



**GREATER SUDBURY HYDRO  
INC. (GSHI) – OPEB – REPLY  
TO INTERVENORS AND OEB  
STAFF**

EB-2024-0026

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## 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 OPEB-related deferral and variance accounts. All matters in the application have been settled except two sub-accounts:

- Account 1508 – OPEB Cash-to-Accrual Transitional Amount: \$25.07M debit (incl. tax gross-up) to be collected (the Transition Amount).
- Account 1508 – OPEB Actuarial Gains & Losses: \$6.88M credit (incl. tax gross-up) to be refunded.

GSHi proposes to clear both balances concurrently and recover/refund the net debit of ~\$18.19M over 10 years via a straight-line rider beginning May 1, 2026.

A principled transition is both possible and appropriate. A transition from cash to accrual can and should be approved where it produces just and reasonable rates and aligns with the principles in the OEB’s 2017 OPEB Report<sup>1</sup> (fairness, minimizing intergenerational inequity, minimizing rate volatility, appropriate allocation of risk, transparency, and providing value to customers). GSHi’s proposal is, respectfully, the only approach before the Panel that satisfies those principles.

GSHi’s May 9, 2025, Supplemental Evidence (including the actuary’s illustrative model and accompanying write-up, see table on p. 9) demonstrates the comparability of recovery methods: full cash, full accrual, and a sound transition, and shows how GSHi’s method delivers the same total funding as the cash accounting methodology it is transitioning from, differing only in timing of cash collection.

OEB staff’s approach relies on reconstructing historical accounting flows and excluding elements that are not separable pieces of the OPEB obligation, creating asymmetry and a permanent under-recovery of the existing liability. It relies on a continuing stream of new entrants to backfill past costs: in GSHi’s view OEB staff’s proposal is structurally fragile, intergenerationally unfair, and creates a perverse incentive against prudent changes in OPEB programming when achievable.

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<sup>1</sup> Ontario Energy Board, Report of the OEB – Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs, EB-2015-0040 (14 September 2017).

GSHi recognizes this application is complex and that regulatory judgment is required amid conflicting submissions. The 2017 OPEB Report expressly contemplates the possibility that it may be unreasonable to require a utility to transition from cash to accrual accounting for OPEBs and provides an alternative path: remain on cash accounting.<sup>2</sup> On this basis GSHi put forward a second option, prospectively return to cash-accounting for OPEBs, for the OEB to consider. As shown in GSHi's May 9<sup>th</sup> evidence submission, cash-based recovery also produces just and reasonable rates and maintains rate-neutrality in aggregate.

At the same time, GSHi acknowledges (as set out in detail below) that the process to date resulted in a settlement proposal that provides for GSHi's OPEB costs, for both GSHi employees and GSHPi employees that provide service to GSHi's customers, on an accrual basis for the test year. Accordingly, if the OEB is interested in having GSHi revert to cash based accounting for OPEBs in rates effective May 1, 2025 (obviating the need to calculate a 2019 transition amount or dispose of amounts in the actuarial gains and losses variance account) GSHi agrees with parties that suggest the OEB should put that option to the parties for possible inclusion in an amended Settlement Proposal.

Accordingly while GSHi maintains that its proposed transition methodology and proposal to clear both accounts concurrently, recovering a net \$18.19M over 10 years starting May 1, 2026 is a just and reasonable result that is fair to both GSHi and its ratepayers, GSHi submits that if the OEB determines a reversion to cash-based OPEB accounting effective May 1, 2025 would be acceptable in these circumstances, the Board should put that option to the parties to consider an amendment to the Settlement Proposal.

## GSHi Response to OEB staff

In its submission, OEB staff states that they do not support GSHi's proposal to revert to the cash basis.<sup>3</sup> This submission addresses the various points OEB staff make in their submission.

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<sup>2</sup> Ontario Energy Board, Report of the OEB – Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs, EB-2015-0040 (14 September 2017), pg. 8 (last two paragraphs).

<sup>3</sup> Ontario Energy Board, OEB Staff Submission, EB-2024-0026 (30 October 2025), pg. 7 (stating that OEB staff “does not support Greater Sudbury Hydro's proposal to revert to the cash basis for its OPEB costs”).

## Response to OEB staff on “Rate Retroactivity”

OEB staff asserts that requiring GSHI to transition to cash-based accounting for OPEBs would constitute impermissible retroactive ratemaking. With respect, GSHI disagrees.

A transition to cash-based accounting effective May 1, 2025,<sup>4</sup> does not amount to a change in the underlying OPEB costs being recovered in rates. As explained in detail by GSHI in its evidence, under a principled, conceptually sound approach, the OPEB costs recovered in rates are identical whether under cash based or accrual-based accounting;<sup>5</sup> the difference is simply the timing of the recovery.<sup>6</sup> Were GSHI to transition back to cash-based accounting for OPEBs effective May 1, 2025, it would not change the 2020 to 2024 OPEB costs that were approved for GSHI; it would only change the timing of the recovery of those costs. The proposed refund to ratepayers on the transition to cash based accounting is the adjustment necessary to prevent GSHI from over collecting its OPEB costs in rates prospectively because of the change in accounting policy and the related change in timing as to when those costs are to be recovered; it is not an adjustment to the approved OPEB cost itself.

Additionally, subject to the issues raised by parties regarding the operation of a settlement agreement in this proceeding, discussed below, GSHI notes that the OEB always retains the authority to change rates prospectively and, more specifically, determine the accounting methodology that should govern regulated rate recovery. The only possible issue of retroactivity that could occur in the context of GSHI’s OPEB costs from 2020 to 2024 as a result of a change in accounting methodology effective May 1, 2025 from accrual to cash accounting for OPEBs would be the proposed refund to ratepayers.<sup>7</sup> As noted above, that adjustment is necessary to effect a prospective change in accounting methodology, such that it is not retroactive ratemaking; furthermore, it is a refund to

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<sup>4</sup> GSHI cites the start of the Rate Year, i.e. May 1, when discussing the effective date of changes in accounting policy. However, it should be noted that in terms of calculating the annual impact of OPEB costs or transitions the calculations are based on the calendar year that the rate year relates to. For example, while citing the change in accounting for OPEBs from cash to accrual effective May 1, 2020, that relates to the OPEB costs of GSHI in the calendar year January 1, 2020 to December 31, 2020.

<sup>5</sup> Ontario Energy Board, Greater Sudbury Hydro Inc. – OPEB Supplemental Evidence, EB-2024-0026 (9 May 2025), s. 3 “Illustrative Example of OPEBs,” pg. 9 (table showing equal total recovery under cash and accrual approaches).

<sup>6</sup> Ontario Energy Board, Greater Sudbury Hydro Inc. – Responses to Panel Questions, EB-2024-0026 (15 October 2025), “Cash flow analysis,” pg. 6 (and accompanying figures).

<sup>7</sup> Ontario Energy Board, Greater Sudbury Hydro Inc. – OPEB – Reply Submission, EB-2024-0026 (1 August 2025), Appendix A: Reverting to Cash Basis of Recovery, pg. 41 (table “Calculation of Disposition Amount” showing total principal amount \$715,169)

customers from GSHi, which GSHi (and, presumably, the other parties) would support as a necessary adjustment in order to fairly implement a reversion to cash based accounting for OPEBs as a result of the short period of accrual accounting for OPEBs from 2020 to 2024.

Accordingly, GSHi does not agree that retroactivity is a bar to the OEB approving a transition to cash accounting for OPEBs and a refund to customers related to the accrual accounting for OPEBs from 2020 to 2024.

