as proposed. The remaining 50%, although approved for recovery, would be tracked in a deferral account for future disposition. In its next cost of service proceeding GSHi would file a proposal for the disposition of the remaining 50% based on the identification of the decline in base rates attributable to the change from cash to accrual accounting for OPEBs; in other words, GSHi would propose rider recovery to match the period where the cash costs to GSHi of funding OPEBs materially increase beyond the accrual amounts embedded in rates, with the goal of as much as possible offsetting the rider recovery against the decline in base rates.

In this way GSHi believes that it is possible for it to recover the $25 million Transition Amount that is required to fund its OPEB obligations going forward under accrual accounting without imposing material impacts on its customers.

9. Alternative Proposal – Reverting to the Cash Basis

If, despite GSHi's submissions, the OEB were to consider a Transition Amount that approximates what OEB Staff and/or intervenors propose, the resulting recovery gap would materially impact GSHi's ability to operate within approved revenues. OEB Staff's approach would permanently exclude roughly $15 million[52] after tax gross up—approximately 45%[53] of GSHi's 2025 service-revenue requirement—from rates, even though that liability must still be funded by GSHi, and even though the full amount of the Transition Amount will be recognized as future reductions in base rates to the benefit of customers.

As noted previously, denying a material portion of the transition amount would leave GSHi with a persistent funding gap that could only be covered from its ROE. Because GSHi relies on that ROE to finance capital projects, bridging the shortfall would mean either (i) scaling back capital work to preserve the current debt to equity ratio, or (ii) borrowing more to maintain investment levels, thereby worsening the ratio, pressuring credit metrics, and increasing borrowing costs for future projects. In both cases, the long-term effect would result in constrained financial capacity leading to heightened risk to system reliability.

The Report anticipates situations like this, warning that transitions can be "serious and difficult to resolve fairly" and that "stability and predictability in regulation are desirable unless unintended and undesirable effects occur." GSHi submits that forcing a material and permanent under-recovery of its obligation is precisely the kind of unintended, undesirable effect the Report cautions against. The appropriate remedy—consistent with the Report—is to have the utility revert to the cash-basis recovery method it used before 2020, subject to refunding the difference between cash and accrual accounting over the 2020 to 2024 period, in order to maintain just and reasonable rates from the perspective of both GSHi and its customers.

Accordingly, if the OEB concludes that GSHi's proposal does not provide an acceptable transition, GSHi proposes that the OEB return GSHi to cash-basis recovery effective May 1, 2020. Appendix A, attached to this submission, sets out the details and bill-impact schedules for this alternative scenario.

10. Bill Impacts and Tariff Schedules

GSHi has prepared bill-impact schedules for both the Company's proposal (net $18.2 million collection) and the Revert-to-Cash Basis of Recovery proposal outlined in Appendix

[52] GSHi transition-amount proposal of $25,068,558; and *OEB Staff Submission*, EB-2024-0026 (11 July 2025) pg 12 — Staff transition-amount proposal of ≈ $9,500,000. The difference is $25,068,558 – $9,500,000 = $15,568,558.
[53] $15M / $33M = 45%

A of this submission ($0.733 million refunded to customers). Bill impacts as provided with this submission show the difference between GSHi's interim 2025 rates and tariff schedules that reflect those rates, as compared to those same tariff sheets but including the incremental rate rider calculated for each of these two scenarios.

10.1. Rate Rider & Bill Impact for GSHi's "Option A" Accrual-Based Proposal

The tables that follow translate GSHi's "Option A" accrual-based transition amount into a rate rider and illustrate the resulting bill impacts for each customer class. The rider is calculated by spreading the net transitional balance over the proposed ten-year disposition period.

Rate Rider: GSHi "Option A" Accrual-Based Proposal

Rate Class	Allocated balance (Allocator: Distribution Revenue) A	Years for Recovery B	Units	kW / kWh / # of Customers	Allocated Balance (A / B)	Rate Rider
RESIDENTIAL SERVICE CLASSIFICATION	$ 11,334,883	10	# of Customers	43,485	$ 1,133,488	$ 2.17
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	$ 3,061,649	10	kWh	139,426,048	$ 306,165	$ 0.0022
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	$ 3,398,936	10	kW	792,309	$ 339,894	$ 0.4290
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	$ 24,661	10	kWh	856,205	$ 2,466	$ 0.0029
SENTINEL LIGHTING SERVICE CLASSIFICATION	$ 27,591	10	kW	872	$ 2,759	$ 3.1641
STREET LIGHTING SERVICE CLASSIFICATION	$ 339,024	10	kW	10,258	$ 33,902	$ 3.3050
Total	**$ 18,186,744**				**$ 1,818,674**	

The bill-impact schedules show the incremental change to a representative customer's monthly bill, expressed in dollars and as a percentage of the total bill. This is the impact resulting from adding this proposed rate rider to GSHi's current 2025 approved rates.

Bill Impact: GSHi "Option A" Accrual-Based Proposal

Rate Class	Units		Sub-Total A		Sub-Total B		Sub-Total C		Total Bill	
	kWh	kW	$	%	$	%	$	%	$	%
Residential	750		$ 2.17	5.82%	$ 2.17	5.35%	$ 2.17	3.99%	$ 2.17	1.62%
General Service (Under) < 50kW	2,000		$ 4.40	5.43%	$ 4.40	4.94%	$ 4.40	3.78%	$ 4.40	1.34%
General Service (Over) >50kW	60,000	150	$ 64.35	5.85%	$ 64.35	5.24%	$ 64.35	2.39%	$ 72.72	0.74%
Street Lighting	304,920	855	$ 2,824.32	5.55%	$ 2,824.32	5.51%	$ 2,824.32	5.09%	$ 3,191.48	3.29%
Sentinel Lighting	78	0.2	$ 0.63	5.56%	$ 0.63	5.43%	$ 0.63	4.98%	$ 0.63	3.00%
Unmetered Scattered Load	289		$ 0.84	5.87%	$ 0.84	5.45%	$ 0.84	4.34%	$ 0.84	1.68%

10.2. Rate Rider & Bill Impact for Reverting to Cash Basis of Recovery

As discussed in section 8 above and outlined in Appendix A of this submission, the Report recognises that a transition between recovery methods for OPEBs can be "serious and difficult to resolve fairly". Should the OEB conclude that GSHi's transition proposals cannot be approved for this reason, GSHi has prepared bill-impact schedules for that alternative option. GSHi has submitted with this proceeding Excel models for the Tariff Schedule and Bill Impact Model for both GSHi's "Option A" and the "Revert-to-Cash" scenarios.

