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BY EMAIL

October 30, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Mr. Murray:

**Re: Ontario Energy Board (OEB) Staff Submission
Greater Sudbury Hydro Inc.
2025 Cost of Service Application
OEB File Number: EB-2024-0026**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 6.

Yours truly,

Georgette Vlahos
Advisor – Electricity Distribution Rates

Encl.

cc: All Parties in EB-2024-0026



ONTARIO ENERGY BOARD

OEB Staff Submission

Greater Sudbury Hydro Inc.

Cost of Service Application

EB-2024-0026

October 30, 2025

1. Introduction and Overview

This is OEB staff’s submission on an alternative proposal regarding the two unsettled matters in Greater Sudbury Hydro’s 2025 electricity distribution rates application (Application). The unsettled matters are part of Issue 6.1 of the OEB-approved issues list.¹ They are linked as both arise from Greater Sudbury Hydro’s transition from cash-based accounting to accrual-based accounting for Other Post-Employment Benefits (OPEBs). The unsettled elements pertain to Account 1508, Sub-Account OPEB Cash to Accrual Transitional Amount and Account 1508 – Sub-Account Actuarial Gains & Losses.

Greater Sudbury Hydro’s initial proposal with respect to these two accounts is:

- To dispose of a debit balance of \$25,068,558 in Account 1508, Sub-Account OPEB Cash to Accrual Transitional Amount related to the transition from cash-based to accrual-based recovery of OPEBs in rates beginning in 2020.
- To dispose of a credit balance in its OPEB Account 1508 – Sub-Account Actuarial Gains & Losses of \$6,881,814 as of December 31, 2023
- To recover from its customers through rate riders over a ten-year period from May 1, 2026, to April 30, 2036, the net debit amount of \$18,186,744 from the above two requested amounts.

With respect to the initial proposal, Greater Sudbury Hydro filed its argument-in-chief on June 27, 2025. OEB staff filed a submission on July 11, 2025² and the intervenors filed their submissions on July 18, 2025 to which Greater Sudbury Hydro replied on August 1, 2025.³

In its reply, Greater Sudbury Hydro also introduced an alternative proposal to revert to a cash-basis recovery for OPEBs effective May 1, 2020. Greater Sudbury Hydro noted that if the OEB were to approve a transition amount that approximates what OEB staff or intervenors proposed as part of their respective submissions on Greater Sudbury Hydro’s initial proposal, the resulting recovery gap would materially impact Greater Sudbury Hydro’s ability to operate within approved revenues.

The OEB issued Procedural Order No. 5 on September 17, 2025.⁴ As part of this Procedural Order, the OEB Panel posed questions regarding the impact of approving a

¹ The Issues List was approved in the [OEB’s Decision on Issues List](#), December 19, 2024. Issue 6.1 is: “Are the proposals for deferral and variance accounts, including the balances in the existing accounts, their disposition and period thereof, requests for new accounts, requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?”

² EB-2024-0026, [OEB Staff Submission](#), July 11, 2025

³ EB-2024-0026, [Greater Sudbury Hydro Reply Submission](#), August 1, 2025

⁴ EB-2024-0026, [Procedural Order No. 5](#), September 17, 2025

reduced amount pursuant to OEB staff's and/or intervenor's submissions. The OEB also noted that Greater Sudbury's Hydro alternative proposal to revert to a cash-basis recovery for OPEBs was not explored during the discovery process. As part of Procedural Order No. 5, the OEB allowed parties to make submissions on Greater Sudbury Hydro's alternative proposal to revert to a cash-basis recovery as well as any alternate mitigation proposal raised by Greater Sudbury Hydro in its reply submission and/or responses to the OEB Panel's questions.⁵

On September 22, 2025, Greater Sudbury Hydro requested a two-week extension to respond to the OEB Panel's questions and requested confirmation of the scope and methodology of the requested information. The OEB granted the extension request on September 26, 2025 through Procedural Order No. 6.⁶ The OEB noted that Greater Sudbury Hydro bears the burden of proof to establish that the rates it seeks to implement are just and reasonable and invited Greater Sudbury Hydro to include explanations of any limitations on its responses in its filing. Greater Sudbury Hydro provided its written responses to the OEB Panel's questions on October 15, 2025.