OEB staff cites the OEB’s October 31, 2019, Letter to Distributors as if it is relevant to the option of transitioning from accrual to cash accounting for OPEBs effective May 1, 2025. With respect, GSHi disagrees. The October 31, 2019, Letter addresses the OEB’s approach to correcting errors in certain distributor variance accounts after those accounts have already been disposed of. There is no such error here. The option to transition from accrual accounting to cash accounting effective May 1, 2025 would, if approved, be a prospective change in accounting methodology, not a correction to previous period recoveries, with the calculation of a transition amount related to the difference between cash and accrual recoveries over the 2020 to 2024 representing an adjustment to avoid over-recovery from customers as a result of the prospective change in accounting methodology. In GSHi’s respectful submission the October 31, 2019, Letter to Distributors has no application when considering the option of transitioning from accrual to cash accounting effective May 1, 2025.

## A principled approach to rate-setting - mirrored components (GSHi vs. OEB staff)

OEB Staff’s submission makes assertions about its’ proposal being a “principled” approach to the issue of calculating an appropriate Transition Amount.<sup>8</sup>

Below GSHi lays out the underlying elements of each proposal and summarizes how each proposal (GSHi’s proposal and OEB Staff’s proposal as supported by intervenors) treats each element, explaining why GSHi’s method is principled and why OEB staff’s approach, which inappropriately conflates annual transactions (flows) with the transition balance, is unsound.

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<sup>8</sup> Ontario Energy Board, OEB Staff Submission, EB-2024-0026 (30 October 2025), pg. 8, “OEB staff continues to support the use of a principled approach as the primary method for establishing the appropriate transitional amount for disposition.”

## 1) Basis of measurement at transition

**GSHi:** Uses the as-at December 31, 2019, actuarial obligation (balance) which inherently incorporates cash recovered to date. This captures all prior flows implicitly and avoids reconstructing history.

**OEB staff:** Rebuilds from annual flows (service cost, interest, payments, remeasurements) and tests which past components “should” have been in rates each year, effectively attempting to re-write history as if GSHi were always on accrual.

**Why GSHi’s treatment is principled:** It measures the obligation at the transition date for the closed cohort, incorporating what has already been paid out in cash, and sets a single bridging amount, rate-neutral in aggregate and administratively transparent. It also aligns with OEB-approved precedent where a balance-at-date bridge was adopted to resolve near-identical OPEB transition issues (e.g., Enbridge).<sup>9</sup> By contrast, OEB staff’s transaction-by-transaction reconstruction applies a narrow reading of the 2017 OPEB Report, selectively strips out components that do not exist as separable pieces of the December 31, 2019, obligation, and never evaluates whether the resulting shortfall their proposal would impose remains consistent with just and reasonable rates.

## 2) Need for historical accrual data

**GSHi:** Historical accrual detail is not required to effect the transition. Even with zero pre-2019 accrual records, the conceptually sound base for the Transition Amount is the point-in-time actuarial valuation at December 31, 2019.

**OEB staff:** The approach depends on pre-2019 accrual detail (which was never used for ratemaking) and then filters or disallows selected pieces of those flows (the annual transactional activity) to reshape the Transition Amount.

**Why OEB staff’s filtering is conceptually wrong:** Staff treat the historical flows (initial recognition in 2000, annual actuarial gains/losses, etc.) as if they remain separable items inside the 2019 OPEB liability balance that can be plucked out without consequence. That

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<sup>9</sup> Ontario Energy Board, Greater Sudbury Hydro Inc. – OPEB – Reply Submission, EB-2024-0026 (1 August 2025), s. 7.1; see also Enbridge Gas Distribution Inc., EB-2011-0354 (approval of OPEB cash-to-accrual transitional amount and rate rider).

is factually incorrect. Under OPEB accounting mechanics, each year’s movement rolls into the carrying amount via the basic identity:

$$\text{Opening obligation} + \text{Service cost} + \text{Interest cost} - \text{Benefit payments} \pm \text{Actuarial remeasurement} = \text{Closing obligation (year-end valuation)}$$

Once the closing obligation is measured, prior flows do not persist as discrete components; they are fully absorbed into the year-end valuation. Selectively excluding the “sum of components” (e.g., the 2000 initial recognition or cumulative actuarial gains/losses) after the fact breaks the reconciliation to the actuarial valuation and yields a balance that no longer corresponds to the obligation that a conceptually sound Transition Amount from cash to accrual ratemaking is designed to fund.

Put simply, OEB staff’s method elevates bookkeeping granularity over the actual obligation. Historical accrual data can be diagnostic (to test assumptions or reasonableness), and it can be used carefully to make conceptually sound adjustments to the Transition Amount, but the sum of the individual components of the annual “flows” categorized by OEB staff are not a subledger of the balance proposed for transition. The principled basis is the as-at accrual-based obligation at transition, which already incorporates, by definition, all prior flows.

### 3) Actuarial gains/losses (remeasurements)

**GSHi:** Treated as part of the measured obligation at December 31, 2019, actuarial gains/losses are not a stand-alone recovery item; they update the best estimate of the liability and thus lower or raise the balance used in the bridge.

**OEB staff:** Labels a ~\$4.81M<sup>10</sup> net gain “soft” and argues for exclusion, while after transition preserving the actuarial gain/loss DVA.

**Why staff’s treatment is inconsistent:** Excluding remeasurements and entire fiscal year transactions from the Transition Amount while maintaining an actuarial gain/loss DVA subsequent to transition creates asymmetry (e.g., GSHi is to refund gains tied to accrual

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<sup>10</sup> OEB staff’s \$4.81M figure from its Oct 30<sup>th</sup> submission nets a \$7.22M credit in the OPEB Actuarial Gains/Losses Variance Account against a \$2.40M debit in the OPEB Transitional Account. On a like-for-like basis, the correct amounts are a \$6.88M credit (updated balance proposed for disposition) and a \$3.27M debit once the \$2.40M is grossed up for PILs, yielding a net ~\$3.61M credit, not \$4.81M. GSHi addresses this correction and its implications later in this submission (see Scenario 2 - “soft asset” discussion)

amounts OEB staff simultaneously deny).<sup>11</sup> In addition, the net actuarial loss recorded from 2000 to 2019 of \$2.40M (\$3.27M when grossed up for PILs), if it is to be excluded from the Transition Amount, should be recorded in the gains and losses DVA.

#### **4) “Legacy” (pre-incorporation) amount**

**GSHi:** No discrete “legacy” bucket exists at transition; the balance is fully rolled forward by routine activity (payments, service cost, remeasurements, membership changes).

**OEB staff:** Treats the historical 2000 entry (~\$6.49M) as if it remains a separable piece inside the December 31, 2019, OPEB obligation.

**Why GSHi’s view is correct (and why OEB staff’s own premise confirms it):** Annual flows explain movement; they do not persist as recoverable sub-ledgers within the closing balance. This is not a matter open to interpretation, it is a matter of fact. OEB staff also asserts that the pre-2000 liability is “already paid out.” In rate terms, that means cash recoveries in rates from 2000–2019 were applied against that opening \$6.49M obligation. GSHi’s proposed transition bridge, based on the forward-looking OPEB obligation at December 31, 2019, inherently incorporates and counts that original opening obligation and the cash payments made to reduce that same obligation over the years.

If one removes \$6.49M from the obligation side and transition amount while leaving all cash recoveries in, as OEB staff’s approach does, the same dollars are effectively counted twice. The only proper way to “carve out” the opening amount would be to remove the matching cash recoveries applied to it, which would theoretically yield a net-zero effect and leave the bridge unchanged. Hence, there is no principled basis to separate a “legacy” piece from the December 31, 2019, balance.