Rate Rider: Reverting to Cash Basis of Recovery

Rate Class	Allocated balance (Allocator: Distribution Revenue) A	Years for Repayment B	Units	kW / kWh / # of Customers	Allocated Balance (A / B)	Rate Rider
RESIDENTIAL SERVICE CLASSIFICATION	-$ 456,935	1	# of Customers	43,485	-$ 456,935	-$ 0.88
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	-$ 123,422	1	kWh	139,426,048	-$ 123,422	-$0.0009
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	-$ 137,019	1	kW	792,309	-$ 137,019	-$0.1729
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	-$ 994	1	kWh	856,205	-$ 994	-$0.0012
SENTINEL LIGHTING SERVICE CLASSIFICATION	-$ 1,112	1	kW	872	-$ 1,112	-$1.2755
STREET LIGHTING SERVICE CLASSIFICATION	-$ 13,667	1	kW	10,258	-$ 13,667	-$1.3323
Total	**-$ 733,149**				**-$ 733,149**	

Bill Impact: Reverting to Cash Basis of Recovery

Rate Class	Units		Sub-Total A		Sub-Total B		Sub-Total C		Total Bill	
	kWh	kW	$	%	$	%	$	%	$	%
Residential	750		-$ 0.88	-2.36%	-$ 0.88	-2.17%	-$ 0.88	-1.62%	-$ 0.88	-0.66%
General Service (Under) < 50kW	2,000		-$ 1.80	-2.22%	-$ 1.80	-2.02%	-$ 1.80	-1.55%	-$ 1.80	-0.55%
General Service (Over) >50kW	60,000	150	-$ 25.93	-2.36%	-$ 25.93	-2.11%	-$ 25.93	-0.96%	-$ 29.31	-0.30%
Street Lighting	304,920	855	-$ 1,138.53	-2.24%	-$ 1,138.53	-2.22%	-$ 1,138.53	-2.05%	-$ 1,286.54	-1.33%
Sentinel Lighting	78	0.2	-$ 0.26	-2.24%	-$ 0.26	-2.19%	-$ 0.26	-2.01%	-$ 0.25	-1.21%
Unmetered Scattered Load	289		-$ 0.35	-2.43%	-$ 0.35	-2.26%	-$ 0.35	-1.80%	-$ 0.35	-0.69%

11. Commentary on Process

As part of the original interrogatory process the OPEB issue only received questions from OEB Staff, contained within a single 5-part interrogatory.

Parties asked questions in advance of the settlement conference that were eventually filed as Pre-ADR Response to Clarification Questions. As part of that process GSHi only received an additional 4 interrogatories with respect to the OPEB accounts at issue from OEB Staff, with no interrogatories from intervenors.

As the OEB is aware the parties agreed as part of the settlement process to additional discovery with respect to the OPEB accounts that remained at issue, with GSHi providing supplemental evidence and OEB Staff and intervenors at liberty to ask supplemental interrogatories.

Subsequent to GSHi's filing of its argument in chief, intervenors collectively sought changes to when they would be obligated to file their argument so that they could seek guidance on how the issues may be approached from OEB Staff's submissions:

> *The matters in this case are of a complex accounting nature. Board Staff has considerable expertise and holds institutional history on this type of regulatory accounting matter. As such it would assist the parties and we believe be more efficient for intervenors to provide their arguments after having considered the submissions of Board Staff.*[54]

GSHi does not note this timeline as a criticism to any party. GSHi only notes this timeline because it, coupled with the complexity of the matter, helps to explain the wide disparity between GSHi's proposal and the alternative views advanced by OEB Staff and intervenors.

All the parties are interpreting the Report as it pertains to the transition from one accounting framework to another. However, the Report only addresses transition issues briefly and at a high level, without specifying filing requirements, and no party was able to identify an instance where another distributor regulated by the OEB has undergone an analogous transition from cash to accrual accounting following the issuance of the Report.

As a result, GSHi respectfully submits, much of what OEB Staff and intervenors raise in the argument are novel to GSHi, as it represents a first look for GSHi as to how OEB Staff and intervenors view the issues at hand. At the same time, it appears to GSHi that the OEB's decision in this case will likely become the model for any future similar applications.

For these reasons we would respectfully ask the OEB, should it believe it would be helpful to resolve any of the issues, to specify any further material that the OEB believes would assist it in deciding the issues and provide an opportunity for GSHi to file any such material.

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[54] Ontario Energy Board, *Intervenor Submission*, EB-2024-0026 (11 July 2025) pg 1.

12. Summary

In summary, GSHi asks the OEB to provide the following relief:

a) approval of a Transition Amount of $25,068,558, and

b) approval of the disposition of net gains of ($6,881,814)

through the implementation of a rate rider over a ten-year period.

GSHi does not agree that the Transition Amount should be reduced by the value of the fiscal year transaction that recorded the Initial Recognition Amount of $6.491 million. The Initial Recognition Amount is an integral component of the evolution of the unfunded OPEB liability as of December 31, 2019, and there is no reasonable or conceptually correct basis to "exclude" that sum from the Transition Amount.

GSHi does not agree that there should be a material reduction in the Transition Amount through the elimination of any shortfall between accrual amounts and the cash amounts embedded in rates for the 2000 to 2008 period. GSHi maintains that a proper analysis of the differential between accrual amounts, and cash amounts embedded in rates from 2000 to 2019 should be between the accrual amounts and the cash amounts actually incurred by GSHi. In the event the OEB determines that the differential should be between the accrual amounts and an "approved" amount embedded in rates without regard for the actual cash costs, GSHi submits that the OEB Proxy Methodology supports only a $109,715[55] reduction to the Transition Amount.

GSHi does not agree that the rate freeze from 2002 to 2006 should have any impact on the calculation of the Transition Amount. In GSHi's view it has already been impacted by the rate freeze based on its cash-based recovery of OPEB costs during that period. Attempting to impact GSHi's recovery of the Transition Amount because of the rate freeze a second time would be inappropriate.

GSHi does not agree that the actuarial gains and losses from 2000 to 2019 should be excluded from the Transition Amount. If excluded from the Transition Amount, GSHi submits that the actuarial gains and losses from 2000 to 2019 should be recorded in the actuarial gains and losses account.

[55] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), OEB Staff-2(c)(i), Attachment 2.