OEB staff makes this submission to assist the OEB in deciding upon Greater Sudbury Hydro's alternative proposal on the unsettled elements.

OEB staff does not support Greater Sudbury Hydro's proposal to revert to a cash-based recovery method for OPEBs. Further details are set out below.

⁵ *Ibid.*, p. 2

⁶ EB-2024-0026, [Procedural Order No. 6](#), September 26, 2025

2. OEB Staff Submission on the Unsettled Matters

Background

The unsettled elements arise from Greater Sudbury Hydro's transition from cash-based accounting to accrual-based accounting for OPEBs as of May 1, 2020.

Prior to May 1, 2020, Greater Sudbury Hydro recovered OPEBs on a cash basis. As part of Greater Sudbury Hydro's 2020 rebasing application,⁷ the OEB approved changing the basis on which Greater Sudbury Hydro recovers OPEB costs in rates from the cash basis to the accrual basis of accounting. Two deferral accounts associated with OPEBs were also established:

Account 1508 - Other Regulatory Assets, Sub-Account OPEB Cash to Accrual Transitional Amount (OPEB Transitional Amount DVA)

Account 1508 - Other Regulatory Assets, Sub-Account OPEB Actuarial Gains & Losses.⁸ (OPEB Actuarial Gains/Losses Variance Account)

As part of the current proceeding, Greater Sudbury Hydro proposed the following:

- To dispose of a debit balance of \$25,068,558 in its OPEB Transitional Amount DVA related to the transition from cash-based to accrual-based recovery of OPEBs in rates beginning in 2020.
- To dispose of a credit balance in its OPEB Actuarial Gains/Losses Variance Account of \$6,881,814 as of December 31, 2023⁹
- To recover from its customers through rate riders over a ten-year period from May 1, 2026, to April 30, 2036, the net debit amount of \$18,186,744 from the above two requested amounts.

Greater Sudbury Hydro proposed to recover the net resulting OPEBs amount over ten years, noting that this recovery period “strikes a practical balance between two OEB priorities: moderating annual bill impacts while avoiding an undue transfer of costs to future customers.”¹⁰

⁷ EB-2019-0037

⁸ These accounts were established to track i) the transition impact from cash to accrual accounting, and ii) actuarial gains and losses arising from the accrual basis of accounting for OPEBs.

⁹ As per the EB-2024-0026 [Cover Letter to Settlement Proposal](#), p. 2, these amounts were originally \$26,089,910 and (\$7,218,181), respectively. As part of Greater Sudbury Hydro's response to interrogatory SEC-31(g) on its supplemental OPEBs evidence (June 13, 2025), Greater Sudbury Hydro proposes a net \$503,464 (pre-tax) downward adjustment to the claimed total combined amounts of the two deferral accounts in question to recognize work performed by Greater Sudbury Hydro employees for affiliates and third parties.

¹⁰ EB-2024-0026, Argument in Chief, June 27, 2025, p. 13

OEB staff filed its submission on the above proposal on July 11, 2025.¹¹ OEB staff did not support the disposition of the noted accounts as proposed by Greater Sudbury Hydro. OEB staff supported an OPEB transitional amount of approximately \$6.99M (plus a gross up by PILs). With respect to the OPEB Actuarial Gains/Losses Variance Account, OEB staff did not support the proposed disposition of the credit balance of actuarial gains that has accumulated since the 2020 transition to accrual accounting because Greater Sudbury Hydro has not demonstrated that the actuarial gain accumulated in this account since 2020 would not substantially offset over time.¹²

As an alternative to the above proposal, and as introduced in Greater Sudbury Hydro's August 1, 2025 reply submission (Reply Submission), Greater Sudbury Hydro now proposes to revert to a cash-based approach that governed its recovery of OPEB's costs prior to May 1, 2020 "if the OEB concludes that GSHI's proposal does not provide an acceptable transition".¹³ Greater Sudbury Hydro noted that under this alternative proposal it would:

- **Dispose of 2020-2024 Rate Year Differences.** Greater Sudbury Hydro would dispose of the difference between what was collected in rates for OPEBs on an accrual basis and what would have been collected had Greater Sudbury Hydro been on the cash basis of recovery from 2020 to 2024, with interest applied, an amount payable to ratepayers of \$733,149.
- **Leave Account 1522 As Filed.** The amount disposed of 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. Greater Sudbury Hydro proposes that the interest calculated in this account would act as an offset to the interest calculated on the refund referred to above.
- **No Adjustment to Current Rates.** Greater Sudbury Hydro calculates the amount embedded in interim 2025 rates under the accrual basis to be materially similar to what it would have been had Greater Sudbury Hydro calculated rates under the cash basis. Greater Sudbury Hydro therefore proposes no adjustment to its 2025 interim rates. Instead, Greater Sudbury Hydro proposes to quantify any residual difference and, if warranted, bring forward a disposition proposal in its next cost-of-service filing.

¹¹ EB-2024-0026, [OEB Staff Submission](#), July 11, 2025

¹² See OEB staff Submission of July 11, 2025 for further details.

¹³ EB-2024-0026, [Greater Sudbury Hydro Reply Submission](#), August 1, 2025, p. 33

- **No Disposition of OPEB Deferral Accounts.** Greater Sudbury Hydro would not dispose of either of its Account 1508 OPEB deferral account balances 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.
- **Future Rates Based on Cash.** Greater Sudbury Hydro 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 Greater Sudbury used prior to rates effective May 1, 2020.
- **Affiliate Recovery Based on Cash.** Greater Sudbury 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.¹⁴

Greater Sudbury Hydro also made the following mitigation proposals:

1) in its Reply Submission, Greater Sudbury Hydro stated that if the OEB accepted its disposition request of only the OPEB Transitional Amount DVA of \$25.07 million, it would support holding back disposition of 50% of the approved Transition Amount, with disposition of that amount 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.¹⁵

2) in response to the OEB Panel's questions filed October 15, 2025 (Reply to Panel), Greater Sudbury Hydro provided bill impacts and a mitigation plan on OEB staff's July 11, 2025 submission.¹⁶ Greater Sudbury Hydro proposes a ten-year disposition period because:

...It strikes a practical balance between two policy objectives the Board has emphasized in past decisions...Recovering the amount over 10 years lowers the annual amount each customer sees on the bill, but it also shifts a larger share of the obligation onto future customers who did not benefit from the services that gave rise to the liability. Compressing the period has the opposite effect: it keeps the cost with today's customers—reducing intergenerational inequity—but

¹⁴ *Ibid.*, pp. 39-40

¹⁵ *Ibid.*, p. 38

¹⁶ OEB staff supported disposition of approximately \$9.5M (\$6.998 million plus the grossed-up PILs), summarized in OEB Staff Submission page 12 and Greater Sudbury Hydro's Reply to Panel Questions page 3

increases the year-to-year bill impact.

Beyond roughly ten years, lengthening the schedule provides only modest additional bill relief while pushing a substantial portion of the cost decades forward. GSHi believes a ten-year horizon fairly balances those considerations, but acknowledges that a different period of amortization may be appropriate.

Greater Sudbury Hydro also provided detailed bill impacts on its rate classes based on OEB staff's proposed disposition, over a 10-year disposition period. Under this scenario, bill impacts by customer class ranged from 0.39% to 1.7%.¹⁷ These impacts show the impact to Greater Sudbury Hydro's customers of the implementation of OEB staff's supported OPEBs amounts, all else being equal, based on Greater Sudbury Hydro's current May 1, 2025 rates.

Submission

OEB staff does not support Greater Sudbury Hydro's proposal to revert to the cash basis for its OPEB costs for the following reasons: 1) reverting back to a cash basis effective May 1, 2020 may constitute retroactive rate-making; 2) Greater Sudbury Hydro's alternative proposal appears to arise from the potential material downward adjustment to its OPEB Transitional Amount DVA rather than a principled rate-setting rationale; 3) reverting back to the cash basis may result in intergenerational inequity and create a funding risk.

OEB staff also reiterates that a large portion of the total disposition amount sought by Greater Sudbury Hydro is driven by the pre-incorporation legacy OPEB liability of approximately \$6.49 Million, which is likely already paid out, and actuarial gains and losses in the period of 2000 to 2019 of approximately \$4.81 million.¹⁸ OEB staff notes that aside from OEB staff's position on the start date of 2009 for the OPEB, it is not appropriate for the current and future ratepayers to pay the OPEB costs pre-2000 when Greater Sudbury Hydro was incorporated.