#### **5) Intergenerational funding and stability**

**GSHi:** Closed cohort: funds the obligation that exists at transition without relying on new entrants.

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<sup>11</sup> Ontario Energy Board, Greater Sudbury Hydro Inc. – OPEB – Reply Submission, EB-2024-0026 (1 August 2025), s. 5.1.4 “OPEB Actuarial Gains/Losses Variance Account,” pg. 29; see also pg. 30 (explaining GSHi would refund an actuarial gain on accrual costs that were never collected).

**OEB staff:** Explicitly relies on new employees’ service costs to help fund old cohorts’ cash benefits,<sup>12</sup> entrenching a permanent under-recovery that only “works” if inflows continue.

**Why GSHi’s method is sound:** It eliminates cross-subsidy, aligns recovery with the obligation actually at issue, and is robust if hiring slows, the plan closes, or the utility consolidates (GSHi provides below further analysis of OEB staff’s reliance on new entrants to fund the persistent cash flow shortfall produced by their proposal).<sup>13</sup>

## 6) Projections / impact analysis

**GSHi:** Third-party, closed-cohort projections filed as part of GSHi’s October 15<sup>th</sup>, 2025 evidence submission reconcile to the actuarial valuations used for accrual costs in rates.

**OEB staff:** Dismisses projections as “speculative” without a counter-model or sensitivities, while favoring an open-ended flows reconstruction that is, in fact, more assumption-laden.

**Why GSHi’s method is sound:** GSHi’s projections are fit-for-purpose, anchored, and conservative: they (i) reconcile to the same actuarial valuations that underpin accrual costs in rates, (ii) use a closed-cohort design that avoids speculation about future entrants and benefit designs, and (iii) serve to illustrate timing and cash impacts of the relevant transition obligation, not to create the transition amount itself. By contrast, OEB staff’s dismissal comes without a counter-model, sensitivity testing, or quantitative support.

The mirrored components analysis reveals, in GSHi’s respectful submission, a simple choice. GSHi’s proposal measures the obligation at the point in time of the transition, is net of all previous period actualized cash obligations, and respects remeasurements as part of that obligation, avoiding asymmetry and cross-subsidy. It then uses historical flows to perform the comparison the OEB’s 2017 OPEB Report calls for,<sup>14</sup> testing what was

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<sup>12</sup> Ontario Energy Board, OEB Staff Submission, EB-2024-0026 (30 October 2025), pg. 10 (stating that new employees’ service costs recognized in rates provide a continuing source of recovery that helps fund the plan as old cohorts’ cash benefits are paid).

<sup>13</sup> See the section further in this response sub-titled “Response to OEB staff’s “new employees fund old benefits” premise.”

<sup>14</sup> Ontario Energy Board, Report of the OEB – Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs, EB-2015-0040 (14 September 2017), pg. 9 (noting that a change to cash may require calculating the “cumulative difference to date” for disposition).

embedded in rates historically against what would have been embedded under accrual, to ensure that the result is just and reasonable.<sup>15</sup> The result is rate-neutral and transparent.

OEB staff’s approach attempts to reconstruct and curate historical flows, excludes elements that update the obligation, maintains inconsistent DVA treatment for gains and losses between the pre and post transition period, and relies on future entrants to backfill past service, producing under-recovery and methodological inconsistency.

As a result, GSHi maintains, the OEB should either adopt GSHi’s balance-based method or, if available as discussed below, approve a return to cash accounting for OPEBs, as these two options produce just and reasonable rates grounded in a coherent, internally consistent framework.

## Response to OEB staff assertions - reverting back to the cash basis may result in intergenerational inequity and create a funding risk

GSHi agrees that minimizing intergenerational inequity is a core objective, and that, in steady state, aligning recovery with the accrual basis best matches cost to the period service is earned. But this case is not steady state; it is a transition from cash to accrual. Any path the Panel chooses necessarily involves trade-offs that must be balanced on the evidence.

Intergenerational inequity can be argued under either approach, and the OEB’s 2017 OPEB Report recognizes that “maintaining a consistent method used to determine recovery over time may be one reason for not adopting the accrual method for rate setting. Stability and predictability in regulation are desirable unless unintended and undesirable effects occur.”<sup>16</sup> Inherent in this guidance is the Board’s acceptance that some intergenerational mismatch may be tolerated when maintaining cash recovery better serves stability and avoids unintended consequences. In other words, where the transition itself would compromise stability or fairness, maintaining the existing method (i.e., cash) is a principled option, hence GSHi’s offered reversion to cash alternative.

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<sup>15</sup> Ontario Energy Board, Greater Sudbury Hydro Inc. – OPEB Supplemental Evidence, EB-2024-0026 (9 May 2025), s. 4.2 “GSHi’s Historical OPEB Recovery in Rates” pg.12, see also “GSHi’s preferred path: Actual-cash baseline,” pg. 17.

<sup>16</sup> Ontario Energy Board, Report of the OEB – Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs, EB-2015-0040 (14 September 2017), pg. 8.

As to the assertion that reversion to cash would “create a funding risk,” OEB staff do not develop this point or provide supporting analysis.<sup>17</sup> There is therefore nothing substantive for GSHi to respond to beyond noting that its proposals (transition bridge or prospective cash) fully fund the existing obligation and avoid reliance on future entrants to “backfill” past costs.<sup>18</sup>

## OEB staff mischaracterizes the “pre-incorporation” OPEB amount

OEB staff assert 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.”<sup>19</sup> Respectfully, the first proposition is incorrect: the Transition Amount is not driven by, nor does it contain, a discrete pre-2000 “legacy” component. The second proposition is essentially correct: those pre-2000 obligations have indeed been materially paid out over time through cash benefits funded in rates prior to 2020, which is why, in part, OEB staff’s proposal to carve that liability out of the Transition Amount is inappropriate.

**Regarding the “legacy” component being included in GSHi’s proposal:** As GSHi explained in its August 1, 2025 submission (s. 4.2), the cited \$6.49 million is not a distinct component of the Transition Amount proposed for disposition, nor is GSHi seeking separate recovery of any “pre-incorporation” balance. This is a matter of fact, not interpretation: the OPEB obligation is remeasured at each year-end (actuarial gain/loss) and rolled forward through normal activity (benefit payments, service cost, changes in participant complement, etc.). OEB staff appear to conflate the fiscal-year transactions that explain movement over time (flows) with the actuarial valuation at a point in time (the balance). The components of the flows do not persist as separable “pieces” inside the balance. There is no discrete 2000 “legacy” bucket remaining to be recovered at transition in 2019.

A simple framing underscores the point. If GSHi had no accrual data prior to December 31, 2019, could it still transition from cash to accrual on that date? The answer is yes. Because GSHi was on a cash-basis of recovery for OPEBs up until the transition date, there was no rate-setting requirement to prepare actuarial valuations for 2000–2019. If transitioning on December 31, 2019, without prior accrual data, the OPEB obligation on which GSHi’s

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<sup>17</sup> Ontario Energy Board, OEB Staff Submission, EB-2024-0026 (30 October 2025), pg. 6.

<sup>18</sup> See the section further in this response sub-titled “Response to OEB staff’s “new employees fund old benefits” premise.”

<sup>19</sup> Ontario Energy Board, OEB Staff Submission, EB-2024-0026 (30 October 2025), pg. 6.

Transition Amount is based - \$19,789,907<sup>20</sup> - would be identical. The Transition Amount is calculated as at December 31, 2019; the entry referred to by OEB staff for \$6.49 million and recorded in 2000 has no bearing on that calculation and is not a distinct piece of it. The 2000–2019 accrual data and annual flows are provided in this proceeding to assist the parties' analysis and to test potential adjustments to the transition balance; they should not be construed as discrete recoverable components of the transition balance.

Suggesting that GSHi's Transition Amount "contains" a \$6.49 million pre-incorporation liability misstates the evidence and risks confusing the record on a point that is not open to interpretation.