GSHi does not agree that components of the Transition Amount related to its affiliate GSHPi should be excluded. The accrual amounts attributable to GSHPi employees that service GSHi's distribution system have been properly charged to GSHi. In any event, the transition to accrual accounting creates a future shortfall in funding for GSHi's affiliate that requires the recovery of a transition amount the same as it does for GSHi in order for the affiliate to also recover OPEB costs on an accrual basis. If the OEB has issues with approving the recovery of a transition amount related to an affiliate, either directly as proposed by GSHi or as an approved amount for recovery over time as part of the affiliate's ongoing fully allocated costs, then GSHi submits that the OEB should require the affiliate to recover its OPEB costs on a cash basis.

If the OEB determines that mitigation is required, particularly if it determines that it will not clear the actuarial gains and losses account, GSHi submits that it would support holding back disposition of 50% of the approved Transition Amount, with disposition to be determined in a future cost of service application with the stated goal of matching the disposition to decreases in the future approved revenue requirement related to the transition from cash to accrual accounting.

If the OEB determines that, despite the outstanding liability of $25,068,558 as of December 31, 2019, and despite the fact that there will be offsetting reductions in base rates equal to $25,068,558[56] in the future as a result of the transition from cash to accrual basis of recovery in rates, it cannot endorse the recovery of a Transition Amount that properly reflects that liability, GSHi submits that the OEB should require GSHi to revert to cash accounting for OPEBs from 2025 forward and credit ratepayers for the difference between the accrual costs in rates and the comparable cash amounts from 2020 to 2024 as proposed in Appendix A.

[56] GSHi recognizes that the outstanding liability and corresponding reduction in rates are forecasts based on the evaluation on December 31, 2019, and the forecast will be revised over time as actuarial projections are revised.

Appendix A: Reverting to Cash Basis of Recovery

If the OEB decides that neither of GSHi's Option A nor Option B[57] should be adopted, GSHi submits that the fairest remedy is to restore the cash-based approach that governed its rates before May 1, 2020.

Under this alternative:

1. **Dispose of 2020-2024 Rate Year Differences.** GSHi would dispose of the difference between what was collected in rates for OPEBs on an accrual basis and what would have been collected had GSHi been on the cash basis of recovery from 2020 to 2024, with interest applied, an amount payable to ratepayers of $733,149;
2. **Leave Account 1522 As Filed.** The amount disposed and flowed back to ratepayers in this proceeding for Group 2 Account 1522, Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential, Carrying Charges of $69,964 would remain unchanged. GSHi proposes that the interest calculated in this account would act as an offset to the interest calculated on the refund referred to above;
3. **No Adjustment to Current Rates.** As discussed further in this appendix, GSHi calculates the amount embedded in interim 2025 rates under the accrual basis to be materially similar to what they would have been had GSHi calculated rates under the cash basis. GSHi therefore proposes no adjustment to its 2025 interim rates. Instead, GSHi proposes to quantify any residual difference and, if warranted, bring forward a disposition proposal in its next cost-of-service filing;
4. **No Disposition of OPEB Deferral Accounts.** GSHi would not dispose of either of its Account 1508 OPEB deferral accounts in this proceeding; the balance in both sub-accounts (OPEB Cash-to-Accrual Transitional Amount and OPEB Actuarial Gains and Losses) would become unrecoverable via rate rider, adjusted to zero and closed; and
5. **Future Rates Based on Cash.** GSHi would continue to embed in updated rates in its next cost of service rate proceeding the projected cash cost of OPEBs. This is the same treatment in rates that GSHi used prior to rates effective May 1, 2020; and

[57] Ontario Energy Board, *OPEB Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (9 May 2025), Appendix A, Option A; Appendix B, Option B — figures shown are before the adjustment described in *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), SEC-31(g), which applies to both options.

6. **Affiliate Recovery Based on Cash.** GSHi would similarly reflect the recovery of OPEB costs incurred by its affiliate in rates on a cash accounting basis, consistent with the cash-based cost recovery of OPEB costs allocated from the affiliate in rates prior to its 2020 cost of service rebasing.

Further Discussion Pertaining To Revert-to-Cash

Below GSHi further discusses how it proposes to revert to the cash basis of recovery of OPEBs in rates, should the OEB deem this the appropriate path forward.

Dispose of 2020-2024 Rate Difference

If the OEB orders a reversion to cash-based accounting effective January 1, 2020, GSHi proposes to clear the variance between the cash OPEB amounts that would have been embedded in rates and the accrual amounts actually embedded in rates during the period when OPEBs were recovered on an accrual basis (rate years May 1, 2020 – April 30, 2025).

Because this reconciliation covers both GSHi and the portion of costs allocated from its affiliate, disposing of the resulting balance fully resets those five years to the cash-accounting basis that underpinned rates before May 1, 2020. Once settled, all rates in effect up to April 30, 2025, would again reflect the pre-2020 cash-recovery method.

To calculate the accrual-versus-cash difference for the 2020–2024 rider, GSHi started with the detailed budget submitted in its 2020 COS application and adjusted for settlement reductions. That budget ties directly to the total 2020 OM&A level approved by the Board and the underlying payroll-burden data for OPEB accrual costs embedded in rates in GSHi's detailed budget, and the accrual and cash figures align with the 2020 projections prepared by its actuary RSM[58] in its final 2019 OPEB valuation report. A GSHPi cash cost amount was allocated to GSHi, reducing it to exclude the cash costs that relate to other affiliates. GSHi compared the total accrual expense embedded in rates with the total cash amount that would have been embedded, without separating capitalised amounts from those recorded in OM&A.

This "gross to gross" approach is a practical way to identify a single net variance. GSHi recognises that part of the accrual expense was capitalized and, under normal circumstances, would be recovered over the asset's approximate forty-year life. By

[58] Ontario Energy Board, *Rate Application Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (30 October 2024), Exhibit 9, Tab 1, Schedule 1, Attachment 2 — "Projected CY 2020" columns for GSHi and GSHPi.

refunding that portion immediately, customers receive the benefit up front, while GSHi recovers only the principal over future years. Given the limited five-year window and the objective of restoring the cash method as cleanly as possible, this method strikes a fair balance: it unwinds the temporary accrual regime, avoids a protracted line by line recalculation, and is favourable to customers.

