

**CCC Interrogatory #099**

**Interrogatory**

**Reference:**

**Exhibit H1, Tab 1, Schedule 1, p. 10**

Preamble:

The Ancillary Services Net Revenue Variance Account was originally established by O. Reg. 53/05. It was subsequently approved by the OEB in EB-2007-0905 and has been approved in all subsequent OPG applications. This account recognizes that ancillary services revenues are difficult to forecast accurately, with variability in actual ancillary revenues reflecting changing demand and system operating requirements.

Question(s):

Given the stated issues in forecasting ancillary services revenue as the reason for the account, is OPG opposed to maintaining the nuclear subaccount open in case the current forecast turns out to be inaccurate?

**Response**

Yes.

**CCC Interrogatory #100**

**Interrogatory**

**Reference:  
Exhibit H1, Tab 1, Schedule 1, pp. 19-20**

Question(s):

Please provide a detailed calculation supporting the referenced non-capital costs for the 2027-2031 period for the Hydroelectric CRVA.

**Response**

Refer to Chart 1 below for a breakdown of the proposed 2027-2031 reference amount for the regulated hydroelectric non-capital costs for the Capacity Refurbishment Variance Account ("CRVA").

**Chart 1 – 2027-2031 CRVA Reference Amount Breakdown for Regulated Hydroelectric Non-Capital Costs**

<b>Particulars<sup>1</sup></b>	<b>Amount (\$M)</b>
Sir Adam Beck Complex	10.9
Niagara Region (excluding Sir Adam Beck Complex)	3.5
Eastern Region	5.5
Western Region	1.7
Small Hydro Redevelopment	3.7
<b>Total</b>	<b>25.3</b>

<sup>1</sup> Amounts included within Ex. F1-3-1, Table 1, col. (I), lines 5, 6, and 10.

**CCC Interrogatory #101**

**Interrogatory**

**Reference:**

**Exhibit H1, Tab 1, Schedule 1, pp. 38-39**

Question(s):

With respect to the Nuclear Development Variance Account, please provide the year-end 2024 balance associated with potential new nuclear generation facilities other than the DNNP and describe the activities that underpin these costs.

**Response**

Refer to Ex. H1-1-1, Table 1, line 19, col. (c) for the year-end 2024 balance in the Nuclear Development Variance Account that is not related to the DNNP. For the reasons set out in Ex. L-H1-Staff-260 part b), OPG declines to describe the activities that underpin these costs.

**CCC Interrogatory #102**

**Interrogatory**

**Reference:**

**Exhibit H1, Tab 1, Schedule 1, p. 41**

Question(s):

- a) Please provide the total amount of interest (at OPG's long-term debt rate) that will be recorded in the Rate Smoothing Deferral Account over the 10-year disposition period.
- b) Please provide the total amount of interest (at OPG's long-term debt rate) that will be recorded in the Rate Smoothing Deferral Account based on (i) a 3-year disposition period; and (ii) a 5-year disposition period.

**Response**

- a) Refer to Ex. L-H1-Staff-256, Chart 1.
- b) Refer to Ex. L-H1-Staff-256, Chart 4 and Chart 3 for (i) and (ii), respectively.

**CCC Interrogatory #103**

**Interrogatory**

**Reference:**  
**Exhibit H1, Tab 1, Schedule 1, pp. 44-45**

Question(s):

Please provide a detailed breakdown of the costs recorded in the Pickering Closure Costs Deferral Account. As part of the response, please explain the reason that each of the costs was incurred.

**Response**

Chart 1 provides the requested breakdown of the costs recorded in the Pickering Closure Costs Deferral Account, as of December 31, 2024 (refer to Ex. F4-3-1, pp. 11-13). The majority of costs were booked to the account in 2022 and in 2023 (\$1.8M and \$3.4M respectively) and are for internal labour to support the described activities except as otherwise noted.

**Chart 1 – Breakdown of Costs in Pickering Closure Costs Deferral Account**

Department	Costs Recorded as of Dec 31, 2024 (\$M)	Description
Human Resources	6.2	<ul style="list-style-type: none"><li>• Workforce planning efforts, including staffing, retention and risk management strategies.</li><li>• Downsizing, redeployment and labour relations planning, negotiations, and dispute/grievance management.</li><li>• Change management, communications and organizational design activities.</li><li>• Purchased services to support workforce skills assessment and recruitment efforts.</li></ul>
Law	0.6	<ul style="list-style-type: none"><li>• External legal counsel in support of labour relations matters.</li></ul>
Other	0.3	<ul style="list-style-type: none"><li>• Incremental administrative work to support redeployment processes and retention objectives.</li><li>• Workforce planning tools.</li></ul>

**CCC Interrogatory #104**

**Interrogatory**

**Reference:**

**Exhibit H1, Tab 1, Schedule 1, pp. 44-45**

**Question(s):**

With respect to the sale of Kipling Site, please provide the detailed calculation for each of the initial after-tax gain (\$12.3M) and the subsequent gain in 2023 (\$2.5M) in a format that allows comparability between these two calculations.

**Response**

OPG interprets that the “initial after-tax gain” in the question refers to the agreed upon balance of (\$12.7M) for disposition in the Sale of Unprescribed Kipling Site Deferral Account as of December 31, 2022 pursuant to the EB-2023-0336 OEB-approved settlement proposal (EB-2023-0336 Decision and Order, Appendix A, Schedule B, p. 16), as shown at Ex. H1-1-1, Table 1a, line 47. The settlement proposal notes that this amount represents 50% of the 23% of the after-tax gain recognized by OPG in 2022 associated with sale of the Kipling site, and provides that any after-tax gain on such sale recognized by OPG during the 2023-2026 period is subject to the same treatment (EB-2023-0336 Decision and Order, Appendix A, Schedule B, p. 16). As the settlement proposal does not include a specific calculation, OPG is unable to provide it.

In Chart 1 below, OPG provides the calculation of the (\$2.5M) amount recorded in the Unprescribed Kipling Site Deferral Account recorded during 2023 pursuant to the above settlement terms. This calculation is performed in the same manner as in EB-2023-0336, Ex. L-H-SEC-02, part c).

1  
 2  
 3

**Chart 1 – Calculation of Amounts Recorded in Sale of Unprescribed Kipling Site Deferral Account in 2023<sup>1</sup>**

Line	Description	2023
1	Proceeds from Sale	34.3
2	Less: Commission and transaction costs	0.0
3	<b>Net proceeds from sale</b>	<b>34.3</b>
4	True-up Adjustments	4.1
5	Pre-tax gain on sale (line 3 - line 4)	30.3
6	Less: Tax expense	8.7
7	<b>After-tax gain on sale</b>	<b>21.5</b>
8	Per EB-2023-0336 settlement	23%
9		5.0
10	Per EB-2023-0336 settlement	50%
11	<b>Amount recorded in deferral account</b>	<b>2.5</b>

4 <sup>1</sup> Numbers may not calculate due to rounding.

**CCC Interrogatory #106**

**Interrogatory**

**Reference:**

**Exhibit H1, Tab 1, Schedule 1, p. 60**

Question(s):

Please provide the proposed materiality threshold that would be applied with respect to a single “change of law” that occurs during the 2027-2031 period for the purposes of determining whether the impacts of that change would be subject to refund/recovery in the Change of Laws Deferral Account.

**Response**

The Applicants propose to determine materiality for the purposes of the Change of Laws Deferral Account (OPG) and the Change of Laws Deferral Account (DNNP) using the proposed materiality thresholds of \$20M for OPG and \$10M for DNNP LP under the respective rate-setting frameworks, as set out in Ex. A1-3-2, Section 4.3, on an annualized revenue requirement or revenue basis, as applicable.

**CCC Interrogatory #107**

**Interrogatory**

**Reference:**

**Exhibit H1, Tab 1, Schedule 1, p. 65**

**Question(s):**

Please explain the basis for the application of OPG's long-term debt rate on the Payment Amount Shaping Deferral Account in the context of the proposed recovery of the balance, through inclusion directly in the nuclear revenue requirement, in the year after the balance is recorded. Please advise whether there is any regulation/legislation that requires interest amounts to be recorded at OPG's long-term debt rate.

**Response**

The proposal to record interest on the balance of the Payment Amount Shaping Deferral Account at OPG's long-term debt rate to be approved by the OEB was based on the treatment of OPG's Rate Smoothing Deferral Account, given that there are some similarities between the two accounts.

There is no regulation or legislation requiring such interest amounts to be recorded at OPG's long-term debt rate.

**CCC Interrogatory #108**

**Interrogatory**

**Reference:**  
**Exhibit H1, Tab 1, Schedule 1, p. 72**

Question(s):

Please provide a table that lists all the deferral and variance accounts that are currently in place and proposed for the 2027-2031 period and the type of interest that applies (i.e., OEB policy interest rate for DVAs, OPG's long-term debt rate, etc.).