**Regarding the legacy amount being "already paid out":** For completeness, it is also important to recognize what cash-based recovery accomplished prior to 2020. GSHi's rates from 2000 to 2019 recovered the annual cost of OPEBs on a cash basis, consisting of benefits attributable to service already earned on an accrual basis, including pre-2000 service by employees of GSHi and GSHPi. Indeed, a substantial share of the cash benefits paid from 2000 to 2019 related to obligations accrued before 2000 (as reflected in the January 1, 2000, opening recognition of approximately \$6.49 million). Accordingly, to pretend that GSHi's ratepayers were not and are not responsible for funding the pre-2000 accrued liability is a pure fiction;<sup>21</sup> GSHi's customers have already been held responsible for that pre 2000 liability, repeatedly and rightly so, through their funding of that liability on a cash basis throughout the period up to 2019. None of this creates a separable "legacy" amount within the December 31, 2019, actuarial obligation that can be removed from the Transition Amount, nor does GSHi seek to recover such an amount again in its transition balance.

OEB staff's method offsets the transition amount with all cash recovered in rates from 2000–2019 and simultaneously removes the \$6.49M initial recognition from the liability side. That proposal creates a mismatch that should be rejected. The cash recovered in

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<sup>20</sup> Ontario Energy Board, Greater Sudbury Hydro Inc. – Responses to Panel Questions, EB-2024-0026 (15 October 2025), Appendix B: Updated Summary of GSHi Proposal, line "Gross unfunded OPEB liability (pre-tax)" (total, before adjusting out amounts not attributable to GSHi and ratepayers). This pre-adjustment OPEB obligation matches GSHi's initial rate application and is based on the actuarial valuation as at December 31, 2019.

<sup>21</sup> VECC Submission (July 18, 2025), p. 6: "In our submission GSHi was never the owner of any pre-2000 OPEB. Nor is the owner of any other employment related liabilities subsequent to when it actually began to employ the staff related to those benefits. Therefore, it cannot today claim a historical liability of \$6.49 million to be paid by its ratepayers. This would be wrong factually and as a matter of law."

2000–2019 already funded the pre-2000 obligation reflected in the \$6.49M opening amount, yet OEB staff proposes to:

- a) exclude the \$6.49M initial recognition amount from the measured obligation, while still
- b) including the amounts recovered in rate and applied to that \$6.49M liability as, instead, an offset against the remaining liability.

In effect, the same dollars are used twice to reduce the transition amount, once when they paid down the pre-2000 obligation as part of GSHi's OEB approved cash-based recovery of OPEB costs, and then again when the full cash total is netted against a liability that no longer includes the \$6.49M. This is, in GSHi's view, blatantly unreasonable.

### OEB staff mischaracterizes actuarial gains/losses as a “soft asset”

OEB staff contend that a “material portion” of GSHi's disposition request is a “soft asset”<sup>22</sup> based on actuarial gains/losses (\$4.81 million)<sup>23</sup> and therefore should be excluded.

Respectfully, that misconstrues both what actuarial gains/losses are and what GSHi is asking the Panel to approve.

Actuarial gains/losses within the Transition Amount are not a stand-alone recovery item. They are remeasurements used to determine the point-in-time actuarial valuation of the OPEB obligation at year-end. Labeling them a “soft asset” misapplies IFRS concepts: as it applies to the Transition Amount, these amounts are neither being booked as a discrete asset nor sought as a discrete recovery. They simply change the measured liability year-to-year, which in turn informs the transition calculation.

As with OEB staff's “pre-incorporation legacy OPEB liability” comment, the core confusion is flows vs. balance. OEB staff appear to conflate fiscal-year flows (service cost, interest, benefit payments, actuarial remeasurements) with the closing balance used at transition. Flows explain movement over time; they do not persist as separable “pieces” inside the OPEB liability balance. The Transition Amount is derived from the as-at December 31, 2019, actuarial obligation and cash recovered to that date. As stated above, if GSHi had no

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<sup>22</sup> Reference pg 13 OEB staff submission

<sup>23</sup> OEB staff appear to be referring to the cumulative accounting entries for actuarial gains/losses since inception and treating that cumulative amount as a distinct component of GSHi's net transition balance. For the Panel's reference, the corrected arithmetic is \$3.61M gain/credit (not \$4.81M): updated actuarial gains of \$6.88M less the \$2.40M loss grossed up for PILs to \$3.27M. This figure reflects the cumulative flows OEB staff cite.

historical accrual data at all, the OPEB obligation at December 31, 2019, and thus the base for the calculation of the Transition Amount, would be the same. Prior-year gains/losses are only relevant for understanding how the balance evolved over time up to the point of transition.

Under IFRS (IAS 19), actuarial gains/losses are recognized as remeasurements (outside profit or loss) but they nevertheless update the best estimate of the OPEB obligation. Ratemaking premised on accrual necessarily relies on that measured obligation; excluding the remeasurement component would ignore the very valuation that underpins accrual-based costs embedded in rates and would arbitrarily distort the transition calculation.

### **Summary on Approach**

GSHi respectfully submits that the issues before the OEB call for regulatory judgment and critical thinking, not strictly a backward-looking spreadsheet exercise. A narrow, transaction-by-transaction lens cannot substitute for asking whether the outcome makes sense; does it align recovery with the measured obligation at transition, avoid asymmetry and overfunding/underfunding, and produce just and reasonable rates? GSHi's method answers "yes" on all three counts.

GSHi acknowledges that, once a utility is fully on accrual, it is often prudent to monitor annual transactional flows and allow actuarial gains/losses to offset over time rather than hastily disposing of them. This is consistent with what OEB staff are proposing in this proceeding. However, GSHi has not yet transitioned. Applying regulatory judgment and critical thinking in this one-time transition, it is appropriate to recognize the known actuarial remeasurements as part of the disposition of the Transition Amount now. This aligns the bridge with the best estimate of the obligation today, and avoids manufacturing a surplus or shortfall by tracking known revaluations outside the Transition Amount.

### **Response to OEB staff on projections and the "closed cohort" critique**

OEB staff states that GSHi's impact analysis "may overstate the magnitude of any under-recovery" because it relies on an actuary-developed closed cohort projection, and they label the analysis "largely speculative."<sup>24</sup> With respect, those assertions are unsupported and overlook both the purpose of the projections and how they were constructed.

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<sup>24</sup> Ontario Energy Board Staff Submission, Greater Sudbury Hydro Inc. (EB-2024-0026), 30 October 2025, page 7.

The projections do not create the Transition Amount; they illustrate rate effects and timing under different recovery bases. The Transition Amount itself is anchored to the as-at December 31, 2019, actuarial obligation. Even if projections were set aside, the Transition Amount stands on those known inputs.

A closed cohort isolates the obligations of the existing participant group, which is the population relevant to reconciling past cash recovery with the accrued obligation at transition, the issue in this proceeding. By excluding future entrants, a closed cohort reduces speculation and avoids mixing transition-period under-/over-recovery with costs that arise after the transition date. If anything, this choice dampens the magnitude of effects relative to “open group” projections that import additional uncertainties.

The RSM projections filed on the record reconcile to GSHi’s actuarial valuations<sup>25</sup> (the same valuations relied upon for accrual-based costs embedded in rates). Assumptions (e.g., discount rate, health-care trend, etc.) are aligned with those valuations, and the model ties to the obligation used in this proceeding.<sup>26</sup> That is the opposite of “speculative.”

OEB staff offer no quantitative analysis, no alternative model, and no sensitivity work to substantiate their position. Absent contrary evidence, an external, reconciled projection grounded in the filed actuarial basis is a reasonable and reliable tool for the Panel. GSHi’s projections are principle-consistent, third-party prepared, and tied to the actuarial foundation of the case. The assertions of OEB staff should not displace evidence that reconciles to the very valuations underpinning accrual costs in rates.