In addition, OEB staff notes that the historical volatility of the actuarial gains and losses over Greater Sudbury Hydro's history makes disposition of the OPEB costs including the actuarial gains/losses unfair to ratepayers under the OEB's 2017 Pension and OPEBs Report (Report).¹⁹ Further to OEB staff's submission dated July 11, 2025 which does not support the disposition of actuarial gains or losses, OEB staff submits that the

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GSHI_OPEB_Reply_To_Panel_Tariff_Schedule_and_Bill_Impact_Model_OEB_Staff_Proposal_20251015.xlsx, tab "Bill impacts"

¹⁸ Net of \$7.22 million (gain) in the OPEB Actuarial Gains/Losses Variance Account, and \$2.41 million (loss) in the OPEB Transitional Amount

¹⁹ [Report of the OEB - Regulatory Treatment of Pension and Other Post-employment Benefits \(OPEB\) Costs](#)

actuarial gains/loss account should remain open for tracking and Greater Sudbury Hydro should bring the account in its next rebasing application for potential disposition.

OEB staff appreciates the thorough analysis provided by Greater Sudbury Hydro in response to the OEB Panel's questions and acknowledges the potential impact on the utility's financial metrics should a significant portion of the proposed transitional amount be disallowed. However, OEB staff notes that the analysis is based on a model developed by Greater Sudbury Hydro's actuary, which focuses on a closed cohort projection. This selection may overstate the magnitude of any under-recovery. Consequently, OEB staff considers the resulting impact analysis to be largely speculative and not sufficiently reliable to serve as the basis for validating the OPEB transitional amount. OEB staff continues to support the use of a principled approach as the primary method for establishing the appropriate transitional amount for disposition.²⁰

Retroactive Ratemaking

In Greater Sudbury Hydro's 2020 rebasing proceeding, the OEB approved Greater Sudbury Hydro's 2020 settlement proposal as filed, which included changing the basis for recovery of OPEB costs in rates from the cash to accrual accounting basis, and to establish two deferral accounts to track the i) cash to accrual transition impact (OPEB Transitional Amount DVA) and ii) actuarial gains and losses (OPEB Actuarial Gains/Losses Variance Account). In that decision, the OEB stated:

In the OEB's view, the outcomes from the settlement proposal result in just and reasonable rates for customers that also allow for the financial viability of the company.²¹ (emphasis added by OEB staff)

In its Reply Submission, Greater Sudbury Hydro stated that if the OEB determines that a fair transition to accrual cannot be achieved, the fairest remedy is to restore the cash-based approach that governed its rates before May 1, 2020.²² The same reply also explains that if the alternative is adopted, the OPEB Transitional Amount DVA and OPEB Actuarial Gains/Losses Variance Account would both become zero because the cash-basis of recovery method [would be] adopted.²³

OEB staff submits that the above approach may constitute retroactive ratemaking because it effectively undoes what had been agreed upon by parties - and what was subsequently approved by the OEB - in Greater Sudbury Hydro's 2020 proceeding.

In the OEB's Decision on Halton Hills Hydro Inc.'s request to retroactively correct a

²⁰ Refers to OEB Staff's Submission dated July 11, 2025, where the principled approach can be summarized under the section titled 'conclusion' on page 9

²¹ EB-2019-0037, [Decision and Rate Order](#), May 7, 2020, p. 5

²² EB-2024-0026, Greater Sudbury Hydro Reply Submission, August 1, 2025, p. 39

²³ *Ibid.*

depreciation error, the OEB stated that while it has broad powers to set just and reasonable rates, the rule against rate retroactivity is not discretionary other than for a narrow set of exceptions.²⁴ The same decision also quoted the Ontario Court of Appeal, which determined that:

It is well established that an economic regulatory tribunal, such as the Board, operating under a positive approval scheme of ratemaking must exercise its ratemaking authority on a prospective basis. Generally speaking, absent express statutory authorization, such a regulator may not exercise its rate-making authority retroactively or retrospectively.²⁵

There have been exceptions to retroactive ratemaking recognized by the OEB in the past. The two well-known exceptions are described below.