**Response**

See Chart 1 below.

**Chart 1: List of Existing and Proposed DVAs and Interest Applied**

<b>Account</b>	<b>Type of Interest</b>
	<i>* Interest rate basis established by O. Reg. 53/05</i>
<b>OPG:</b>	
Hydroelectric Water Conditions Variance Account	OEB Prescribed Rate
Ancillary Services Net Revenue Variance Account	OEB Prescribed Rate
Hydroelectric Incentive Mechanism Variance Account	OEB Prescribed Rate
Hydroelectric Surplus Baseload Generation Variance Account	OEB Prescribed Rate
Income and Other Taxes Variance Account (OPG)	OEB Prescribed Rate
Capacity Refurbishment Variance Account	OEB Prescribed Rate
Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account	OEB Prescribed Rate
Pension and OPEB Cost Variance Account (OPG)	No Interest
Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account – Primary and Contra Sub-Accounts, and Carrying Charges Sub-Account	No Interest
Hydroelectric Deferral and Variance Over/Under Recovery Variance Account	OEB Prescribed Rate
Gross Revenue Charge Variance Account	OEB Prescribed Rate
Nuclear Liability Deferral Account	No Interest
Nuclear Development Variance Account	OEB Prescribed Rate
Bruce Lease Net Revenues Variance Account	OEB Prescribed Rate
Fitness for Duty Deferral Account	OEB Prescribed Rate
SR&ED ITC Variance Account (OPG)	OEB Prescribed Rate
Pickering Closure Costs Deferral Account	OEB Prescribed Rate
Nuclear Deferral and Variance Over/Under Recovery Variance Account	OEB Prescribed Rate
Impact Resulting from Optimization of Pickering Station End-of-Life Dates Deferral Account	No Interest
Earnings Sharing Deferral Account	OEB Prescribed Rate

Impact for IFRS Deferral Account	No interest
Pickering B Variance Account	OEB Prescribed Rate
Pickering B Refurbishment Project Variance Account	OPG Long-Term Debt Rate*
Darlington New Nuclear Project Variance Account	OPG Long-Term Debt Rate*
Pension & OPEB Cash Payment Variance Account	OEB Prescribed Rate
Pension & OPEB Cash Versus Accrual Differential Deferral Account	No Interest
Clarrington Corporate Campus Deferral Account	OEB Prescribed Rate
Sale of Unprescribed Kipling Site Deferral Account	No Interest
Rate Smoothing Deferral Account	OPG Long-Term Debt Rate*
Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account	No Interest
Incremental Cloud Computing Arrangement Implementation Costs Deferral Account	OEB Prescribed Rate
Change of Laws Deferral Account (OPG)	OEB Prescribed Rate
Clean Electricity ITC Variance Account (OPG)	OEB Prescribed Rate
Global Hydroelectric Capital Variance Account	OEB Prescribed Rate
Payment Amount Shaping Deferral Account	OPG Long-Term Debt Rate
DNNP Nuclear Liability Deferral Account	No Interest
<b>DNNP LP:</b>	
Darlington New Nuclear Project Variance Account re Development	OEB Prescribed Rate
Darlington New Nuclear Project Variance Account re Capital Cost Amounts	OPG Long-Term Debt*
DNNP Generator Capital Structure Variance Account	OEB Prescribed Rate
Income and Other Taxes Variance Account (DNNP)	OEB Prescribed Rate
Pension and OPEB Cost Variance Account (DNNP)	No Interest
Nuclear Deferral and Variance Over/Under Recovery Variance Account (DNNP)	OEB Prescribed Rate
SR&ED ITC Variance Account (DNNP)	OEB Prescribed Rate
Impact for IFRS Deferral Account (DNNP)	No Interest
Clean Electricity ITC Variance Account (DNNP)	OEB Prescribed Rate
Impact of Change in Tax Status Variance Account (DNNP)	OEB Prescribed Rate
Change of Laws Deferral Account (DNNP)	OEB Prescribed Rate

**SEC Interrogatory #205**

**Interrogatory**

**Reference:  
H1-1-1, p. 15**

Question(s):

With respect to the Income and Other Taxes Variance Account:

- a) Please provide support documents regarding the entries related to the AIIIP, and specifically, please provide CCA continuity schedules with and without AIIIP.
- b) What is meant by the statement “Entry 1) continues to be calculated by applying the accelerated CCA rules to the forecast capital additions reflected in the EB-2013-0321 regulated hydroelectric revenue requirements, using the percentage of eligible actual regulated hydroelectric projects (for the corresponding year) as a proxy.” Please provide the full calculations in your explanation.
- c) Do any variances result from the impact of AIIIP for CRVA eligible capital projects included in the CRVA or the Income Tax and Other Taxes Variances Account?
- d) Please provide a revised version of the 2023 and 2024 balances on the basis of actual in-service additions in those years. If the answer to part (c) is the AIIIP impacts for CRVA eligible projects are recorded in the CRVA, then please exclude CRVA eligible in-service additions.

**Response**

- a) Attachment 1 provides the calculations supporting the 2023 and 2024 entries in the Income and Other Taxes Variance Account (OPG) related to capital cost allowance (“CCA”) differences arising from the accelerated investment incentive property (“AIIIP”) rules for the regulated hydroelectric facilities (i.e., Entry (i) at Ex. H1-1-1, Table 6).<sup>1</sup>

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<sup>1</sup> In Attachment 1, Tables 2-3 and 5-6 the cost of acquisitions in Column (b) includes the cost of acquisition of AIIIP, which is also separately shown in Column (c). The 50% of the amount of the non-AIIIP property cost is calculated as 50% of the difference between the Column (b) and Column (c) and is included in the 50% Rule Column (g). Column (g) is then reduced by 50% of the AIIIP cost in Column (c). CCA is then calculated based on the difference between Column (f) and Column (g), where Column (f) includes 100% of Column (b). This results in CCA being calculated using the pre-AIIIP rules on non-AIIIP property additions (i.e. at 50%) and based on the AIIIP rules for AIIIP property (i.e., three times the allowed amount under the non-AIIIP rules for 2023 and two times the allowed amount under the non-AIIIP rules for 2024).

- 1 b) The percentage of eligible actual regulated hydroelectric projects refers to the  
2 percentage of actual regulated hydroelectric in-service additions for the  
3 corresponding year's entry to the Income and Other Taxes Variance Account  
4 (OPG) which are eligible for the AIIP rules. For 2023 and 2024, as shown in  
5 Attachment 1, Tables 1 and 4, 100% of the regulated hydroelectric in-service  
6 additions were eligible for the AIIP rules. To calculate the amounts of the account  
7 entry, OPG applied this percentage to the difference between the forecast CCA  
8 amounts based on the EB-2013-0321 regulated hydroelectric revenue  
9 requirements and such recalculated forecast amounts assuming the AIIP rules had  
10 applied in those years, in accordance with the EB-2020-0290 Payment Amounts  
11 Order. This approach is unchanged from that reflected in the Income and Other  
12 Taxes Variance Account (OPG) balances approved for disposition in EB-2020-  
13 0290<sup>2</sup> and EB-2023-0326<sup>3</sup>.  
14
- 15 c) As noted at Ex. H1-1-1, p. 16, footnote 20, the impact of AIIP rules on CRVA eligible  
16 projects is recorded in the Capacity Refurbishment Variance Account ("CRVA"), not  
17 the Income Other Taxes Variance Account (OPG).  
18
- 19 d) OPG declines to provide the requested analysis, as it would not be appropriate to  
20 use the postulated approach to determine the 2023 and 2024 entries in the Income  
21 and Other Taxes Variance Account (OPG) related to CCA differences arising from  
22 the AIIP rules for the regulated hydroelectric facilities. The postulated approach  
23 relies on actual in-service additions in 2023 and 2024 that do not underpin the OEB-  
24 approved reference amounts for the Income and Other Taxes Variance Account  
25 (OPG) and would be contrary to the EB-2020-0290 Payment Amounts Order. The  
26 EB-2020-0290 Payment Amounts Order prescribed that the variances in the  
27 Income and Other Taxes Variance Account (OPG) for regulated hydroelectric  
28 facilities are to be measured relative to reference amounts based on the forecast  
29 income tax provision approved in EB-2013-0321, and not such actual amounts (EB-  
30 2020-0290 Payment Amounts Order, p. 7, lines 14-23). Accordingly, the requested  
31 analysis is not relevant and has no probative value.

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<sup>2</sup> EB-2020-0290: Ex. H1-1-1, Section 5.5 and Ex. L-H1-01-Staff-326 part e).

<sup>3</sup> EB-2023-0036, Ex. H1-1-1, Section 5.5.

Numbers may not add due to rounding.