## Response to OEB staff’s “new employees fund old benefits” premise

OEB staff suggest that, under their proposal, normal turnover means new employees’ service costs recognized in rates will help fund cash benefits for older cohorts:

*In reality, distribution companies experience employee turnover where new employees accrue service costs. Those service costs are recognized in rates and*

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<sup>25</sup> Greater Sudbury Hydro Inc., Submission (EB-2024-0026), 15 October 2025, Appendix C: Reconcile GSHi Proposal to RSM Projections.

<sup>26</sup> Greater Sudbury Hydro Inc., Submission (EB-2024-0026), 15 October 2025, Appendix C: Reconcile GSHi Proposal to RSM Projections.

*provide a continuing source of recovery in rates that helps fund the plan as the old cohorts' cash benefits are paid.*<sup>27</sup>

That construct, and OEB staff's proposal in this proceeding, would crystalize a permanent under-recovery of the existing OPEB obligation and rely on a continuing stream of future entrants to backfill past costs. In GSHi's view it is not a principled basis for setting just and reasonable rates.

### **Why this is problematic**

- **Mismatching and underfunding:** It breaks the matching principle by using future employees' service cost recovery on an accrual basis to pay past cohorts' cash benefits, leaving the transition shortfall unresolved.
- **Intergenerational cross-subsidy:** Current and future customers would subsidize obligations accrued to the benefit of prior cohorts.
- **Reliance on continued growth:** The approach only "works" if GSHi keeps adding employees indefinitely. If hiring slows, the OPEB plan closes, the OPEB plan terms materially change, or the utility ceases/consolidates, the shortfall crystallizes.
- **Perverse incentive on benefit design:** Because OEB staff's proposal relies on future service costs to fund past obligations, any reduction in OPEB benefits for future hires (e.g., to reflect labour-market conditions) would reduce future inflows embedded in rates and immediately expose the permanent underfunding. This creates a perverse incentive to avoid prudent benefit changes, if available, simply to delay the shortfall from surfacing.
- **Closed-cohort reality:** The transition question concerns an existing obligation as at December 31, 2019. Funding that obligation using future service costs is neither transparent nor stable.

For clarity, not rhetoric, GSHi notes that OEB staff's reliance on future employee accruals to fund current employee funding shortfalls is analogous to a pyramid scheme. A pyramid scheme pays earlier participants primarily from contributions of later participants and collapses if inflows stop. OEB staff's proposal economically resembles that dependency: benefits owed to an earlier cohort are funded by amounts collected from later entrants' service, a structure that fails if new inflows diminish. That is precisely the risk a principled transition is meant to remove.

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<sup>27</sup> Ontario Energy Board Staff Submission, Greater Sudbury Hydro Inc. (EB-2024-0026), 30 October 2025, page 10.

GSHi's proposed Transition Amount (grounded in the year-end actuarial valuation at transition) fully addresses the existing obligation for the closed cohort, avoids permanent under-recovery, and eliminates reliance on future headcount to fund past service. This aligns recovery with the obligation actually at issue and yields stable, transparent, just and reasonable rates.

## Response to OEB staff on burden of proof and “fairness”

The following quote is provided from OEB staff's October 30th submission:

*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.<sup>28</sup>*

GSHi accepts that it bears the burden to demonstrate that the rates it seeks are just and reasonable. GSHi's proposal is built on what it believes is a widely accepted premise: a change in recovery basis for OPEBs should be rate-neutral in aggregate, i.e., the total dollars collected to fund the obligation should be the same under cash or accrual; only the timing differs. On that foundation, GSHi has filed substantial, reconciled evidence (including the May 9 illustrative model) showing that its balance-at-date bridge funds the as-at December 31, 2019 obligation for the closed cohort and avoids asymmetry, cross-subsidy and over-collection.

By contrast, OEB staff do not demonstrate that their approach produces rate-neutral or just and reasonable outcomes. They offer no counter-model, and any attempted reconciliation to the actuarial obligation at transition highlights unacceptable flaws in their methodology, as detailed in this and prior GSHi submissions. OEB staff do not refute GSHi's evidence that their method would leave a material under-recovery relative to the obligation GSHi must pay, jeopardizing GSHi's ability to operate within approved revenues. In short, GSHi has squarely addressed “fairness” with its substantial evidence and direct responses to OEB staff's positions and assertions; OEB staff's submissions to date do not engage with that fairness test.

On the record as it stands, GSHi's proposal meets the fairness standard; it funds no more and no less than the measured obligation and conceptually matches what would otherwise

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<sup>28</sup> Ontario Energy Board Staff Submission, Greater Sudbury Hydro Inc. (EB-2024-0026), 30 October 2025, page 11.

be recovered if GSHi were to remain on the cash basis of recovery. If any party must supply additional evidence on fairness, it is the party advancing a design that collects materially less than the obligation without demonstrating how such an under-recovery could produce just and reasonable rates.

### GSHi comments on response to mitigation proposal

In its response, OEB staff have requested that GSHi file the bill impacts of OEB staff’s proposal on a five-year basis.

GSHi notes that the bill impacts filed in its August 1<sup>st</sup> evidence submission, section 10.1 of the write up titled “Rate Rider & Bill Impact for GSHi’s ‘Option A’ Accrual-Based Proposal” are still accurate for GSHi’s current proposal to dispose of a net \$18.1M balance over 10 years.

The table below summarizes the rate riders for OEB staff’s proposal, assuming a five-year recovery period.

#### OEB Staff Proposal – Rate Riders & Bill Impacts – 5 Year Disposition Scenario

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	\$ 5,925,818	5	# of Customers	43,485	\$ 1,185,164	\$ 2.27
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	\$ 1,600,614	5	kWh	139,426,048	\$ 320,123	\$ 0.0023
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	\$ 1,776,946	5	kW	792,309	\$ 355,389	\$ 0.4485
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	\$ 12,893	5	kWh	856,205	\$ 2,579	\$ 0.0030
SENTINEL LIGHTING SERVICE CLASSIFICATION	\$ 14,424	5	kW	872	\$ 2,885	\$ 3.3083
STREET LIGHTING SERVICE CLASSIFICATION	\$ 177,240	5	kW	10,258	\$ 35,448	\$ 3.4556
<b>Total</b>	<b>\$ 9,507,935</b>				<b>\$ 1,901,587</b>	

Rate Class	Units		Sub-Total A		Sub-Total B		Sub-Total C		Total Bill	
	kWh	kW	\$	%	\$	%	\$	%	\$	%
Residential	750		\$ 2.27	6.09%	\$ 2.27	5.60%	\$ 2.27	4.18%	\$ 2.27	1.70%
General Service (Under) < 50kW	2,000		\$ 4.60	5.68%	\$ 4.60	5.16%	\$ 4.60	3.95%	\$ 4.60	1.41%
General Service (Over) >50kW	60,000	150	\$ 67.28	6.12%	\$ 67.28	5.48%	\$ 67.28	2.50%	\$ 76.02	0.78%
Street Lighting	304,920	855	\$ 2,953.02	5.80%	\$ 2,953.02	5.76%	\$ 2,953.02	5.32%	\$ 3,336.91	3.44%
Sentinel Lighting	78	0.2	\$ 0.66	5.82%	\$ 0.66	5.67%	\$ 0.66	5.21%	\$ 0.66	3.13%
Unmetered Scattered Load	289		\$ 0.87	6.08%	\$ 0.87	5.64%	\$ 0.87	4.49%	\$ 0.87	1.73%