The OEB has allowed for certain exceptions in the past including finalizing interim rates and correcting accounting errors for pass-through costs. Interim rates may be subject to true-ups once the OEB reaches a final determination. The Alberta Court of Appeal has stated that one of the critical factors of judging retroactive ratemaking is the parties' knowledge of whether the rate is subject to future change,²⁶ and so adjusting them later might not offend the retroactivity rule.

Another well-known exception to retroactive ratemaking are the adjustments to pass-through DVAs for distributors. The OEB has allowed distributors to correct settlement errors in their commodity accounts because such errors, which have been discovered in a number of cases after an account balance has been disposed of through a final order, are of particular concern given the potential for the balances – and by extension the associated implications for customers – to be very large.²⁷ In its letter to all rate regulated distributors dated October 31, 2019, the OEB adopted a generic approach allowing for the possibility of retroactive adjustments in appropriate cases where errors are discovered after a balance has been cleared on a final basis.²⁸ The distributor must explain the factors leading to the error in accounting, and the OEB will assess on a case-by-case basis. Ultimately, the OEB has recognized that corrections after final disposition may be necessary to avoid customer or utility windfalls in the case of these error(s).

Greater Sudbury Hydro's situation is not among those mentioned in the OEB's 2019 letter, although OEB staff acknowledges (as noted by the OEB in the 2019 letter) that

²⁴ EB-2017-0045, [Decision and Rate Order](#)

²⁵ *Union Gas Limited v. Ontario Energy Board*, 2015 ONCA 453 (CanLII), at para 82

²⁶ *Atco Gas and Pipelines Ltd. v. Alberta (Utilities Commission)*, 2014 ABCA 28 (CanLII), at para 57

²⁷ [Letter re: Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition \(Oct 31, 2019\)](#), p 2

²⁸ *Ibid*

the OEB maintains discretion in dealing with errors in respect of other accounts held by electricity distributors. In this case, however, 2020 rates were made final based on the costs as a package, including the OPEB costs on an accrual basis. Parties that participated in the 2020 settlement agreement did not have knowledge that the rates were subject to future change.

Nor are the OPEB sub-accounts within the scope of the OEB's 2019 letter regarding errors on pass-through accounts. OEB staff is of the view that the OEB has accepted Greater Sudbury Hydro's proposal regarding transition from cash to accrual for its embedded OPEB costs in its 2020 rebasing application,²⁹ and it is not reasonable to reopen the assessment because of the long-term nature of the OPEB liability. In addition, Greater Sudbury Hydro's proposal to revert back to the cash basis for May 1, 2020 and onward substantively undoes the accrual treatment relied upon in final rates for the last incentive rate term (2020 to 2024).

Greater Sudbury Hydro's proposal represents an outcome-based, not a principle-based approach

OEB staff submits that Greater Sudbury Hydro's proposal to revert to cash is driven by a desired outcome and does not represent a principle-based approach to ratemaking for its OPEB costs. In its July 11, 2025 submission, OEB staff explained why Greater Sudbury Hydro's proposed OPEB Transitional Amount DVA should be reduced. OEB staff supported an approach focused on the 2009-2019 embedded in rates vs. accrued costs comparison. Subsequently, Greater Sudbury Hydro stated that if the OEB accepts a materially reduced transition amount for recovery based on OEB staff's proposal,³⁰ it forecasts a permanent shortfall as follows:

Total funding collected for the current staff complement would be \$19,273,456, versus \$30,946,094 in projected OPEB cash outlays, yielding a net under-recovery of \$11,672,638 over the projection period.³¹

Funding Gap

Using a closed-cohort projection prepared by RSM Canada Consulting LP (RSM), Greater Sudbury Hydro states that OEB staff's approach would see cumulative cash collected peak around 2034 and turn net-negative by 2043, leaving \$11.67 million of cash costs without corresponding recovery in rates. The unfunded costs would be financed via Greater Sudbury Hydro's return on equity (ROE) and/or incremental debt

²⁹ EB-2019-0037

³⁰ In Reply to Panel, p 3, Greater Sudbury Hydro prepared *Table 1: Calculation of OEB Staff Proposal Impact*. The total disposition amount of OEB staff's proposal for analysis is \$9.51 million vs. Greater Sudbury Hydro's FY2024 based disposition amount of \$26.09 million, both inclusive of PILs. The difference between the two proposals is \$16.58 million.