Table 1  
 Calculation of Income and Other Taxes Variance Account for Regulated Hydroelectric Operations  
 Accelerated Investment Incentive CCA Impact (\$M)  
December 31, 2023

Line No.		Note	2014	2015	Average
			(a)	(b)	(c)
1	<b>Hydroelectric CCA in EB-2013-0321 with Accelerated CCA</b>	1	238.8	229.3	234.0
2	<b>Hydroelectric CCA in EB-2013-0321</b>		227.1	218.6	222.9
3	<b>Additional CCA (Line 1- Line 2)</b>				11.2
4	<b>Percentage Eligible</b>	2			100%
5	<b>2023 CCA Differences (Line 3 x Line 4)</b>	3			11.2
6	<b>Income Tax Impact</b>	4			2.8
7	<b>Addition to Variance Account</b>	5			3.7

Notes:

- 1 Ex. L-H1-SEC-205 Tables 2 and 3, line 22, col. (k).  
 Percentage eligible was calculated as the ratio of the 2023 non-CRVA AIIP in-service additions to total 2023 non-CRVA in-service additions
- 2
- 3 Ex. H1-1-1, Table 6, line 1, col (a).
- 4 Ex. H1-1-1, Table 6, line 3, col (a).
- 5 Ex. H1-1-1, Table 6, line 5, col (a).

Numbers may not add due to rounding.

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 EB-2025-0297  
 Exhibit L  
 H1-SEC-205  
 Attachment 1  
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Table 2  
 Undepreciated Capital Cost and Capital Cost Allowance Schedule for OPG's Regulated Hydroelectric Operations with Accelerated CCA - 2023 AIIP Program (\$M)<sup>1</sup>  
 Year Ending December 31, 2014

Line No.	Class	Undepreciated Capital Cost at Beginning of Year	Cost of Acquisitions	Cost of Acquisitions that are AIIP	Net Adjustments	Proceeds of Dispositions	(a)+(b)+(d)-(e) UCC1	50% Rule	(f)-(g) Reduced Undepreciated Capital Cost	CCA Rate	Recapture/ Terminal Loss	Capital Cost Allowance	(f)+(j)-(k) Undepreciated Capital Cost at End of Year
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	1	1,705.4	29.2	31.2	(4.4)	0.0	1,730.1	(15.7)	1,745.8	4%	0.0	69.8	1,660.3
2	1-rolling start	320.1	0.0	0.0	0.0	0.0	320.1	0.0	320.1	4%	0.0	12.8	307.3
3	1.1	19.2	0.6	0.6	(0.0)	0.0	19.8	(0.3)	20.1	6%	0.0	1.2	18.6
4	1.1-rolling start	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6%	0.0	-	0.0
5	2	1,670.7	0.0	0.0	0.0	0.0	1,670.7	0.0	1,670.7	6%	0.0	100.2	1,570.4
6	3	0.8	0.0	0.0	0.0	0.0	0.8	0.0	0.8	5%	0.0	0.0	0.8
7	6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10%	0.0	-	0.0
8	8	43.7	19.1	19.1	(1.5)	0.0	61.3	(8.8)	70.2	20%	0.0	14.0	47.3
9	8-rolling start	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20%	0.0	-	0.0
10	10	5.0	4.1	4.1	(0.3)	0.0	8.7	(1.9)	10.6	30%	0.0	3.2	5.5
11	12	5.1	6.0	6.0	(0.5)	0.0	10.6	0.0	10.6	100%	0.0	10.6	0.0
12	13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	0.0	-	0.0
13	14.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7%	0.0	-	0.0
14	14.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5%	0.0	-	0.0
15	17	247.3	23.3	23.3	(1.8)	0.0	268.8	(10.7)	279.5	8%	0.0	22.4	246.4
16	17-rolling start	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8%	0.0	-	0.0
17	42	3.9	0.2	0.2	(0.0)	0.0	4.1	(0.1)	4.2	12%	0.0	0.5	3.6
18	43.1	0.4	0.0	0.0	0.0	0.0	0.4	0.0	0.4	30%	0.0	0.1	0.3
19	43.2	6.1	0.0	0.0	0.0	0.0	6.1	0.0	6.1	50%	0.0	3.1	3.1
20	45	0.2	0.0	0.0	0.0	0.0	0.2	0.0	0.2	45%	0.0	0.1	0.1
21	50	0.9	0.3	0.3	(0.0)	0.0	1.2	(0.2)	1.4	55%	0.0	0.8	0.5
22	<b>Total</b>	4,028.8	82.8	84.8	(8.6)	0.0	4,103.0	(37.6)	4,140.6		0.0	238.8	3,864.1

Numbers may not add due to rounding.

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 EB-2025-0297  
 Exhibit L  
 H1-SEC-205  
 Attachment 1  
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Table 3  
 Undepreciated Capital Cost and Capital Cost Allowance Schedule for OPG's Regulated Nuclear Operations with Accelerated CCA - 2023 AIIP Program (\$M)<sup>1</sup>  
Year Ending December 31, 2015

Line No.	Class	Undepreciated Capital Cost at Beginning of Year <sup>2</sup>	Cost of Acquisitions	Cost of Acquisitions that are AIIP	Net Adjustments	Proceeds of Dispositions	(a)+(b)+(d)-(e) UCC1	50% Rule	(f)-(g) Reduced Undepreciated Capital Cost	CCA Rate	Recapture/ Terminal Loss	Capital Cost Allowance	(f)+(j)-(k) Undepreciated Capital Cost at End of Year
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	<b>1</b>	1,660.3	37.1	37.1	(3.3)	0.0	1,694.1	(16.9)	1,711.0	4%	0.0	68.4	1,625.7
2	<b>1-rolling start</b>	307.3	0.0	0.0	0.0	0.0	307.3	0.0	307.3	4%	0.0	12.3	295.0
3	<b>1.1</b>	18.6	2.2	2.2	(0.2)	0.0	20.6	(1.0)	21.5	6%	0.0	1.3	19.3
4	<b>1.1-rolling start</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6%	0.0	-	0.0
5	<b>2</b>	1,570.4	0.0	0.0	0.0	0.0	1,570.4	0.0	1,570.4	6%	0.0	94.2	1,476.2
6	<b>3</b>	0.8	0.0	0.0	0.0	0.0	0.8	0.0	0.8	5%	0.0	0.0	0.7
7	<b>6</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10%	0.0	-	0.0
8	<b>8</b>	47.3	24.9	24.9	(3.6)	0.0	68.577	(10.6)	79.2	20%	0.0	15.8	52.7
9	<b>8-rolling start</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20%	0.0	-	0.0
10	<b>10</b>	5.5	5.3	5.3	(0.8)	0.0	10.1	(2.3)	12.3	30%	0.0	3.7	6.4
11	<b>12</b>	0.0	8.8	8.8	(1.2)	0.0	7.7	0.0	7.7	100%	0.0	7.7	0.0
12	<b>13</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	0.0	-	0.0
13	<b>14.1</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7%	0.0	-	0.0
14	<b>14.1</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5%	0.0	-	0.0
15	<b>17</b>	246.4	28.2	28.2	(4.0)	0.0	270.6	(12.1)	282.6	8%	0.0	22.6	247.9
16	<b>17-rolling start</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8%	0.0	-	0.0
17	<b>42</b>	3.6	0.2	0.2	(0.0)	0.0	3.8	(0.1)	3.9	12%	0.0	0.5	3.3
18	<b>43.1</b>	0.3	0.0	0.0	0.0	0.0	0.3	0.0	0.3	30%	0.0	0.1	0.2
19	<b>43.2</b>	3.1	0.0	0.0	0.0	0.0	3.1	0.0	3.1	50%	0.0	1.5	1.5
20	<b>45</b>	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.1	45%	0.0	0.0	0.0
21	<b>50</b>	0.5	1.1	1.1	(0.1)	0.0	1.4	(0.5)	1.9	55%	0.0	1.1	0.4
22	<b>Total</b>	3,864.1	107.7	107.7	(13.2)	0.0	3,958.6	(43.4)	4,002.1		0.0	229.3	3,729.4

Numbers may not add due to rounding.

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Table 4  
 Calculation of Income and Other Taxes Variance Account for Regulated Hydroelectric Operations  
 Accelerated Investment Incentive CCA Impact (\$M)  
December 31, 2024

Line No.		Note	2014	2015	Average
			(a)	(b)	(c)
1	<b>Hydroelectric CCA in EB-2013-0321 with Accelerated CCA</b>	1	234.1	224.3	229.2
2	<b>Hydroelectric CCA in EB-2013-0321</b>		227.1	218.6	222.9
3	<b>Additional CCA (Line 1- Line 2)</b>				6.4
4	<b>Percentage Eligible</b>	2			100%
5	<b>2024 CCA Differences (Line 3 x Line 4)</b>	3			6.4
6	<b>Income Tax Impact</b>	4			1.6
7	<b>Addition to Variance Account</b>	5			2.1

Notes:

- 1 Ex. L-H1-SEC-205 Tables 5 and 6, line 22, col. (k).
- 2 Percentage eligible was calculated as the ratio of the 2024 non-CRVA AIPP in-service additions to total 2024 non-CRVA in-service additions
- 3 Ex. H1-1-1, Table 6, line 2, col (d).
- 4 Ex. H1-1-1, Table 6, line 4, col (d).
- 5 Ex. H1-1-1, Table 6, line 5, col (d).