Calculation of Disposition Amount

2020 Cost-of-service, Cash vs. Accrual			
Embedded in Rates, Accrual basis		715,182	
Would-be Embedded in Rates, Cash basis		579,936	
Difference		135,246	
Rate Year	**IRM Rate Increase**	**Amount**	
May 1, 2020		135,246	
May 1, 2021	1.90%	137,816	
May 1, 2022	3.00%	141,950	
May 1, 2023	3.40%	146,776	
May 1, 2024	4.50%	153,381	
		715,169	Total principal amount
		87,944	Add: Total interest to Apr 30, 2026
		- 69,964	Less: Interest disposed in acct 1522
		733,149	Total disposal amount

Calculation of Rate Rider

Rate Class	Allocated balance (Allocator: Distribution Revenue) A	Years for Recovery B	Units	kW / kWh / # of Customers	Allocated Balance (A / B)	Rate Rider
RESIDENTIAL SERVICE CLASSIFICATION	-$ 456,935	1	# of Customers	43,485	-$ 456,935	-$ 0.88
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	-$ 123,422	1	kWh	139,426,048	-$ 123,422	-$ 0.0009
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	-$ 137,019	1	kW	792,309	-$ 137,019	-$ 0.1729
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	-$ 994	1	kWh	856,205	-$ 994	-$ 0.0012
SENTINEL LIGHTING SERVICE CLASSIFICATION	-$ 1,112	1	kW	872	-$ 1,112	-$ 1.2755
STREET LIGHTING SERVICE CLASSIFICATION	-$ 13,667	1	kW	10,258	-$ 13,667	-$ 1.3323
Total	**-$ 733,149**				**-$ 733,149**	

Leave Account 1522 As Filed

GSHi agrees that the carrying charges already calculated in Account 1522 should flow back to customers: during 2020-2024 the company recovered more in rates than it paid in cash, and ratepayers are entitled to the interest on that over-collection. The principal variance reflected in Account 1522—and the principal variance calculated in the proposed transition mechanism—both measure the same thing: the difference between cash and accrual treatment of OPEB costs. Because the interest on that variance has already been credited to customers through Account 1522, GSHi proposes to deduct the same amount of interest from the total calculated for its cash-basis disposition rider, avoiding any double payment.

No Adjustment to Current Rates

GSHi's 2025 cost-of-service application embeds $702,286 of accrual-based OPEB expense—$662,552 in OM&A and $39,734 capitalised to rate base—for both GSHi and the allocable share of GSHPi. If rates had been set on a cash basis, the corresponding gross amount would have been $664,338. These figures tie directly to the total 2025 OM&A level approved by the Board and to the underlying payroll-burden data for OPEB accrual costs embedded in rates, and the cash figures align with the 2025 projections prepared by its actuary RSM in its final 2024 OPEB valuation report.

The gross variance of $37,948 is immaterial, so GSHi proposes no adjustment to its 2025 interim rates. Instead, GSHi proposes to track the difference in a deferral account and bring forward a disposition proposal in its next cost-of-service filing.

No Disposition of Account 1508 OPEB Deferral Accounts

If the OEB directs a return to cash-basis recovery, GSHi would close both Account 1508 OPEB deferral sub-accounts—the Transitional Amount and the Actuarial Gains/Losses accounts—by writing their balances down to zero and discontinuing further entries. Under cash accounting, future base rates will once again include the full annual cash OPEB payments; separate deferral mechanisms for unrecovered accrual amounts are therefore unnecessary.

Closing the accounts achieves two things. First, it avoids perpetual tracking of balances that can never be cleared through a rider once the utility is back on cash recovery. Second, it restores the rate-setting model GSHi used prior to 2020, where cash OPEB costs flowed directly into rates and were recovered in the normal course, subject to forecast risk.

Appendix B: Numbered Response to VECC's Submission

Point #1 through #7: VECC summarizes their position.

Point #8 – Questions VECC Has Not Answered: VECC endorses OEB Staff's principles and labels their analysis "analytically sound," yet neither VECC nor OEB Staff confront the flaws GSHi has identified. VECC and OEB Staff do not explain how GSHi could have already recovered the unfunded shortfall they now seek to disallow, nor do they identify any mechanism by which the company could fund that gap without impairing operations. Their submissions also offer no reconciliation of GSHi's detailed evidence—filed in its May 9, 2025, supplemental submission—showing that their approach would crystallise a permanent under-recovery, a point they leave entirely unaddressed.

Point #9 – Misunderstanding the Balance: VECC claims GSHi's proposal can be split into three discrete components, but fails to see that the accounting transactions that created the balance are not the same as the balance itself at the transition date. GSHi refers VECC—and the OEB—to the explanation above at section 5.1 responding to OEB Staff's similar mis-characterisation.

Point #10 – Actuarial Gains and Losses Cannot Be Ignored: GSHi agrees that actuarial gains and losses are recorded in other comprehensive income rather than net income; however, that accounting treatment does not change the economic reality that these amounts are part of the underlying OPEB liability—a liability GSHi ultimately pays in cash. Actuarial swings are driven by discount-rate movements, mortality, and plan experience, and history shows they do not reliably offset over time. Treating them as a mere paper entry, as an amount that will definitely offset over time or an amount that can be completely discarded therefore risks masking a very real funding need. Ignoring this component, as Staff and VECC propose, would understate the liability, transfer future volatility to customers, and deny GSHi the recovery of costs it must actually settle. In short, actuarial gains and losses may bypass the income statement, but they cannot be carved out of the obligation itself; a fair transition mechanism must recognise and dispose of them alongside the rest of the OPEB balance.

GSHi further notes that, normally, the tracking of actuarial gains and losses are done in relation to already recovered principal amounts against which the adjustments relate. In the case of a transition from cash to accrual accounting as in this case, the gains and losses are being tracked against a principal amount that has not been recovered. Accordingly issues around, presumably, reaching back in time to change the amounts recovered already in rates does not apply until the OEB approves and GSHi recovers some part of the Transition Amount.

See section 5.1.4 above for discussion on why the balance in this account is no longer appropriate if a material amount of the transition account is denied.

Point #11 – No Distinct $6.49 Million Amount Pertaining to 2000 Exists in the Transition Balance: VECC characterizes GSHi's request as asking 48,000 customers to fund "liabilities incurred more than 25 years ago," citing the original $6.49 million booked in 2000. That misunderstands the nature of the transition balance and fundamentally misunderstands the nature of OPEBs. Even under a cash recovery method—GSHi's approach until 2019—each cash payment made in a given year settles benefit obligations that were accrued in prior years. Treating those payments as if they arise only in the year they are disbursed ignores the unavoidable linkage between past accruals and present cash outflows, misrepresenting both the cost and timing of the obligation.