³¹ EB-2025-0026, [Greater Sudbury Hydro Reply to Panel](#), p. 11

for 2043-2072.³² Greater Sudbury Hydro notes that the modeling is illustrative and excludes workforce churn, as well as forecast risk.³³

Greater Sudbury Hydro also presents a 2025-2029 table showing capital funding gaps of \$5.77 million of cash shortfall where debt is required to keep financing as planned when comparing planned capital expenditures to the cash available from rates. In order to maintain its target capital program and its regulated capital structure, Greater Sudbury Hydro stated that it would need to borrow dollar-for-dollar for any OPEB under-recovery. This is expected to persist into future rebasing periods.³⁴

OEB staff submits that the magnitude of underfunding is theoretical, and the financial metric analysis presented is biased by the closed cohort narrative. The actuarial assumptions are anchored on the December 31, 2022 valuation dataset using management's December 31, 2024 best-estimate actuarial assumptions for a 50-year horizon, i.e. 2023-2072. As the last active employees retire, the current service cost drops toward zero so the accrued expenses that are recognized in rates dwindle even though cash benefit payments will continue flowing for many more years. The model will, by design, have to show that cash is greater than the amounts embedded in rates in the later years.

In reality, distribution companies experience employee turnover where new employees accrue service costs. Those service costs are recognized in rates and provide a continuing source of recovery in rates that helps fund the plan as the old cohorts' cash benefits are paid.

While financial metrics and cash management are a real concern for utilities, ultimately, the theoretical funding gap is not relevant to the discussion of the appropriate basis of accounting for Greater Sudbury Hydro. OEB staff submits that the accrued basis of accounting is still the appropriate method for accounting for OPEBs in rates. OEB staff submits that there has been no evidence presented throughout the proceeding that suggests that the accrued method results in unjust or unreasonable rates for customers, especially going back to May 1, 2020.

The Report explains the principles behind the policy,

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. The OEB believes that adherence to these principles should achieve a stable, reasonable and efficient level of these

³² *Ibid*, p. 12

³³ *Ibid*, p. 9

³⁴ *Ibid*, p. 14

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.³⁵

Procedural Order No. 6 reminded parties that Greater Sudbury Hydro bears the burden of proof to establish that the [OPEB] rates it seeks to implement are just and reasonable. OEB staff submits that Greater Sudbury Hydro's evidence so far has not sufficiently addressed the fairness of its proposal.

Intergenerational Inequity

Under the cash basis, OPEB costs are recognized when benefits are paid, which are predominantly post-retirement of the employee. Under the accrual basis, costs are recognized over the employees' service lives. Reverting to cash therefore shifts costs to future customers who did not receive the "service" associated with those historical employees, which is the very intergenerational inequity the 2017 Report sought to mitigate.

The OEB Panel's own questions prioritized bill impact mitigation and intergenerational equity in any disposition design.³⁶ OEB staff submits that those objectives are best addressed by maintaining the accrual basis and adjusting the quantum and recovery period of any approved transitional amount.

If the OEB were to approve the disposition of only 50% of the OPEB Transitional Amount DVA as proposed by Greater Sudbury Hydro in its Reply Submission, OEB staff supports a mitigation proposal given the magnitude of the amount. However, OEB staff cannot comment on the specific mitigation proposal where 50% of the OPEB Transitional Amount DVA would be cleared immediately through a rider as proposed, while the remaining 50%, although approved for recovery, would be determined in a future application. OEB staff is uncertain whether Greater Sudbury Hydro means that the 50%, approximately \$12.54 million,³⁷ would be disposed of "immediately," over a one-year period, or, if it means that it would dispose of the \$12.54 million over a ten-year period. In addition, OEB staff is unclear what the bill impacts to customers would be if \$12.54 million was disposed, in either case. For those reasons, OEB staff supports a mitigation proposal but not necessarily the one put forward by Greater Sudbury Hydro in its Reply Submission, in the absence of the bill impacts.