Numbers may not add due to rounding.

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Table 5  
 Undepreciated Capital Cost and Capital Cost Allowance Schedule for OPG's Regulated Hydroelectric Operations with Accelerated CCA - 2024 AIPP Program (\$M)  
 Year Ending December 31, 2014

Line No.	Class	Undepreciated Capital Cost at Beginning of Year	Cost of Acquisitions	Cost of Acquisitions that are AIPP	Net Adjustments	Proceeds of Dispositions	(a)+(b)+(d)-(e) UCC1	50% Rule	(f)-(g) Reduced Undepreciated Capital Cost	CCA Rate	Recapture/ Terminal Loss	Capital Cost Allowance	(f)+(j)-(k) Undepreciated Capital Cost at End of Year
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	1	1,691.2	29.2	31.2	(2.4)	0.0	1,717.9		1,717.9	4%	0.0	68.7	1,649.2
2	1-rolling start	313.1	0.0	0.0	0.0	0.0	313.1		313.1	4%	0.0	12.5	300.6
3	1.1	19.2	0.6	0.6	(0.0)	0.0	19.8		19.8	6%	0.0	1.2	18.6
4	1.1-rolling start	0.0	0.0	0.0	0.0	0.0	0.0		0.0	6%	0.0	-	0.0
5	2	1,670.7	0.0	0.0	0.0	0.0	1,670.7		1,670.7	6%	0.0	100.2	1,570.4
6	3	0.8	0.0	0.0	0.0	0.0	0.8		0.8	5%	0.0	0.0	0.8
7	6	0.0	0.0	0.0	0.0	0.0	0.0		0.0	10%	0.0	-	0.0
8	8	43.7	19.1	19.1	(1.5)	0.0	61.3		61.3	20%	0.0	12.3	49.1
9	8-rolling start	0.0	0.0	0.0	0.0	0.0	0.0		0.0	20%	0.0	-	0.0
10	10	5.0	4.1	4.1	(0.3)	0.0	8.7		8.7	30%	0.0	2.6	6.1
11	12	5.1	6.0	6.0	(0.5)	0.0	10.6		10.6	100%	0.0	10.6	0.0
12	13	0.0	0.0	0.0	0.0	0.0	0.0		0.0	N/A	0.0	-	0.0
13	14.1	0.0	0.0	0.0	0.0	0.0	0.0		0.0	7%	0.0	-	0.0
14	14.1	0.0	0.0	0.0	0.0	0.0	0.0		0.0	5%	0.0	-	0.0
15	17	247.3	23.3	23.3	(1.8)	0.0	268.8		268.8	8%	0.0	21.5	247.3
16	17-rolling start	0.0	0.0	0.0	0.0	0.0	0.0		0.0	8%	0.0	-	0.0
17	42	3.9	0.2	0.2	(0.0)	0.0	4.1		4.1	12%	0.0	0.5	3.6
18	43.1	0.4	0.0	0.0	0.0	0.0	0.4		0.4	30%	0.0	0.1	0.3
19	43.2	6.1	0.0	0.0	0.0	0.0	6.1		6.1	50%	0.0	3.1	3.1
20	45	0.2	0.0	0.0	0.0	0.0	0.2		0.2	45%	0.0	0.1	0.1
21	50	0.9	0.3	0.3	(0.0)	0.0	1.2		1.2	55%	0.0	0.7	0.6
22	<b>Total</b>	4,007.6	82.8	84.8	(6.6)	0.0	4,083.7	0.0	4,083.7		0.0	234.1	3,849.6

Numbers may not add due to rounding.

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 Exhibit L  
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Table 6  
 Undepreciated Capital Cost and Capital Cost Allowance Schedule for OPG's Regulated Hydroelectric Operations with Accelerated CCA - 2024 AIIP Program (\$M)  
Year Ending December 31, 2015

Line No.	Class	Undepreciated Capital Cost at Beginning of Year <sup>1</sup>	Cost of Acquisitions	Cost of Acquisitions that are AIIP	Net Adjustments	Proceeds of Dispositions	(a)+(b)+(d)-(e) UCC1	50% Rule	(f)-(g) Reduced Undepreciated Capital Cost	CCA Rate	Recapture/ Terminal Loss	Capital Cost Allowance	(f)+(j)-(k) Undepreciated Capital Cost at End of Year
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	1	1,649.2	37.1	37.1	(5.3)	0.0	1,681.0		1,681.0	4%	0.0	67.2	1,613.8
2	1-rolling start	300.6	0.0	0.0	0.0	0.0	300.6		300.6	4%	0.0	12.0	288.5
3	1.1	18.6	2.2	2.2	(0.2)	0.0	20.6		20.6	6%	0.0	1.2	19.3
4	1.1-rolling start	0.0	0.0	0.0	0.0	0.0	0.0		0.0	6%	0.0	-	0.0
5	2	1,570.4	0.0	0.0	0.0	0.0	1,570.4		1,570.4	6%	0.0	94.2	1,476.2
6	3	0.8	0.0	0.0	0.0	0.0	0.8		0.8	5%	0.0	0.0	0.7
7	6	0.0	0.0	0.0	0.0	0.0	0.0		0.0	10%	0.0	-	0.0
8	8	49.1	24.9	24.9	(3.6)	0.0	70.340		70.3	20%	0.0	14.1	56.3
9	8-rolling start	0.0	0.0	0.0	0.0	0.0	0.0		0.0	20%	0.0	-	0.0
10	10	6.1	5.3	5.3	(0.8)	0.0	10.6		10.6	30%	0.0	3.2	7.4
11	12	0.0	8.8	8.8	(1.2)	0.0	7.7		7.7	100%	0.0	7.7	0.0
12	13	0.0	0.0	0.0	0.0	0.0	0.0		0.0	N/A	0.0	-	0.0
13	14.1	0.0	0.0	0.0	0.0	0.0	0.0		0.0	7%	0.0	-	0.0
14	14.1	0.0	0.0	0.0	0.0	0.0	0.0		0.0	5%	0.0	-	0.0
15	17	247.3	28.2	28.2	(4.0)	0.0	271.4		271.4	8%	0.0	21.7	249.7
16	17-rolling start	0.0	0.0	0.0	0.0	0.0	0.0		0.0	8%	0.0	-	0.0
17	42	3.6	0.2	0.2	(0.0)	0.0	3.8		3.8	12%	0.0	0.5	3.3
18	43.1	0.3	0.0	0.0	0.0	0.0	0.3		0.3	30%	0.0	0.1	0.2
19	43.2	3.1	0.0	0.0	0.0	0.0	3.1		3.1	50%	0.0	1.5	1.5
20	45	0.1	0.0	0.0	0.0	0.0	0.1		0.1	45%	0.0	0.0	0.0
21	50	0.6	1.1	1.1	(0.1)	0.0	1.5		1.5	55%	0.0	0.8	0.7
22	<b>Total</b>	3,849.6	107.7	107.7	(15.2)	0.0	3,942.1	0.0	3,942.1		0.0	224.3	3,717.8

**SEC Interrogatory #206**

**Interrogatory**

**Reference:  
H1-1-1, p. 26**

Question(s):

Please provide a breakdown of the costs for the feasibility assessment.

**Response**

A breakdown of the costs incurred to complete the feasibility assessment for the Pickering Refurbishment Program is provided below.

**Chart 1 – Feasibility Assessment Costs**

<b>Category</b>	<b>2022 (\$M)</b>	<b>2023 (\$M)</b>
Labour	0.2	5.4
Purchased Services	-	11.5
Other	0.0	0.9
<b>Total cost</b>	<b>0.2</b>	<b>17.8</b>

**SEC Interrogatory #209**

**Interrogatory**

**Reference:  
H1-1-1, p. 30**

Question(s):

With respect to the Gross Revenue Charge Variance Account (“GRC”):

- a) Is OPG aware of any discussions within the Government regarding changes to the GRC? If so, please provide details.
- b) Would changes in the GRC rate be covered by the existing Income and Other Taxes Variance Account?

**Response**

- a) No.
- b) No, the scope of the Income and Other Taxes Variance Account, as set out in Ex. H1-1-1, Section 5.5, does not cover any changes in the GRC rate.

For clarity, the eligible property tax changes covered by the Income and Other Taxes Variance Account include payments in lieu of property tax to the Ontario Electricity Financial Corporation and municipal property taxes, but not the property tax component (or water rental component) of the GRC.