GSHi also replicates the details of OEB staff’s proposal spread over 10 years, which was previously provided in GSHi’s October 15<sup>th</sup>, 2025, submission, for reference purposes:

#### OEB Staff Proposal – Rate Riders & Bill Impacts – 10 Year Disposition Scenario

Rate Class	Allocated balance (Allocator: Distribution Revenue) <b>A</b>	Years for Recovery <b>B</b>	Units	kW / kWh / # of Customers	Allocated Balance (A / B)	Rate Rider
RESIDENTIAL SERVICE CLASSIFICATION	\$ 5,925,818	10	# of Customers	43,485	\$ 592,582	\$ 1.14
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	\$ 1,600,614	10	kWh	139,426,048	\$ 160,061	\$ 0.0011
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	\$ 1,776,946	10	kW	792,309	\$ 177,695	\$ 0.2243
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	\$ 12,893	10	kWh	856,205	\$ 1,289	\$ 0.0015
SENTINEL LIGHTING SERVICE CLASSIFICATION	\$ 14,424	10	kW	872	\$ 1,442	\$ 1.6542
STREET LIGHTING SERVICE CLASSIFICATION	\$ 177,240	10	kW	10,258	\$ 17,724	\$ 1.7278
<b>Total</b>	<b>\$ 9,507,935</b>				<b>\$ 950,793</b>	

Rate Class	Units		Sub-Total A		Sub-Total B		Sub-Total C		Total Bill	
	kWh	kW	\$	%	\$	%	\$	%	\$	%
Residential	750		\$ 1.14	3.06%	\$ 1.14	2.81%	\$ 1.14	2.10%	\$ 1.14	0.85%
General Service (Under) < 50kW	2,000		\$ 2.20	2.71%	\$ 2.20	2.47%	\$ 2.20	1.89%	\$ 2.20	0.67%
General Service (Over) >50kW	60,000	150	\$ 33.65	3.06%	\$ 33.65	2.74%	\$ 33.65	1.25%	\$ 38.02	0.39%
Street Lighting	304,920	855	\$ 1,476.51	2.90%	\$ 1,476.51	2.88%	\$ 1,476.51	2.66%	\$ 1,668.45	1.72%
Sentinel Lighting	78	0.2	\$ 0.33	2.91%	\$ 0.33	2.84%	\$ 0.33	2.60%	\$ 0.33	1.57%
Unmetered Scattered Load	289		\$ 0.43	3.04%	\$ 0.43	2.82%	\$ 0.43	2.25%	\$ 0.43	0.87%

Analysis of the above two scenarios shows that OEB staff’s proposal disposed of over 5 years has roughly double the bill impact (i.e.: 1.70% increase to a Residential bill over 5 years compared to 0.85% increase to a Residential bill over 10 years).

**Clarification of GSHi’s Mitigation Proposal**

OEB staff asks that GSHi clarify the details of its mitigation proposal, wherein GSHi would only clear 50% of the Transition Amount immediately and propose disposition of the remaining 50% in a future application. Having read OEB staff’s submission on what it considers a reasonable bill impact, what follows is a description of how GSHi would propose to mitigate the impact of the recovery of its proposed Transition Amount under two scenarios.

**Scenario 1 - If the OPEB actuarial gains/losses deferral offset is not cleared (Transition Amount to be disposed of becomes ~\$25.07M)<sup>29</sup>**

GSHi’s proposal includes a ~\$6.88M credit (offset, grossed up for PILs) from the disposition of the actuarial gains & losses deferral account. If the Panel accepts OEB staff’s view that this account should not be cleared, the amount collected via rate rider would increase to

<sup>29</sup> Ontario Energy Board, Greater Sudbury Hydro Inc. – Responses to Panel Questions, EB-2024-0026 (15 October 2025), Appendix B: Updated Summary of GSHi Proposal, line “Transition amount” (total \$25,068,558).

~\$25.07M; it is this scenario that GSHI’s mitigation proposal was intended to address. In that case, GSHi proposes to:

- a) recover 50% of \$25.07M over 10 years (~\$12.53M), and
- b) track the remaining 50%, although approved for recovery, 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 are materially higher than the accrual amounts embedded in rates, with the goal of as much as possible offsetting the rider recovery against the decline in base rates.

The following tables summarize the bill impacts of the disposition of 50% of \$25.07M over 10 years:

**GSHi Proposal – Rate Riders & Bill Impacts – Mitigation \$25M @ 50%**

Rate Class	Allocated balance (Allocator: Distribution Revenue) <b>A</b>	Years for Recovery <b>B</b>	Units	kW / kWh / # of Customers	Allocated Balance (A / B)	Rate Rider
RESIDENTIAL SERVICE CLASSIFICATION	\$ 7,811,986	10	# of Customers	43,485	\$ 781,199	\$ 1.50
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	\$ 2,110,084	10	kWh	139,426,048	\$ 211,008	\$ 0.0015
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	\$ 2,342,542	10	<b>kW</b>	792,309	\$ 234,254	\$ 0.2957
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	\$ 16,997	10	kWh	856,205	\$ 1,700	\$ 0.0020
SENTINEL LIGHTING SERVICE CLASSIFICATION	\$ 19,015	10	<b>kW</b>	872	\$ 1,902	\$ 2.1807
STREET LIGHTING SERVICE CLASSIFICATION	\$ 233,655	10	<b>kW</b>	10,258	\$ 23,365	\$ 2.2778
<b>Total</b>	<b>\$ 12,534,279</b>				<b>\$ 1,253,428</b>	

Rate Class	Units		Sub-Total A		Sub-Total B		Sub-Total C		Total Bill	
	kWh	kW	\$	%	\$	%	\$	%	\$	%
Residential	750		\$ 1.50	4.03%	\$ 1.50	3.70%	\$ 1.50	2.76%	\$ 1.50	1.12%
General Service (Under) < 50kW	2,000		\$ 3.00	3.70%	\$ 3.00	3.37%	\$ 3.00	2.58%	\$ 3.00	0.92%
General Service (Over) >50kW	60,000	150	\$ 44.36	4.03%	\$ 44.36	3.61%	\$ 44.36	1.65%	\$ 50.12	0.51%
Street Lighting	304,920	855	\$ 1,946.52	3.82%	\$ 1,946.52	3.80%	\$ 1,946.52	3.51%	\$ 2,199.56	2.27%
Sentinel Lighting	78	0.2	\$ 0.44	3.83%	\$ 0.44	3.74%	\$ 0.44	3.43%	\$ 0.44	2.06%
Unmetered Scattered Load	289		\$ 0.58	4.05%	\$ 0.58	3.76%	\$ 0.58	2.99%	\$ 0.58	1.16%

**Scenario 2: If actuarial gains/losses from 2000 to 2023 are not cleared (the \$4.81M “soft asset”)**

OEB staff’s response from October 30<sup>th</sup> cites a \$4.81M net “soft asset,” described as a \$7.22M gain in the OPEB Actuarial Gains/Losses Variance Account offset by a \$2.40M loss

in the OPEB Transitional Account.<sup>30</sup> Two corrections are required for an apples-to-apples comparison with amounts OEB staff are purporting to be included in GSHi's transition balance:

- a) updated gain balance: The gain GSHi proposes to dispose from the actuarial gains/losses account is \$6.88M, not \$7.22M (reflecting adjustments in this proceeding), and
- b) PILs gross-up: To align with how amounts flow into the net balance disposed via rate rider, both figures should be grossed up for PILs; the \$2.40M loss cited by OEB staff is pre-PILs.