With respect to the disposition period of any proposed OPEBs amounts, OEB staff's

³⁵ Report, p. 3

³⁶ EB-2024-0026, Procedural Order No 6., September 26, 2025, Question 2 & 3

³⁷ Assuming the OPEB Transitional Amount DVA is \$25.07 million, taken from Table 1: Calculation of OEB Staff Proposal Impact from Greater Sudbury Hydro's Reply to Panel, divided by 2

July 11, 2025 submission stated:

Greater Sudbury Hydro should file bill impacts for Greater Sudbury Hydro's rate classes based on OEB staff's supported disposition of approximately \$9.5M (\$6.998 million plus the grossed-up PILs which is to be confirmed by Greater Sudbury Hydro). OEB staff is of the view that Greater Sudbury Hydro should propose a disposition period for this scenario with supporting rationale and detailed bill impacts calculations, and in consideration of the OEB's mitigation policy, and intergenerational inequity concerns.

and,

Ultimately, OEB staff is of the view that the decision on an appropriate disposition period depends on the quantum of OPEBs recovery approved by the OEB, if any

In response to the OEB Panel's questions 2 & 3, Greater Sudbury Hydro provided bill impacts for its rate classes based on OEB staff's supported disposition amount and proposed a 10-year disposition period for the same reasons set out in its initial submission.

On Greater Sudbury Hydro's mitigation proposal for the amounts recovered in alignment with OEB staff's position, and now that OEB staff has had an opportunity to review the associated bill impacts, OEB staff submits that the disposition period could be reduced to five years to reduce intergenerational inequity unless Greater Sudbury Hydro can demonstrate that the bill impacts are greater than 10%. OEB staff invites Greater Sudbury Hydro, in its reply submission, to file the bill impacts of OEB staff's proposal on a five-year basis, for the OEB's consideration.

Conclusion

OEB staff submits that Greater Sudbury Hydro has not met its burden of proof to justify overturning the OEB's 2020 decision approving the transition to an accrued basis of accounting. Further, intergenerational equity is better served by the accrued method plus an appropriate disposition period to mitigate bill impacts to customers.

If a transitional recovery is approved, OEB staff supports the principled approach explained in its July 11, 2025 submission, which focused on limiting the costs to a period when embedded-in-rates costs were explicit and compared to the accrual costs that were recognized in income, e.g. current service cost plus interest cost. As for the OPEB Actuarial Gains/Losses Variance Account, the OEB's Report stated that a generic approach to the regulatory treatment of actuarial gains and losses under International Financial Reporting Standards (IFRS) could not be determined at that

time.³⁸ OEB staff submits that the OPEB Actuarial Gains/Losses Variance Account should remain open for tracking without disposition at this time but can be brought forward at Greater Sudbury Hydro's next rebasing for potential disposition.

OEB staff believes it is also important to comment that a material portion of Greater Sudbury Hydro's disposition request constitutes a "soft" asset based on actuarial gains and losses, approximately \$4.81 million (gain).³⁹

OEB staff submits that these amounts are "soft" because they do not meet the definition of an asset. IFRS defines an asset as "a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise." Actuarial gains/losses are valuation changes, not costs. They fluctuate based on mortality rates, discount rates, etc., which is why IFRS does not recognize them as a part of income. Since they do not form a part of income, these actuarial gains/losses do not provide a benefit to the entity. For this reason, OEB staff submits that the overall disposition should not include these amounts.⁴⁰

OEB staff submits that long term cash management is an important consideration for utilities but is not in itself a reason to overturn the OEB's 2020 decision for Greater Sudbury Hydro. The Report recognizes that "Utilities will manage and accept the risks inherent in funding OPEB plans. Utilities have the responsibility to manage their cash flows over time."⁴¹ Furthermore, "Whatever the past trends, the utilities had and continue to have, significant control over the costs of their pension and OPEB plans: they design their compensation structure, negotiate collective bargaining agreements, and have input on the actuarial assumptions upon which the costs in the financial statements are based."⁴²

~All of which is respectfully submitted~

³⁸ Report, p 13

³⁹ Net of \$7.22 million (gain) in the OPEB Actuarial Gains/Losses Variance Account, and \$2.41 million (loss) in the OPEB Transitional Amount.

⁴⁰ As previously noted in OEB Staff's Submission, July 11, 2025, p. 8-11

⁴¹ Report, p. 14

⁴² *Ibid*, p. 10