**SEC Interrogatory #210**

**Interrogatory**

**Reference:**  
**H1-1-1, p. 39**

Question(s):

With respect to the Nuclear Development Variance Account, OPG proposes that it would defer clearance of the balance related to costs for new nuclear generation facilities other than the DNNP.

- a) What is the total amount of the deferred balance broken down by capital and non-capital?
- b) Assuming the balance is cleared in OPG's next DVA proceeding, please provide an estimate of the incremental interest costs on the deferred balance.

**Response**

- a) The entirety of the December 31, 2024 balance of the non-DNNP components of the Nuclear Development Variance Account is for non-capital costs.
- a) The Applicants have not yet decided on the timing of any next deferral and variance account clearance application and are therefore unable to perform the analysis requested. Refer to Ex. L-H1-Staff-255, part a) iv) for a hypothetical estimate of the interest on the balance of the non-DNNP components of the Nuclear Development Variance Account as at December 31, 2031.

**SEC Interrogatory #211**

**Interrogatory**

**Reference:  
H1-1-1, p. 49**

Question(s):

With respect to the Clarington Corporate Campus Deferral Account:

- a) Please provide a breakdown of the \$7M of costs included in the Account.
- b) Please explain why it is reasonable for customers to pay \$7M related to a project that did not proceed and was written-off.

**Response**

- a) The breakdown of the nuclear allocated costs for the Clarington Corporate Campus project recorded in the Clarington Corporate Campus Deferral Account as at December 31, 2024 is shown in Chart 1. This represents a portion of the \$11.1M total allocated to Nuclear is \$7.0M.

**Chart 1 – Clarington Corporate Campus Project Costs  
Allocated to Nuclear by Category<sup>1</sup>**

<b>Cost Category</b>	<b>Costs (\$M)</b>
Project management	1.6
Engineering	5.1
Interest	0.25
Total	7.0

<sup>1</sup> Numbers may not add due to rounding

- b) The costs for the Clarington Corporate Campus project were incurred in order to progress the project in accordance with OPG project governance. These project activities delivered defined deliverables, although they did not result in the construction of the asset.

During the project planning phase, value engineering analysis and design adjustments were required to ensure the project encompassed cost escalation and inflationary pressures resulting from the then on-going global pandemic and supply

1 chain constraints. An assessment of these impacts on the project costs and project  
2 viability led to the decision to cancel the Clarington Corporate Campus project and  
3 proceed with a new preferred alternative to purchase and renovate 1908 Colonel  
4 Sam Drive (OPG's Corporate Headquarters). This decision was based on  
5 information gained from Clarington Corporate Campus project activities and further  
6 informed the economic analysis of the options. Additionally, lessons learned from  
7 the project were incorporated into the planning of the Corporate Headquarters  
8 (such as longer procurement lead times).

9  
10 The work undertaken advanced the understanding of the project's technical  
11 feasibility, the identification of risks, and enabled cost avoidance had the project  
12 not been re-assessed after the planning phase. The costs included in the Clarington  
13 Corporate Campus Deferral Account reflect only those costs for work completed  
14 and that were necessary during the planning phase, and should be recovered.

**SEC Interrogatory #214**

**Interrogatory**

**Reference:**

**H1-1-1, p. 60, 71**

Question(s):

With respect to the proposed Change of Laws Deferral Account:

- a) OPG states that the account “would record material impacts to regulated hydroelectric and nuclear costs and revenues over the IR term resulting from changes in legal and regulatory requirements”. Please define “material impacts” for both OPG and DNNP.
- b) If this account was in place during EB-2020-0290, please provide a full list of all changes in laws that would be eligible for recording in the account, an estimate of the specific amount, and if it would have met OPG’s definition of material impact.

**Response**

a) Refer to Ex. L-H1-CCC-106.

b) As discussed in Ex. H1-1-1, Section 7.1.1, if the Change of Laws Deferral Account (OPG) was established in EB-2020-0290, it would have captured the overturning of the *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (“Bill 124”). In response to this change in law, OPG filed for an accounting order application with the OEB (EB-2023-0098) requesting establishment of a variance account to record the nuclear revenue requirement impacts resulting from Bill 124 being overturned, then estimated at \$188M<sup>1</sup> over the 2022-2026 IR term.

While OPG is not aware of any other change of laws during the 2021-2025 period that would have met the definition of a material impact, the Applicants continue to believe that changes in legal requirement are outside of their control and are not reasonably foreseeable to them. In Ex. H1-1-1, the Applicants have provided examples of laws OPG is currently monitoring that may have a material impact during the IR term, but the Applicants are ultimately unable to predict whether these laws and regulation changes will materialize, or whether any other new change in legal requirements may be proposed during the IR term that would have a material

---

<sup>1</sup> EB-2023-0098 Decision and Order, June 27, 2023, p. 8.

1 impact on the Applicants. The Applicants believe that the making of the request for  
2 the account during this proceeding, prior to any settlement or decision, is consistent  
3 with the OEB's decision in EB-2023-0098, that where OPG identified a known  
4 variable, "OPG should have taken into consideration and governed themselves  
5 accordingly, for example by identifying the issue and also by seeking a specific  
6 variance account as part of their application."<sup>2</sup>

---

<sup>2</sup> Decision and Order, EB-2023-0098, Ontario Energy Board, June 27, 2023, p. 6.

**Board Staff Interrogatory #246**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 1 / Schedule 1 / pp. 4-5**

**Ref 2: Exhibit I1 / Tab 1 / Schedule 1**

**Preamble:**

Pursuant to amendment to O. Reg 53/05, OPG will recover interest on the Pickering Refurbishment Project (PRP) capital costs through concurrent cost recovery (CCR) during construction, and a separate PRP CCR variance account is established to true up forecast and actual CCR amounts. Prior to the CCR mechanism, financing costs flowed through capitalized interest.

OPG includes a forecast of CCR calculations for PRP totaling \$2,923.3 million over the 2027-2031 period.

**Question(s):**

- a) Please confirm whether CCR amounts for Pickering Refurbishment are excluded from Capacity Refurbishment Variance Account (CRVA) entries.
- b) Please confirm that interest impacts historically recorded in the CRVA are not recovered again via CCR, and that CCR amounts are not subsequently included in CRVA balances.

**Response**

- a) Confirmed. The CCR amounts for PRP are included in the nuclear revenue requirement on a forecast basis, as determined in Ex. I1-1-1, Table 7, and presented in Ex. I1-1-1, Table 2, line 22a. To the extent there is a difference between actual and forecast cumulative capital costs incurred by OPG in respect of the PRP, the impact of such a difference on CCR amounts will be recorded in the Pickering B Refurbishment Project Variance Account, consistent with the requirements of O. Reg. 53/05, section 5.8, and as described in Ex. H1-1-1, Section 5.30.

- 1 b) The Applicants assume that “interest impacts historically recorded in the CRVA” is  
2 referring to the capitalization of interest to project costs eligible for the CRVA. The  
3 Applicants confirm that PRP capital costs do not include capitalization of interest  
4 effective January 1, 2026, as stated at Ex. I1-1-3, p. 7 and Ex. D2-3-8, p. 9. This  
5 treatment ensures CCR amounts cannot be subsequently included in CRVA  
6 balances.  
7  
8 The Applicants similarly confirm that that there is no duplication between any  
9 amounts recorded in the CRVA prior to January 1, 2026 and the CCR amounts  
10 effective January 1, 2026.

**Board Staff Interrogatory #247**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 1 / Schedule 1 / pp. 4-6**

**Ref 2: Exhibit I1 / Tab 1/ Schedule 1 / Table 6**

**Preamble:**

O. Reg 53/05 section 12(1) provides that concurrent cost recovery (CCR) for the Darlington New Nuclear Program (DNNP) will be the actual cumulative capital incurred by the DNNP generator in respect of the Darlington New Nuclear Project multiplied by Ontario Power Generation Inc.'s long-term debt rate.

OPG lists the DNNP variance accounts effective January 1, 2026 including: the Development Variance Account, Capital Cost Amounts Variance Account, and the Generator Capital Structure Variance Account. The DNNP Generator Capital Structure Variance Account records the differences between forecast and actual financing parameters.

Reference 2 includes the forecast CCR amounts for DNNP totaling \$1,119.7 million from 2027-2031.

**Question(s):**

- a) Please confirm whether, following the introduction of CCR effective January 1, 2026, no interest is capitalized on construction work-in-progress (CWIP) for DNNP assets.
- b) Please explain how differences in financing parameters associated with the DNNP capital structure during construction are allocated between the CCR mechanism and the DNNP Generator Capital Structure Variance Account.
- c) Please confirm that financing cost variances recorded in the DNNP variance accounts do not overlap with CCR recovery.