Applying the PILs gross-up to the \$2.40M loss adds \$0.87M,<sup>31</sup> yielding an adjusted \$3.27M loss. The net amount OEB staff are attempting to isolate is therefore:

- \$6.88M (gain) – \$3.27M (loss) = \$3.61M<sup>32</sup> (net gain)

For clarity, this \$3.61M is currently reflected as a net reduction to GSHi's proposed disposition amount. If, as OEB staff suggests, these amounts were excluded from disposition and instead carried forward in the actuarial gain/loss DVA, GSHi's Transition Amount would increase by approximately \$3.61M, from \$18.19M to approximately \$21.79M<sup>33</sup>.

Based on OEB Staff's submission that recovery of ~\$9.5M over 5 years represents an acceptable rate impact, GSHi expects that recovery of \$21.79M over 10 years, which produces a monthly bill impact similar to the recovery of ~\$9.5M over 5 years, would be acceptable. If the OEB determined that further mitigation is required, GSHi estimates that a 12-year rider would produce a reasonable result based on OEB Staff's submission.

The following tables summarize the impact of clearing \$21.79M over 10 years.

### **GSHi Proposal – Rate Riders & Bill Impacts – Excluding Actuarial Gains/Losses for 2000 to 2023 from Rate Rider**

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<sup>30</sup> Ontario Energy Board Staff Submission, Greater Sudbury Hydro Inc. (EB-2024-0026), 30 October 2025, pg 13.

<sup>31</sup> PILs gross up calculation =  $\$2,407,049 * 26.5\% / (1 - 26.5\%)$

<sup>32</sup>  $\$6,881,814 - \$3,274,897 = \$3,606,917$

<sup>33</sup>  $\$18,186,744 + \$3,606,917 = \$21,793,661$

OPEB – Reply to Intervenors and OEB staff

Rate Class	Allocated balance (Allocator: Distribution Revenue) <b>A</b>	Years for Recovery <b>B</b>	Units	kW / kWh / # of Customers	Allocated Balance (A / B)	Rate Rider
RESIDENTIAL SERVICE CLASSIFICATION	\$ 13,582,893	10	# of Customers	43,485	\$ 1,358,289	\$ 2.60
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	\$ 3,668,856	10	kWh	139,426,048	\$ 366,886	\$ 0.0026
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	\$ 4,073,036	10	<b>kW</b>	792,309	\$ 407,304	\$ 0.5141
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	\$ 29,552	10	kWh	856,205	\$ 2,955	\$ 0.0035
SENTINEL LIGHTING SERVICE CLASSIFICATION	\$ 33,063	10	<b>kW</b>	872	\$ 3,306	\$ 3.7916
STREET LIGHTING SERVICE CLASSIFICATION	\$ 406,261	10	<b>kW</b>	10,258	\$ 40,626	\$ 3.9604
<b>Total</b>	<b>\$ 21,793,661</b>				<b>\$ 2,179,366</b>	

Rate Class	Units		Sub-Total A		Sub-Total B		Sub-Total C		Total Bill	
	kWh	kW	\$	%	\$	%	\$	%	\$	%
Residential	750		\$ 2.60	6.98%	\$ 2.60	6.41%	\$ 2.60	4.78%	\$ 2.60	1.95%
General Service (Under) < 50kW	2,000		\$ 5.20	6.42%	\$ 5.20	5.83%	\$ 5.20	4.47%	\$ 5.19	1.59%
General Service (Over) >50kW	60,000	150	\$ 77.12	7.01%	\$ 77.12	6.28%	\$ 77.12	2.87%	\$ 87.14	0.89%
Street Lighting	304,920	855	\$ 3,384.40	6.65%	\$ 3,384.40	6.60%	\$ 3,384.40	6.10%	\$ 3,824.37	3.94%
Sentinel Lighting	78	0.2	\$ 0.76	6.67%	\$ 0.76	6.50%	\$ 0.76	5.97%	\$ 0.76	3.59%
Unmetered Scattered Load	289		\$ 1.01	7.09%	\$ 1.01	6.58%	\$ 1.01	5.24%	\$ 1.01	2.02%

## GSHi Response to intervenors (SEC, VECC & CCMBC)

### **Overview**

In response to the proposal to revert to cash accounting effective May 1, 2025, SEC, VECC, and CCMBC note that the Settlement Proposal accepted by the OEB set rates for the test year based on accrual accounting. GSHi agrees; the Settlement Proposal provides for the recovery of GSHi's annual accrual based OPEB costs for both GSHi employees and GSHPi employees that provide service to GSHi. Accordingly, if the Panel wishes to consider reversion to cash, GSHi proposes that the appropriate venue is an amended settlement proposal.

### **Impact of Settlement Proposal**

SEC, VECC and CCMBC all noted that, in the context of the current proceeding, the issue of the accounting for OPEBs effective May 1, 2025, is part of the approved Settlement Proposal, and that within that settlement the parties agreed to accrual accounting for OPEBs in rates.<sup>34</sup> Accordingly, the parties generally argue, a change in the accounting for OPEBs in rates effective May 1, 2025, would require an amendment to the existing Settlement Proposal, endorsed by all the parties to the proposal.

GSHi acknowledges that the Settlement Proposal already incorporates recovery of the 2025 OPEB costs for both its employees and the employees of its affiliate GSHPi on an accrual basis.

In citing its support for a reversion to cash accounting for OPEBs it was not GSHi's intent to ask the OEB to subvert the Settlement Proposal.

Accordingly, while GSHi expects there are avenues the OEB could pursue to, ultimately, require a reversion to cash based accounting for OPEBs, GSHi is not asking that the OEB do so outside the operation of the Settlement Proposal.

Having said that, the various submissions of SEC, VECC and CCMBC suggest to GSHi that if the OEB considers a reversion to cash accounting for OPEBs effective May 1, 2025, acceptable, that it may be useful to put that option to the parties for possible inclusion in an amendment to the Settlement Proposal.

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<sup>34</sup> Ontario Energy Board, Partial Decision and Interim Rate Order, EB-2024-0026 (15 April 2025).

To be clear, GSHi's preference is for a full transition to accrual accounting, including the recovery of the Transition Amount as detailed in its submissions. This preference is primarily a result of the fact that notwithstanding having recovered OPEB costs for both its employees and the employees of GSHPi on a cash basis prior to 2020, GSHi has been required to account for those costs on accrual basis for financial reporting purposes at the same time, tracking the accrued OPEB liability on its financial statements, both for its own employees and for the employees of its affiliate GSHPi that provide service to GSHi's customers. However, cash accounting for OPEBs, as detailed in GSHi's evidence, is ultimately intended to provide the same funding as accrual accounting,<sup>35</sup> and as the OEB's Policy<sup>36</sup> sets out there may be circumstances where transitioning from cash to accrual may not be appropriate. As a result, GSHi believes it is important for it to acknowledge that it would support a reversion to cash accounting if the OEB deemed it appropriate under the circumstances.

GSHi should note that it has no knowledge of the other parties' position if the OEB were to ask that the parties consider amending the Settlement Proposal to include a reversion to cash accounting for OPEBs. However, it would seem to GSHi that if the OEB were to conclude that it would accept such a reversion if presented in the context of a revised Settlement Proposal, it would be worthwhile to present that option to the parties for consideration.

## Reversion to Cash Accounting for OPEBs: Recovery of Affiliate Related OPEB costs

If the OEB wishes to put the option of a reversion to cash accounting for OPEBs to the parties as part of an amended Settlement Proposal GSHi expects that, from the submissions of SEC and VECC, it would be appropriate for the OEB to determine the recoverability of OPEB costs by GSHi in relation to the employees of its affiliate GSHPi as a preliminary matter prior to having the parties considering an amendment to the Settlement Proposal.

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<sup>35</sup> Ontario Energy Board, Greater Sudbury Hydro Inc. – OPEB Supplemental Evidence, EB-2024-0026 (9 May 2025), s. 3 "Illustrative Example of OPEBs," pg. 9 (table demonstrating equal total recovery under cash and accrual with a transition amount).