The figure now before the OEB is not a time-capsule snapshot of the 2000 entry; it is the evolved December 31, 2019, obligation after 20 years of accrual expense, interest cost, cash payments, and actuarial re-measurements. Only a fraction of the original Initial Recognition Amount survives, if anything, inseparably blended with subsequent movements captured in rows B and D of the summary table presented in section 5.1 of this submission. GSHi is not asking the OEB to approve a discrete $6.49 million from 2000, but rather the integrated balance that exists at the December 31, 2019 transition date. We refer VECC—and the OEB—to the detailed explanation earlier in this submission (section 4.2) that corrects the same mischaracterisation in OEB Staff's description.

Point #12 – Smoothing the Rider Is Prudent, Not "Obfuscation": VECC's $375-per-customer figure assumes the entire balance would be billed in a single year, then labels any attempt to spread recovery as "obfuscation." That is misleading. Had GSHi recovered OPEB costs on an accrual basis from the outset, those dollars would already have been collected gradually, embedded in base rates over decades. A one-time charge today would create needless rate shock and ignore the fact that the corresponding cash outflows will occur over many future years, not immediately.

The Board itself has long recognised this principle. When Enbridge transitioned from cash to accrual accounting in EB-2011-0354, the Board approved amortising the transition balance equally over a twenty year period. Similar multi-year smoothing is routinely used for pension variances, stranded-asset depreciation, and other long-term obligations.

Moreover, during the same period that the rider is collected, base rates will have been reduced because they will exclude higher cash based OPEB expenses and include only the lower accrual amounts. That reduction will persist for as long as benefits are paid—well beyond the ten-year rider—giving customers a sustained offset to the rider itself.

Aligning recovery with cash requirements, as GSHi proposes, matches cost to benefit and avoids disrupting customers' bills or the utility's operations. In short, spreading the rider is responsible ratemaking, not concealment.

Point #13 – Addressing the "Fundamental Questions": GSHi agrees the OEB should be comfortable answering the questions VECC raises—and believes the record already provides clear answers:

- **Pre-2000 costs are within the Board's jurisdiction.** The OPEB liability that existed before January 1, 2000, was legally transferred to the regulated utility on November 1, 2000. Once transferred, it became a cost of the regulated service, squarely within the Board's ratemaking mandate. See section 4.3 in this submission for more discussion on this topic.

- **All plan members are the utility's responsibility.** Whether beneficiaries are active employees or retirees, GSHi is contractually and legally obliged to pay the benefits, either directly for its employees or as a component of the fully allocated costs of its affiliate GSHPi. Ignoring that portion of the liability would simply shift an unavoidable cash cost onto its shareholder to be funded from GSHi's ROE. GSHi is only asking to recover the portion of the OPEB liability that relates to the service employees provide to GSHi's distribution customers; the portion attributable to affiliates and 3rd parties is allocated to those affiliates and 3rd parties.

- **The rate-freeze years do not erase the liability.** During 2002-2006 GSHi continued to pay OPEB cash costs; the freeze merely fixed the manner of recovery in those years (cash), it did not eliminate the future obligation. During the rate freeze GSHi was recovering OPEB liabilities in rates on a cash basis and managed the risk associated with OPEB liabilities on a cash basis. Attempts to revisit the risk of OPEB liabilities on GSHi for a second time over the period of the rate freeze based on an accrual accounting framework that did not actually apply to GSHi at the time for regulatory purposes is inappropriate.

- **GSHi's request and data availability.** GSHi is unique because it has complete accrual data back to 2000 and is transitioning recovery methods in 2019, allowing more insight for stakeholders into the annual transactions that built the liability balance over time. The same principle would apply to any utility: if accrual costs exceeded cash recoveries, a transition amount would be required; if accrual costs were lower, customers would receive the credit. That symmetrical treatment is what GSHi proposes.

- The calculation of the transition amount is directly correlated to the forecast cash amounts GSHi expects to incur for OPEB liabilities from 2020 forward. The size of that liability is directly commensurate with the demographics of its retired employees. To the extent that the OEB believes that the size of the request is a determinative issue, however justified given GSHi's regulatory history, complement of retirees and employees and their related benefits, the materiality of the requested Transition Amount is an issue as to whether GSHi should remain on cash accounting for OPEBs in rates rather than transition to accrual accounting. It is not a reason to deny GSHi recovery of accrual-based transition amounts that are clearly related to OPEB costs that GSHi has and will incur with respect to employees that did and will continue to provide distribution service to GSHi's distribution customers.

Thus, the proposal is neither unprecedented nor outside the Board's authority; it is a straightforward application of established ratemaking practice to a well-documented liability. To the extent that the OEB believes that the Transition Amount claimed by GSHi is too large to clear as proposed, the solution would be to either further extend the rider recovery period, or have GSHi revert to cash based accounting for OPEBs in rates, which will have the impact of, naturally, extending the period over which GSHi recovers its OPEB costs.

Point #14 & #15 – Proper & Legal Transfer Confirmed. In response to VECC's concern about the $6.49 million OPEB liability transfer, GSHi refers to section 4.3, "Initial Recognition Amount," of this submission. That section provides the legal and regulatory basis for the transfer.

Point #16 – Continuity of Regulatory OPEB Liability Demonstrated. In response to VECC's assertion that no evidence has been provided to show the continuity of regulatory OPEB liabilities in MUDBANK records, GSHi notes that all relevant balance sheet financial statement values—both for the Commission and for GSHi—have been filed on the record[59] beginning with the first set in which the actuarial OPEB liability was initially recognized. These audited statements document an unbroken chain of the liability from that inception point through to the transition date of December 31, 2019. If the OEB requires further documentation GSHi can provide the full financial statements from which the balance sheets were provided.

To make this continuity explicit, Appendix A, Option A of GSHi's supplemental evidence summarizes the accounting activity that affected the accrual-based OPEB liability in each year's audited financial statements. This schedule gives the very continuity of liability that VECC seeks. The OPEB liability is consistently included as a component of the "Long-term debt" or "Long-term obligations" liability caption in GSHi's audited financial statements for every year in the period.

Point #17 – Continuity on GSHi's Books & Transfer-by-Law Confirmed. VECC contends that GSHi has not shown continuity of the OPEB liability once the "newly minted" books of account began and questions whether all liabilities were transferred because some employees moved to GSHi's services affiliate (GSHPi). As explained in our response to Point #15 above and detailed in section 4.3 "Initial Recognition Amount," GSHi's evidence demonstrates an unbroken audit trail for the $6.49 million actuarial OPEB liability from its initial recognition on the predecessor commission's closing balance sheet (October 31, 2000) through each subsequent GSHi fiscal year up to the transition date of December 31, 2019.