- 1 d) Please provide a sensitivity analysis showing the impact of a +/-100 basis point  
2 change in debt costs on:  
3 i. DNNP capital structure variance account balances  
4 ii. Nuclear payment amounts  
5  
6

7 **Response**  
8

- 9 a) The Applicants confirm that no interest is capitalized on construction work-in-  
10 progress for the DNNP following the effective date of January 1, 2026 for the CCR  
11 mechanism for the DNNP.  
12  
13 b) The Applicants interpret the question as referring to DNNP LP's capital structure.  
14 The financing parameters associated with the DNNP LP's capital structure do not  
15 impact the CCR mechanism and therefore any differences therein are not allocated  
16 between the CCR mechanism and the DNNP Generator Capital Structure Variance  
17 Account.  
18

19 Specifically, O. Reg. 53/05, sections 12(1) and 14(2)5 prescribe that CCR amounts  
20 for the DNNP are to be determined by multiplying the cumulative capital costs  
21 incurred for the DNNP by Ontario Power Generation Inc.'s long-term debt rate,  
22 where long-term debt rate is defined as "the long-term debt rate reflecting the  
23 generator's cost of long-term borrowing that is determined or approved by the  
24 Board" in section 0.1(1) of O. Reg. 53/05. The CCR amounts are therefore  
25 independent of the capital structure of DNNP LP and do not interact with and are  
26 not eligible for the DNNP Generator Capital Structure Variance Account established  
27 by O. Reg. 53/05, section 13(1).  
28

29 The capital structure that is the subject of the DNNP Generator Capital Structure  
30 Variance Account is necessarily with respect to DNNP LP's rate base (i.e., once  
31 DNNP assets start being placed in service), as that is when the revenue  
32 requirement will begin to reflect the impacts of a capital structure. On the other  
33 hand, pursuant to O. Reg. 53/05, section 12(1) and 14(2)5, the CCR mechanism  
34 applies to capital costs incurred for the DNNP facilities prior to such assets being  
35 placed in service (i.e., construction work-in-progress). Refer to Ex. L-C1-Staff-039  
36 for further discussion on the DNNP Generator Capital Structure Variance Account.  
37

- 38 c) The Applicants confirm that there will be no overlap between the CCR amounts for  
39 the DNNP, including such amounts recovered through the Darlington New Nuclear  
40 Project Variance Account re Capital Cost Amounts, and any other financing cost  
41 variances that may be recorded in another deferral or variance account for DNNP  
42 LP.

1 d)

- 2 i. As set out in Ex. A1-4-4, Attachment 1, p. 7, the Applicants do not expect DNNP  
 3 LP to obtain debt financing prior to December 31, 2031 and, as discussed in Ex.  
 4 C1-1-1, Section 2.2, have proposed a 100% equity funded capital structure for  
 5 DNNP LP during the 2027-2031 IR term. As such, there is no reference point  
 6 relative to which to conduct the requested sensitivity analysis on debt costs, and  
 7 no such analysis can be provided. For clarity, under the proposed capital  
 8 structure for DNNP LP in this proceeding, any amount of debt actually raised by  
 9 DNNP LP during the 2027-2031 IR term would reduce the equity component of  
 10 the capital structure and be expected to result in a credit entry in the DNNP  
 11 Generator Capital Structure Variance Account.  
 12  
 13 ii. To perform the requested analysis, the Applicants adjusted the cost of OPG's  
 14 forecast new debt issues in Ex. C1-1-1, Tables 1-5 by +/- 100 basis points and  
 15 additionally flowed through the resulting cost of debt rates to both DNNP and  
 16 PRP CCR amounts as well as applicable asset service fee calculations, holding  
 17 all other variables constant. The results on nuclear payments amounts are  
 18 summarized in Chart 1 below.

19  
 20 **Chart 1 – Nuclear Payment Amounts Sensitivity to Cost of OPG's New Debt**  
 21 **Issues (\$/MWh)**  
 22

	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Pre-filed (Ex. I1-3-1)	206.70	192.42	202.74	199.16	219.60
+ 100 basis points	216.67	201.30	213.87	210.24	227.59
- 100 basis points	196.74	183.55	191.61	188.08	211.60

23

**Board Staff Interrogatory #248**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 1 / Schedule 1**

Preamble:

OPG states that the Income and Other Taxes Variance Account (OPG) does not record nuclear Scientific Research and Experimental Development investment tax credits (SR&ED ITC) impacts (and related taxes) effective June 1, 2017; those are instead recorded in the SR&ED ITC Variance Account. OPG also states that additions to the Income and Other Taxes Variance Account will be calculated without duplication with other impacted accounts such as the Capital Related Variance Account (CRVA).

Question(s):

- a) Please provide a mapping of all tax-related differences that may be recorded in:
  - i. The Income and Other Taxes Variance Account (OPG)
  - ii. The SR&ED ITC Variance Account (OPG)
  - iii. The CRVA
  - iv. Any proposed clean electricity or change-of-laws accounts, and explain, with examples, how OPG ensures there is no overlap or double recording among these accounts.

**Response**

- a) The Applicants understand that the question intends to refer to the Capacity Refurbishment Variance Account (“CRVA”) as no Capital Related Variance Account is in place or proposed by the Applicants. The Applicants understand the question to relate to income (or capital) taxes or payments in lieu of income (or capital) taxes.

A mapping of tax-related differences (including differences in the Clean Electricity Investment Tax Credits (“CEITCs”)) that may be recorded in the referenced accounts for OPG and similar accounts proposed for DNNP LP is provided below, as well as an explanation of how the account methodologies will ensure no duplication occurs between the applicable accounts in respect of these impacts. For completeness, the discussion also covers the proposed Global Hydroelectric Capital Variance Account (“GHCVA”), the Nuclear Development Variance Account (“NDVA”), the Darlington New Nuclear Project Variance Account re Development

1 (“DNNPVARD”) and the proposed Impact of Change in Tax Status Variance  
2 Account (DNNP).  
3

4 Global Hydroelectric Capital Variance Account

5 As discussed at Ex. A1-3-2, Section 2.3.5, the Application proposes to establish the  
6 GHCVA to record the difference in revenue requirement attributed to actual total  
7 regulated hydroelectric capital in-service amounts and the forecast capital related  
8 revenue requirement (“CRRR”) amounts underpinning the proposed custom capital  
9 factor (“C-factor”) as part of the hydroelectric price-cap index custom incentive rate-  
10 setting framework. Such CRRR includes the associated income tax impacts. With  
11 respect to the interaction with the Income and Other Taxes Variance Account  
12 (OPG), the SR&ED ITC Variance Account (OPG) and the proposed Clean  
13 Electricity ITC Variance Account (OPG), the evidence at Ex. A1-3-2, page 25, lines  
14 17-26 explains that entries into each of these accounts would be recorded  
15 independently of the GHCVA and, where applicable, a corresponding normalization  
16 adjustment would be made to the revenue requirement of the actual regulated  
17 hydroelectric capital in-service amounts used for determining entries in the GHCVA  
18 (and assessing their interaction with the entries in the CRVA) to the extent the  
19 amounts recorded in these accounts also affect such revenue requirement impact.  
20 The proposed mechanism for addressing the interaction of the GHCVA and the  
21 CRVA, encompassing both tax and non-tax impacts, is discussed at Ex. A1-3-2, p.  
22 23, line 17 to p. 25, line 15 and Ex. Ex. L-H1-Staff-253.  
23

24 Income and Other Taxes Variance Accounts

25 Ex. H1-1-1, Sections 5.5 and 8.4 outline the conditions that would give rise to  
26 entries recorded in the Income and Other Taxes Variance Account (OPG) and  
27 Income and Other Taxes Variance Account (DNNP). Broadly, these conditions  
28 include changes in income (or capital) tax legislation, regulations, tax authority  
29 policies, or income (or capital) tax reassessments such as from audits or application  
30 of tax rules. These accounts would record the impacts of such changes for the  
31 prescribed facilities to the extent not already reflected in the approved revenue  
32 requirements or captured in another deferral or variance account (as also  
33 discussed below). For clarity, as noted at Ex. H1-1-1, p. 15, lines 7-12 and Ex. H1-  
34 1-1 p. 69, line 26 to p. 70, line 2, the accounts would not include the revenue  
35 requirement impact of the CEITCs.  
36

37 SR&ED ITC Variance Accounts

38 As discussed at Ex. H1-1-1, Section 5.20, the SR&ED ITC Variance Account (OPG)  
39 presently records the difference between actual SR&ED ITCs for OPG’s nuclear  
40 facilities as determined after any tax audits and the forecast SR&ED ITCs reflected  
41 in the revenue requirement approved by the OEB, including income tax on the  
42 difference. The Application proposes to extend the scope of this account to OPG’s  
43 regulated hydroelectric facilities (as further discussed in Ex. L-H1-Staff-251) and to