<sup>36</sup> Ontario Energy Board, Report of the OEB – Regulatory Treatment of Pension and Other Post-Employment Benefits (OPEBs) Costs, EB-2015-0040 (14 September 2017), pg. 8 (last two paragraphs, noting that transitioning to accrual may be inappropriate in some circumstances and emphasizing stability/predictability unless unintended effects occur).

In the submissions of both OEB staff and GSHi, the Transition Amount included amounts related to both GSHi employees and GSHPi employees.<sup>37</sup>

While SEC raised issues around the form of recovery of OPEB costs related to affiliates, SEC ultimately conceded that such costs were recoverable by GSHi in some fashion.<sup>38</sup>

In its submissions, it appears to GSHi, VECC objects to any recovery of OPEB costs related to affiliates.

In response to (primarily) VECC's submissions, GSHi noted that:

- a) the use of affiliates to provide resources is an acceptable operating model endorsed by the OEB and used by many regulated distributors to help drive efficiencies of scale,<sup>39</sup>
- b) GSHi is entitled under the ARC to recover the fully allocated costs of its affiliate GSHPi for the services that GSHi provides to GSHPi, which costs include the OPEBs that GSHPi's employees earn as part of their compensation package,<sup>40</sup>
- c) the OPEBs associated with GSHPi employees were earned by them while providing service to GSHi's customers,<sup>41</sup>
- d) the OPEB costs associated with GSHPi employees have been included in GSHi's rates on a cash basis throughout the period prior to 2020,<sup>42</sup>
- e) while recovered on a cash basis in rates prior to 2020, the accrual costs associated with service provided by GSHPi employees to GSHi were charged to GSHi and included in GSHi's financial statements as an outstanding liability,<sup>43</sup> and
- f) The OPEB costs associated with GSHPi employees were included on an accrual basis both in GSHi's 2020 cost of service proceeding and the current, 2025 cost of service proceeding.<sup>44</sup>

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<sup>37</sup> Ontario Energy Board, OEB Staff Submission, EB-2024-0026 (11 July 2025), pg. 4.

<sup>38</sup> Ontario Energy Board, School Energy Coalition (SEC) Submission, EB-2024-0026 (18 July 2025), pg. 5.

<sup>39</sup> GSHi Reply Submission, August 1, 2025, pages 21, 53.

<sup>40</sup> GSHi Reply Submission, August 1, 2025, pages 21, 53.

<sup>41</sup> GSHi Reply Submission, August 1, 2025, page 5.

<sup>42</sup> GSHi Reply Submission, August 1, 2025, page 22.

<sup>43</sup> GSHi Reply Submission, August 1, 2025, page 22.

<sup>44</sup> GSHi Reply Submission, August 1, 2025, page 22.

It appears to GSHi that, outside of the issue raised by (primarily) VECC about the recoverability of affiliate OPEB costs as part of the fully allocated costing between GSHi and its affiliate, the issues around reverting to cash accounting for OPEBs effective May 1, 2025, including the refund to be calculated as a result of the recovery of OPEBs on an accrual basis from 2020 to 2024, are relatively narrow.

Accordingly, if the OEB were to:

- a) provide direction on whether the OPEB costs associated with affiliates such as what is proposed by GSHi are recoverable in rates or not, and
- b) with the direction on the recoverability of OPEB costs associated with affiliates in hand, provide the parties the opportunity to consider amending the Settlement Proposal to revert to cash accounting effective May 1, 2025, with a related refund to customers to account for the period of accrual accounting for OPEBs from 2020 to 2024,

GSHi expects that a continuation of the Settlement Conference to consider an amendment to the Settlement Proposal related to that narrow issue could be productive. If no amendment is agreed upon, or if the OEB does not accept a proposed amendment, the OEB would then go on to decide the remaining issues related to the transition from cash to accrual accounting for OPEBs effective May 1, 2020.

#### **Additional “Preliminary” Issues from VECC Need not be Addressed**

VECC raises two additional issues that it considers should be determined by the OEB before, possibly, putting the option of reverting to cash-based accounting for OPEBs effective May 1, 2025, to the parties. In GSHi’s respectful submission neither of these issues are preliminary to such a consideration. In the scenario at hand, GSHi recovered OPEBs on a cash basis up to 2019, has not recovered any transition amount tied to moving to accrual on May 1, 2020, and would revert to cash effective May 1, 2025. With this context in mind, GSHi’s explanation as to why these issues are not relevant to the possible reversion to cash-based accounting effective May 1, 2025 is set out below.

***VECC proposed issue 1: Can the OEB approve the recovery of costs which were to [sic] occurred prior to it having regulatory jurisdiction over the Utility?***

GSHi reiterates its submissions on this point in the context of the quantification of the appropriate Transition Amount on transitioning from cash to accrual accounting, which include:

- a) recognition of the fact that the pre 2000 accrued liability for OPEBs was specifically transferred to GSHi as a liability of the regulated entity under the authority of a municipal bylaw that in turn was authorized by provincial legislation, and
- b) the fact that the OEB has already approved the recovery of GSHi's OPEB liabilities that are connected to accruals prior to 2000 in regulated rates on a cash basis throughout the regulated period.

Further, in the context of a proposal to revert to cash accounting effective May 1, 2025, GSHi does not agree that the recoverability of OPEB liabilities that were notionally accrued prior to 2000 is a relevant consideration in any event.

On a cash accounting basis OPEB costs are recognized in rates in the year that they are paid out by the utility. In this case GSHi was on cash accounting throughout the period prior to 2020, and since no Transition Amount related to the transition from cash to accrual starting in 2020 has been approved and recovered, there is no need to reconcile any amounts prior to 2020. Those amounts have already been approved and recovered on a cash accounting basis; to displace those approvals and recoveries would constitute impermissible retroactive ratemaking. To revert to cash effective May 1, 2025, the only relevant period is the span from 2020 to 2024 when rates were based on accrual accounting. The pre-2000 period has no bearing on the calculation of the appropriate transition related adjustment to effect a reversion to cash effective May 1, 2025.

***VECC Proposed Issue 2: Can costs which are purported to have occurred during the period of a legislated rate freeze period now be collected from ratepayers?***

Again, GSHi does not believe this a relevant issue when considering a reversion from accrual to cash accounting in 2025.

During the rate freeze period GSHi's OPEB cost were recovered on a cash basis in rates; to the extent the funding in rates during the rate freeze was either higher or lower than GSHi's actual cash obligations, GSHi took on that risk (and, as explained in its original submissions, most likely under-recovered its OPEB cash costs in rates). Since no Transition Amount has been approved and recovered in relation to the transition from cash

to accrual accounting effective May 1, 2020, there is no need to adjust for any differential between accrual and cash accounting prior to 2020 when considering reverting to cash accounting effective May 1, 2025. As above, accordingly, to revert to cash effective May 1, 2025, the only relevant period is the span from 2020 to 2024 when rates were based on accrual accounting for OPEBs. The period prior to 2020 has already been approved by the OEB and recovered in rates on a cash basis; to change those approvals and recoveries would constitute impermissible retroactive ratemaking.

Accordingly, the rate freeze period from 2000 to 2005 has no bearing on the calculation of the appropriate transition related adjustment to effect a reversion to cash accounting effective May 1, 2025.

For these reasons, if the OEB were to put the option of reverting to cash-based accounting for OPEBs effective May 1, 2025, to the parties for consideration as an amendment to the settlement proposal in this proceeding, the OEB does not, in GSHi's submission, have to first reconcile the two additional issues put forward by VECC.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 11<sup>th</sup> DAY OF NOVEMBER, 2025**