Point #18 – Continuity Evident in Note 7 and Appendix A. VECC seeks confirmation that the $6.49 million OPEB liability appearing on the predecessor commission's October 31, 2000, closing balance sheet also appears—on a continuous basis—on the "opening book" of Greater Sudbury Hydro Inc. for the two-month stub period ending December 31, 2000. Note 7 in the referenced December 31, 2000, financial statement discloses the same actuarial obligation that was prorated for the final two months of calendar 2000.

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[59] Ontario Energy Board, *Interrogatory Responses on Supplemental Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (13 June 2025), CCMBC-25, Attachments 1–23 (balance-sheet values for 20 months ended 31 Dec 2000 through FY 2022); SEC-29, Attachment 1 (financial statements for 10 months ended 31 Oct 2000); and Ontario Energy Board, *Rate Application Evidence: Greater Sudbury Hydro Inc.*, EB-2024-0026 (30 October 2024), Exhibit 1, Tab 8, Schedule 1, Attachment 1 (FY 2023 financial statements).

The full actuarial balance recorded on October 31, 2000, remained on GSHi's books, with two months of incremental activity added, consistent with the accounting policy already applied for the predecessor period. For ease of reference, Appendix A, Option A of GSHi's supplemental evidence sets out those two-months of transactions and every subsequent year's activity, reconciling to the year-end OPEB liability in each audited set of financial statements. Thus, GSHi has filed a complete audit trail—from October 31, 2000, through December 31, 2019—demonstrating the uninterrupted continuity of the regulatory OPEB liability.

Point #19 – OPEB Liability Is Shown Under "Long-Term Obligations". It appears VECC may simply not have located the OPEB liability on GSHi's December 31, 2000, balance sheet. The $6.49 million actuarial obligation is carried within the balance-sheet caption "Long-term obligations." Because the individual long-term liabilities are aggregated in that line item, the OPEB amount is not called out on a separate line; however, its presence and year-end balance are confirmed in the accompanying note to the financial statements (the same note that outlines employee-benefit obligations).

For clarity:

- Balance-sheet location: "Long-term obligations" line on GSHi's December 31, 2000, statement.
- Supporting disclosure: The related note (Note 7 in this case) details the actuarial OPEB obligation that makes up part of that total.
- Continuity evidence: Appendix A, Option A of GSHi's supplemental evidence reconciles the opening $6.49 million balance through every subsequent year-end, tying directly to the audited financial statements.

Accordingly, the OPEB liability was transferred in full and has remained on GSHi's books continuously; it is simply reported within the aggregate long-term obligations category rather than as a separate line.

Point #20 – OPEB Liabilities Are Limited to Those Recognized in GSHi's Audited Financial Statements. GSHi's proposal is grounded on the OPEB obligations recorded in its audited financial statements for every fiscal year beginning in 2000, when accrual-based OPEB accounting was first adopted. Each set of statements—reviewed by an independent auditor—confirms that all assets and liabilities, including any employee-benefit obligations assumed through corporate reorganizations or later acquisitions, were appropriately measured and recognized in accordance with the applicable accounting standards.

GSHi is not claiming recovery for obligations that are not evidenced in its audited financial records.

For transparency and continuity, Appendix A, Option A reconciles the OPEB balance from the initial $6.49 million actuarial amount in 2000 through each subsequent year-end up to December 31, 2019. That schedule, together with the audited statements and notes, provides the complete audit trail of the liabilities GSHi is seeking to recover.

Point #21 – GSHi's Ownership of the Pre 2000 OPEB Liability Is Already Proven. With respect, VECC's claim that GSHi "was never the owner" of the $6.49 million pre 2000 OPEB liability ignores the evidence already on the record. GSHi has explained how the liability was transferred under s. 145 of the *Electricity Act* and related Bylaw; as part of this submission GSHi has provided the cited Bylaw as Appendix C to further confirm the evidence it has already filed.

Point #22 – The Quoted Passage Is Not a 2000-Era "Instruction" to Distributors. VECC cites an unrelated pre-amble to an interrogatory and characterises it as "explicit instruction" that existed when distributors were first corporatized in 2000. Respectfully, that is false.

The quoted language is part of the 2019 accounting order; it is not related to the creation of electricity distributors in 2000.

It appears to GSHi that VECC believes that some part of the OPEB liability transferred to GSHi under the Bylaw is unrecoverable because of the OEB's determination in RP-1999-0064 that "transitional costs" are not recoverable.

GSHi respectfully submits that VECC has incorrectly conflated the transfer of assets, liabilities, rights and obligation from (in this case) a predecessor commission to a municipally owned corporation with the costs incurred by the shareholder to <u>effect</u> the transfers of assets, liabilities, rights and obligations, i.e. legal and consulting costs. The OEB's decision regarding "transitional costs" pertains specifically to the expenses associated with implementing the various transfers, such that "transitional costs" are not pertinent to the matter currently before the OEB in this proceeding.

In making its assertion VECC refers to the following excerpt from the decision in RP-1999-0064:

> *3.3.32 The Board concludes that transitional costs should be classified into two categories. The first category is costs related to corporate reorganization and to the transfer by-law whereby the municipal corporation acquires the assets of the municipal electric utility. The second is costs related to the business reengineering of the incorporated distribution company to conform to the new business orientation and requirements of a "wires only" company.*

VECC does not, however, refer to the following paragraph, which further explains the nature of the transitional costs in the context of the decision:

> *With respect to the costs of corporate reorganization, the Board notes that, under the Act, the municipalities are the shareholder of the distribution utilities. Along with the benefits of such ownership, there are also responsibilities. These responsibilities include bearing the cost of corporatization and corporate reorganization. In dealing with such issues in the regulation of the gas utilities, the Board has generally found such costs to be the responsibility of the shareholder. The Board therefore finds that this category of costs should be to the account of the shareholder.*

In GSHi's submission it is obvious that the OEB, in its decision to exclude recovery of "transitional costs", intended to exclude the recovery of costs to <u>effect</u> the transfer of assets, employees, liabilities, rights or obligations as part of a transition bylaw, not the cost of the transferred assets, employees, liabilities, rights or obligations themselves. To that end the evidence already on the record is that the exclusion of transitional costs from regulatory recovery was respected by GSHi; the last financial statement for the Commission confirmed that it was absorbing the transition costs:

> *Organization costs:*
> *Organization costs <u>are legal and other professional costs associated with the corporate restructuring and the transfer of assets</u> from the Hydro-Electric Commission (see note 10). The organization costs will be written off on a straight-line basis over five years. (emphasis added)*[60]

[60] Supplementary Interrogatory Responses VECC-51 attachment 1 of 2, page 7.