1 establish an equivalent SR&ED ITC Variance Account (DNNP) for the DNNP  
2 facilities, as of the effective date of the payment amounts order in this proceeding.  
3 The above noted variances related to the SR&ED ITCs would be captured solely in  
4 these SR&ED ITC Variance Accounts and not in any other deferral or variance  
5 account (with the exception of any audit resolution adjustments for OPG's  
6 regulated hydroelectric facilities in respect of periods prior to the effective date of  
7 the account's applicability to these facilities, which would continue to be recorded  
8 in the Income and Other Taxes Variance Account (OPG)).<sup>1</sup>  
9

10 Capacity Refurbishment Variance Account, Nuclear Development Variance  
11 Account and the Darlington New Nuclear Project Variance Account re Development

12 The discussion below is provided with respect to the CRVA. It applies equally to the  
13 NDVA and the DNNPVARD, which would record equivalent tax-related components  
14 and have the equivalent operation with respect to the interaction of these  
15 components with the other applicable accounts discussed in this response.  
16

17 The CRVA records the revenue requirement impacts of variances in capital and  
18 non-capital costs and firm financial commitments incurred to increase the output of,  
19 refurbish or add operating capacity to an OPG prescribed generating facility. This  
20 includes the income tax impacts of such variances, including differences in capital  
21 cost allowance ("CCA") impacts and the tax "gross up" on the associated  
22 depreciation expense and equity return component of the rate base. Where there  
23 is a potential overlap between the CRVA and another tax-related deferral or  
24 variance account (other than the SR&ED ITC Variance Account (OPG), as  
25 discussed above), the impacts would be recorded in the CRVA.  
26

27 For example, as noted at Ex. H1-1-1, p. 16, lines 9-13 and footnote 20, the impact  
28 of new accelerated investment incentive property ("AIIP") rules that have resulted  
29 in a first-year increase in CCA deductions is recorded, as part of a credit entry (or  
30 a reduction to a debit entry), in the CRVA for the CRVA-eligible expenditures (to the  
31 extent not reflected in the approved revenue requirements), rather than the Income  
32 and Other Taxes Variance Account. Similarly, as noted at Ex. H1-1-1, p. 21, lines  
33 14-16, the revenue requirement impact of the CEITCs received by OPG for CRVA-  
34 eligible expenditures (to the extent not reflected in the approved revenue  
35 requirements) would be recorded in the CRVA, rather than the proposed Clean  
36 Electricity ITCs Variance Account (OPG).  
37

38 Clean Electricity ITC Variance Accounts

39 The proposed Clean Electricity ITC Variance Account (OPG) and Clean Electricity  
40 ITC Variance Account (DNNP) would record the differences in revenue requirement  
41 impact between the actual CEITCs received for OPG or DNNP LP's eligible

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<sup>1</sup> The SR&ED ITCs are not captured in the CRRR as part of the proposed custom price-cap index custom incentive rate-making framework for the regulated hydroelectric facilities and therefore are not subject to the GHCVA.

1 projects, respectively, relative to forecasts reflected in the approved revenue  
2 requirements, to the extent such impacts are not reflected in another deferral or  
3 variance account, such as the CRVA or the NDVA for OPG or the DNNPVARD for  
4 DNNP LP. As discussed elsewhere in this response, Income and Other Taxes  
5 Variance Account (OPG), Income and Other Taxes Variance Account (DNNP) and  
6 the Impact of Change in Tax Status Variance Account (DNNP) would not record the  
7 revenue requirement impacts of the CEITCs.

8  
9 For example, assuming the impact of the CEITCs is not reflected in the payment  
10 amounts and OPG receives a CEITC that reduces the revenue requirement of a  
11 capital project at a prescribed facility and such project is not eligible for the CRVA,  
12 the revenue requirement impact would be captured as a part of a credit entry in the  
13 Clean Electricity ITC Variance Account (OPG). Should the same occur with respect  
14 to a capital project that is CRVA-eligible, the impact would be captured as part of a  
15 credit entry (or a reduction to a debit entry) in the CRVA instead.<sup>2</sup>

16  
17 Change of Laws Deferral Accounts

18 As further discussed in Ex. L-H1-Staff-259, the proposed Changes of Laws Deferral  
19 Account (OPG) and Change of Laws Deferral Account (DNNP) would record  
20 material cost (i.e., revenue requirement) and revenue impacts to OPG's nuclear  
21 and regulated hydroelectric facilities, and the DNNP facilities, respectively, arising  
22 from provincial and/or federal legislative or regulatory changes (collectively,  
23 "change in law(s)"), to the extent these impacts are not recorded in other deferral  
24 and variance accounts. As any such impacts related to income (or capital) taxes  
25 would be recorded, as applicable, in the respective Income and Other Taxes  
26 Variance Accounts or Clean Electricity ITC Variance Accounts, Impact of Change  
27 in Tax Status Variance Account (DNNP) or another account, the Changes of Laws  
28 Deferral Accounts would not record any impacts of changes in laws related to  
29 income (or capital) taxes (including, for clarity, related to the CEITCs).

30  
31 For clarity, the Changes of Laws Deferral Accounts would record, as part of a  
32 revenue requirement impact of a change in laws not related to income (or capital)  
33 taxes, the applicable income tax impact of such a change. For example, if new  
34 compliance activities in connection with conserving the American Eel, discussed at  
35 Ex. H1-1-1, p. 61-63, result in an eligible outlay of capital expenditures (that is not  
36 also eligible for the CRVA), its revenue requirement impact recorded in the Change  
37 of Laws Deferral Account (OPG) would include the income tax impacts related to  
38 any additional CCA and the tax "gross up" on the associated depreciation expense  
39 and equity return component of the rate base.

---

<sup>2</sup> The CEITCs for the Pickering Refurbishment Program and the DNNP will reduce the amount of Concurrent Cost Recovery interest amounts by virtue of reducing the associated capital costs (see Ex. I1-1-3), with such impacts therefore being subject to the Pickering B Refurbishment Project Variance Account and the Darlington New Nuclear Project Variance Account re Capital Cost Account, respectively, and not any other deferral or variance account.

1  
2 Impact of Change in Tax Status Variance Account (DNNP)

3 As discussed at Ex. F4-2-1, p. 4, lines 6-21, given that DNNP LP is a limited  
4 partnership, the associated regulatory income taxes have been calculated with  
5 respect to the tax status of the partners in DNNP LP, such that these taxes reflect  
6 the portion of the regulatory taxable income that is attributable to taxable partners  
7 only. OPG is presently expected to be the only taxable partner in DNNP LP over  
8 the IR term. The proposed Impact of Change in Tax Status Variance Account  
9 (DNNP) would record the impact on the forecast regulatory income taxes reflected  
10 in the approved revenue requirement of any changes to the tax status of DNNP  
11 LP's partners, to the extent such impacts are not reflected in another deferral or  
12 variance account, such as the DNNPVARD. For clarity, any such impacts in relation  
13 to SR&ED ITCs would be recorded in the SR&ED ITC Variance Account (DNNP)  
14 and in relation to the CEITCs, in the Clean Electricity ITC Variance Account (DNNP)  
15 or another deferral or variance account such as the DNNPVARD, as applicable.  
16

17 Where a change from a tax exempt to a taxable status of a partner occurs, the  
18 impacts recorded in the Impact of Change in Tax Status Variance Account (DNNP)  
19 would be calculated by applying the respective tax legislation to the relevant  
20 components of the approved revenue requirement, while holding all other variables  
21 constant in relation to the forecasts underpinning the approved revenue  
22 requirement. Similarly, should a change from a taxable to a tax-exempt status of a  
23 partner occur, such impacts would be calculated by removing the relevant effects  
24 of the respective tax legislation from the approved revenue requirement. For clarity,  
25 no impacts would be recorded in the Income and Other Taxes Variance Account  
26 (DNNP) in connection with a change in the tax status of a partner, although impacts  
27 related to subsequent tax reassessments in respect of a taxable partner would be  
28 eligible for the Income and Other Taxes Variance Account (DNNP), to the extent not  
29 captured in another deferral or variance account.  
30

31 For example, should one of the partners of DNNP LP assumed to be tax-exempt  
32 for purposes of setting payment amounts becomes taxable during the IR term, the  
33 DNNPVARD would capture the income tax impacts under the respective tax  
34 legislation associated with any capital and non-capital costs incurred and firm  
35 financial commitments made for the DNNP that would be attributable to such  
36 partner as well as the revenue requirement of any CEITCs for which the partner  
37 would be eligible, the SR&ED ITC Variance Account (DNNP) would capture any  
38 SR&ED ITCs, including taxes thereon, that would be attributable to such partner,  
39 and the Impact of Change in Tax Status Variance Account (DNNP) would capture  
40 the portion of income tax impacts attributable to the partner in respect of the  
41 components of the approved revenue requirement not captured by the DNNPVARD  
42 or the SR&ED ITC Variance Account (DNNP).