Similarly, in the excerpt provided in response to VECC's inquiries about transitional costs, GSHi confirmed for the OEB that such costs were excluded as recoverable expenses:

> *Extraordinary items in the amount of $682,363 relate to payments to the Shareholder, payment made on behalf of the shareholder for costs relating to a co-generation facility, and costs initiated by the Transition Board in evaluating the viability of the Utility.*

Payments to shareholder re Natural gas franchise review	*$425,000*
Co-generation facility	*197,432*
Transition Board costs re re-organization (consulting)	*59,931*

> *Re-organization costs relate to amalgamation and restructuring and as such should be attributed back to the shareholders. The above costs are not incorporated in the net income for purposes of establishing initial rates. Instead the costs are added back to reflect a net income attributable to the 'wires' only operation. (emphasis added)* [61]

Accordingly, GSHi respectfully submits, VECC's reference to the non-recovery of "transitional costs" within the meaning of the OEB's decision in RP-1999-0064 have no application to the issue of the recoverability of GSHi's OPEB related costs. The "transitional costs" issue relates to, in the context of OPEB liabilities, the costs incurred by GSHi's shareholders to effect the transfer of the OPEB liabilities and transferred assets, other liabilities, rights or obligations from the predecessor commission to GSHi, they do not relate to the transferred OPEB liabilities and transferred assets, other liabilities, rights or obligations, themselves.

Point #23 – No 2000 Requirement to Book $6.49 million in a Deferral Account; GSHi Has Now Recorded the Transitional Amount per EB-2019-0037. VECC suggests that, had GSHi "followed these instructions," a special account would have been opened in 2000 with the $6.49 million liability booked into it. That expectation is misplaced:

[61] Supplementary Interrogatory Responses VECC-51 attachment 1, pages 3-4.

- Financial-statement recognition was sufficient in 2000. The actuarial OPEB liability was carried on GSHi's balance sheet from Day 1 and has been audited every year since. No separate regulatory account was contemplated or required at that time.

- The deferral account arose nearly two decades later. The requirement to establish an "OPEB Transitional Amount" deferral account emerged only after the OEB's 2017 policy decision and was formalised for GSHi in the 2019 accounting order (EB-2019-0037). GSHi has since opened that account and, using Appendix A – Option A, has quantified the entire accrual-versus-cash differential for disposition.

- Continuity is fully documented. The $6.49 million starting point, plus each year's current-service cost, interest cost, and benefit payments, are reconciled in Appendix A, Option A and tie directly to the audited financial statements.

In short, GSHi has followed the instructions that actually existed at each point in time: audited balance-sheet recognition in 2000 and a formal deferral account once the OEB issued its 2019 accounting order.

Point #24 – Already Addressed. The OPEB liability is on GSHi's post-corporatization books—it sits in the "Long-term obligations" line of the balance sheet and is detailed in Note 7 to the financial statements. For the complete trail, please see GSHi's responses to Points #16-19 and the reconciliation in Appendix A, Option A.

Point #25 – Assertion Unfounded. VECC's conclusion repeats the same misunderstanding addressed in GSHi's responses to Points #16-19 and #24. The $6.49 million actuarial OPEB liability is—and always has been—recorded on GSHi's audited balance sheets (within "Long-term obligations") and reconciled annually in Appendix A, Option A. The affiliate staffing arrangement and the separate voluntary-exit package disclosure do not alter or displace that liability. Accordingly, VECC's premise that the liability "could not" be recognized on GSHi's books is factually incorrect.

Point #26 – Irrelevant to the OPEB Issue. The statement VECC cites concerns a separate, short-term employee arrangement (the voluntary exit package) and says nothing about OPEB liabilities. As explained under Points #16-19 and reiterated in Points #24-25, the $6.49 million OPEB liability has always been carried on GSHi's balance sheet in the "Long-term obligations" line and is fully reconciled in Appendix A, Option A. The passage VECC quotes has no bearing on the existence or continuity of the OPEB liability in this proceeding.

Point #27 – Shared-Services Study Has No Bearing on OPEB Accounting. The 2012 shared-services cost-allocation study cited by VECC addresses how GSHi prices inter-company services; it does not deal with balance-sheet recognition of OPEBs. Whether certain staff were on the Plus Company's payroll in 2012 has no impact on the actuarial OPEB liability that has been recorded on GSHi's statements since 2000. As explained in our responses to Points #16-19 and supported by Appendix A, Option A, the $6.49 million liability and its year-by-year continuity are fully reflected in GSHi's audited financial statements. VECC's reference to the cost-allocation study is therefore irrelevant to the OPEB issue in this proceeding.

Point #28 – OPEB Obligation Follows Cost Causality, Not Payroll Mechanics. VECC's view that no OPEB liability attaches to GSHi because employees were on an affiliate's payroll until 2012 overlooks a fundamental regulatory principle: cost causality. See response to point #31 for more on this topic.

Point #29 – Corporate-Structure Choice Is Common, OEB-Approved, and Beneficial. VECC's criticism of GSHi's "virtual utility" model ignores the fact that this affiliate-service structure is widely used by Ontario LDCs and has been repeatedly vetted and accepted by the OEB. In past cost-of-service proceedings the Board has reviewed GSHi's shared-services arrangements. GSHi maintains that this arrangement benefits ratepayers through economies of scope and scale. Any risks inherent in the structure are already managed through Board oversight and affiliate-pricing rules through the ARC. Accordingly, GSHi's corporate form has no adverse bearing on the legitimacy or recovery of its OPEB liability.

Point #30 – Affiliate OPEB Costs Is Addressed. The hypothetical VECC raises is covered in section 4.7, "Affiliate OPEB Costs," of this submission. Up to the 2020 transition, both GSHi and its affiliate (GSHPi) recorded labour costs on a cash basis. If any other contractor had supplied labour, the same cost-causality principle would apply; only costs legitimately incurred and not previously recovered would become part of the transition calculation.

VECC appears to suggest that because GSHPi's historical charges were on a cash basis, GSHi and its affiliate GSHPi should now forfeit a transition adjustment that converts its future charges to the accrual basis. That would require retroactively rewriting historical accounting and rate recovery, which is obviously inappropriate. The transition calculation for GSHPi simply aligns past cash-basis recovery with the accrual method before the Board in this proceeding.

Point #31 – Liability transfer was legal; cost causality is appropriate. VECC asserts that recovery of accrued OPEB liability amounts related to GSHi should be limited to the 2012 period forward on the basis that the majority of GSHi employees were not transferred to GSHi until 2012, having been initially transferred to GSHPi.

GSHi asserts that VECC's proposition is flawed in two respects.

First, the Bylaw authorized the transfer any of the assets, employees, and Assumed Liabilities on any terms determined by the transferring corporation under s. 3.12:

> *3.12 Subsequent Transfers. Any of the Assets, Employees and Assumed Liabilities transferred under this By-law may, from time to time, subsequent to the Effective Date, be transferred to the Holding Company or any Subsidiary, as may be permitted by the Electricity Act, at such time, on such terms and for such consideration as the directors of the transferring corporation may determine, and any such subsequent transfer shall be made pursuant to the authority granted by this By-law and shall take effect in the sequence and at such times as so determined by the directors of the transferring corporation.*

Accordingly, pursuant to the authority granted to it under the Bylaw, GSHPi was authorized to transfer employees to GSHi including the related liabilities in 2012; in fact, the Bylaw allowed the transfer of the OPEB liabilities without the need to transfer the employees.

Additionally, as set out elsewhere in these submissions, even if the liabilities accrued prior to 2012 were not transferred to GSHi (which is false) those liabilities would nonetheless be liabilities included as recoverable elements of GSHPi's fully allocated costs insofar as they relate to the use of employees to provide service in support of GSHi's distribution system.

Point #32 –Transition Mechanism Already Cover Affiliate OPEB Costs. VECC's concern conflates two distinct issues. GSHi's affiliate invoices have always reflected the fully allocated cash costs in effect when services were rendered. The OPEB transition adjustment now before the Board does not retroactively bill GSHi for "out-of-period" costs from the affiliate; instead, it follows the OEB's policy by converting the past cash-basis recovery (whether incurred directly or via GSHPi) to an accrual-basis equivalent. Future cash-based costs and recovery from the affiliate will be lower than what they would have been under the cash basis of recovery, and that is reconciled with the transition amount before the Board. The exercise, from the perspective of GSHi, GSHPi and ratepayers is neutral. Specific to the GSHi proposal, the recovery of the proposed $25 million transition amount specific to GSHPi is offset by a corresponding decrease of $25 million in future

OPEB costs recovered from rates; neither GSHi nor GSHPi experience a windfall, nor do ratepayers pay more than they would have otherwise under cash-based accounting.

GSHi is not using the affiliate arrangement to shift “out-of-period” costs to ratepayers; it is simply applying the transition methodology to costs that have always been GSHi’s responsibility, offsetting the future cash flow reduction associated with the transition to accrual accounting with the recovery of the Transition Amount.

Point #33 – Proposal Recovers GSHi’s Liability, Not the Affiliate’s. GSHi agrees the OEB does not regulate affiliates or make them “whole.” That principle remains intact with this proposal: the Transition Amount recovers an OPEB obligation booked on GSHi’s balance sheet, not on GSHPi’s. VECC’s position would ignore the Board’s cost-causality rule by stranding a legitimate distribution-service cost. The evidence already filed demonstrates that the liability follows the work performed for GSHi and should therefore be fully recoverable through GSHi’s rates, the same as it was under cash accounting.

Points #34-36 – Treatment of Rate-Freeze Years in the OPEB Transition Calculation. VECC argues that any OPEB accruals attributable to the 2002-2006 provincial rate-freeze period should be disallowed outright, implying a permanent retroactive exclusion. That approach misinterprets how the transition mechanism works. GSHi’s rates were based on cash accounting for OPEBs from 2002 to 2006. As explained in earlier submissions, this means that GSHi managed the risk of under-recovery related to OPEB costs during the rate freeze based on the cash amount embedded in rates. It would be inappropriate to impose that risk on GSHi a second time based on an accrual-based accounting framework that did not apply to GSHi for ratemaking purposes at the time.

Points #37-41 – Concluding Submissions, Treatment of Actuarial Gains and Losses & Period for Recovery. GSHi has otherwise addressed these points and positions throughout this submission.

Appendix C: By-Law TB-33 incl. Amendment 2001-212A

See separate attachment filed as part of this submission titled “Appendix C Bylaw”.

Appendix D: Articles of Amendment

For Ministry Use Only
À l'usage exclusif du ministère

Ministry of Consumer and Commercial Relations
Ontario
Ministère de la Consommation et du Commerce

CERTIFICATE
This is to certify that these articles are effective on

CERTIFICAT
Ceci certifie que les présents status entrent en vigueur le

NOVEMBER 0 9 NOVEMBRE, 2000

Director / Directrice
Business Corporations Act / Loi sur les sociétés par actions

Ontario Corporation Number
Numéro de la société en Ontario

1442444

Trans Code

C

18

Form 3
Business Corporations Act

Formule 3
Loi sur les sociétés par actions

ARTICLES OF AMENDMENT
STATUTS DE MODIFICATION

1. The present name of the corporation is: / Dénomination sociale actuelle de la société :

SUDBURY HYDRO INC./HYDRO SUDBU
RY INC.

2. The name of the corporation is changed to (if applicable): / Nouvelle dénomination sociale de la société (s'il y a lieu) :

GREATER SUDBURY HYDRO INC./HYD
RO DU GRAND SUDBURY INC.

3. Date of incorporation/amalgamation: / Date de la constitution ou de la fusion :

01 October 2000

(Day, Month, Year)
(Jour, mois, année)

4. The articles of the corporation are amended as follows: / Les statuts de la société sont modifiés de la façon suivante :

The name of the Corporation is changed to GREATER SUDBURY HYDRO INC./HYDRO DU GRAND SUDBURY INC.

Document prepared by Borden Ladner Gervais LLP
·yers · Patent & le-Mark Agents
Toronto, Canada

Form 3
Business
Corporations
Act

Formule 3
Loi sur les
sociétés par
actions

5. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the Business Corporations Act.

La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la Loi sur les sociétés par actions.

6. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on

Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

1 November 2000
(Day, Month, Year)
(jour, mois, année)

These articles are signed in duplicate.

Les présents statuts sont signés en double exemplaire.

SUDBURY HYDRO INC./
HYDRO SUDBURY INC.
(Name of Corporation)
(Dénomination sociale de la société)

By/Par :
(Signature) (Description of Office)
(Signature) (Fonction)

George Lund, Chair of the Board