**Board Staff Interrogatory #249**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 2 / Schedule 1 / Table 1**

**Ref 2: Exhibit F4 / Tab 2 / Schedule 1 / Table 3b**

**Preamble:**

OPG is seeking clearance of audited December 31, 2024 deferral and variance account (DVA) balances, less approved amortization amounts for 2025 and 2026, together with the income tax impacts associated with the recovery of the Pension & Other Post-Employment Benefits (OPEB) Cash Versus Accrual Differential Deferral Account through payment amount riders.

In Table 1 of Reference 1, a separate hydroelectric line for post-2019 additions is shown for (\$10.2 million), amortized over 36 months, resulting in (\$3.4 million) per year.

At Reference 2, for the years 2027-2029, Regulatory Asset Amortization of the Pension and OPEB Cash vs. Accrual Differential Account of (\$10.2 million) is noted as an addition for regulatory tax purposes. OEB staff would generally expect that the addition of an asset to be represented as a positive line item.

**Question(s):**

- a) Please provide the detailed calculation of the (\$10.2) million balance, including the underlying Pension & OPEB DVA balance to which the taxes relate.
- b) Please reconcile the amount to the note 5 in Reference 1, where the balance is calculated as line 12 x tax rate / (1 – tax rate).
- c) Please identify the exact tax rate used from Reference 2 and explain why that rate is appropriate.
- d) Please reconcile the resulting (\$3.4 million) annual amortization amounts in Reference 1 to the tax model treatment in Reference 2.
- e) Regarding Reference 2, please explain the sign convention and tax treatment of the hydroelectric DVA, including:
  - i. Why the line is shown as a negative amount;
  - ii. Why it is treated as a subtraction in the derivation of regulatory taxable income/earnings before tax; and,

1 iii. How the treatment interacts with the separate tax recovery shown in Reference  
2 1.  
3  
4

5 **Response**  
6

7 a) and b)  
8

9 Refer to Ex. H1-2-1, Table 1, Note 5 for the calculation of the (\$10.2M) income tax  
10 impact referenced (i.e.,  $(\$30.5M) \times (25\% / (1-25\%))$ ) and to Ex. H1-1-1, Table 7 (sum  
11 of line 13, cols. (a) and (d)) for the underlying balance of (\$30.5M) in the Pension  
12 & OPEB Cash Versus Accrual Differential Deferral Account.  
13

14 c) The income tax rate is 25%, as shown at Ex. F4-2-1, Table 3b, line 26, and is  
15 appropriate because it reflects the overall income tax rate applicable to OPG's  
16 electricity generation business. As noted in that exhibit, the income tax rate has  
17 remained unchanged throughout the historical period, with no changes forecasted  
18 over the bridge or IR term.  
19

20 d) and e)  
21

22 Exhibit F4-2-1, Table 3b, line 4 corresponds to the amortization of the Pension &  
23 OPEB Cash Versus Accrual Differential Deferral Account at Ex. H1-2-1, Table 1,  
24 line 12 and is shown as a negative amount, rather than a positive amount, as it  
25 represents an amortization of a regulatory liability, rather than a regulatory asset.  
26 In the course of responding to this interrogatory, OPG noted that this line has been  
27 incorrectly labelled to refer to a "Regulatory Asset" and should instead refer to a  
28 "Regulatory Liability". OPG will file a correction to the evidence.  
29

30 Exhibit F4-2-1, Table 3b, line 4 is shown in the derivation of regulatory taxable  
31 income for 2027-2029 for consistency with the principle, as articulated at Ex. F4-2-  
32 1, p. 15, lines 1-5 and applied in OPG's previous payment amounts proceedings,  
33 that to the extent, 1) there is no income tax benefit/cost to be matched to a variance  
34 or deferral account recovery or refund (i.e., its amortization), and 2) where such  
35 impact is not otherwise reflected in the account balance itself, there should be an  
36 adjustment to regulatory earnings before tax in the period of such recovery or  
37 refund. The Pension & OPEB Cash Versus Accrual Differential Deferral Account  
38 meets both of these criteria and therefore a corresponding adjustment for its  
39 amortization has been shown in the calculation of regulatory income taxes.  
40 Typically, such an adjustment would give rise to a regulatory income tax impact  
41 equal to the amount of the adjustment multiplied by  $(\text{tax rate} / (1 - \text{tax rate}))$ , or in  
42 this case,  $(\$10.2M) \times (25\%) / (1 - 25\%)$ , being equal to (\$3.4M) at Ex. H1-2-1, Table  
43 1, line 17.

1 Because the income tax impact of refunding the Pension & OPEB Cash Versus  
2 Accrual Differential Deferral Account over the 2027-2029 period is included as part  
3 of the proposed payment amount riders by virtue of Ex. H1-2-1, Table 1, line 17,  
4 the calculation of regulatory income taxes for these years is further modified to  
5 avoid duplication of this impact between the revenue requirement and the payment  
6 amount riders. This is accomplished by adjusting the derivation of regulatory  
7 earnings before tax at Ex. F4-2-1, Table 3c, lines 3a and 18a.<sup>1</sup> The net effect of  
8 these adjustments, taken together with Ex. F4-2-1, Table 3b, line 4, is that the  
9 regulatory income tax expense at Ex. F4-2-1, Table 3b, line 23 does not reflect any  
10 income tax impact related to the refund of the Pension & OPEB Cash Versus  
11 Accrual Differential Deferral Account balance. In other words, there would be no  
12 impact to the amounts calculated at Ex. F4-2-1, Table 3b, line 23 if all of the  
13 following lines in Ex. F4-2-1 were zeroed out: Table 3b, line 4; Table 3c, line 3a and  
14 Table 3c, line 18a.

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<sup>1</sup> This presentation approach is consistent with EB-2020-0290, Ex. F4-2-1: Table 3a, line 7 and Table 3c, lines 5a and 21a; EB-2020-0290 Payment Amounts Order: Tables 17-21, line 7 and Tables 17a-21a, lines 5a and 21a.

**Board Staff Interrogatory #250**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 2 / Schedule 1 / Table 2**

**Ref 2: Exhibit F4 / Tab 2 / Schedule 1 / Table 3d**

**Preamble:**

In Reference 1, the table shows Income and Other Taxes Variance – Nuclear with a 2024-year end balance of (\$9.5 million), with (\$7.3 million) already approved for 2025-2026 amortization, and (\$2.1 million) proposed for disposition in this application over 36 months or (\$0.7 million) per year.

**Question(s):**

- a) Please provide a continuity from the 2024 audited balance of (\$9.5 million) to the (\$2.1 million) proposed for disposition in this application.
- b) Please identify the components of the (\$7.3 million) already addressed through the 2025-2026 amortization, including the specific prior proceeding references.
- c) Please reconcile the annual (\$0.7 million) amounts to the tax model in Reference 2, if reflected there.
- d) Please confirm whether any part of the nuclear balance relates to items that would now instead be recorded in the Scientific Research and Experimental Development investment tax credits (SR&ED ITC) Variance Account or other dedicated tax accounts.

**Response**

- a) The requested continuity is found at Ex. H1-2-1, Table 2, line 11, cols. (a) to (d).
- b) The (\$7.3M) referenced is the sum of, and is therefore fully addressed, by the OEB-approved amortization for 2025 of (\$3.7M) and for 2026 of (\$3.7M) from Decision and Order, EB-2023-0336, June 13, 2024, Appendix A, Table 2, line 10, cols. (h) and (i), respectively.

- 1 c) Refer to Ex. F4-2-1, Table 3d, line 8, cols. (a) to (c), where the annual amounts for  
2 2027 to 2029 are equal to the corresponding annual amortization amounts of  
3 (\$0.7M) found at Ex. H1-2-1, Table 2, line 11.<sup>1</sup>  
4
- 5 d) Of the (\$2.1M) balance in the Income and Other Taxes Variance Account (OPG)  
6 for OPG's nuclear facilities proposed for disposition in this Application, (\$1.0M)  
7 relates to the increase in the recognition of the actual SR&ED ITCs for 2017, based  
8 on the resolution of that year's income tax audit in 2023, which impact was pro-  
9 rated for the period prior to June 1, 2017 for the purposes of recording in the  
10 account. June 1, 2017 represents the effective date of the SR&ED ITC Variance  
11 Account (OPG), which captures variances in SR&ED ITCs for OPG's nuclear  
12 facilities beginning as of that date. The calculation of the above entry can be found  
13 at Ex. H1-1-1, Table 6, lines 6-8, col. (b).

---

<sup>1</sup> The underlying balance of the Income and Other Taxes Variance Account (OPG) and therefore the associated annual amortization amounts of (\$0.7M) do not contain income tax impacts of the type described in Ex. L-F4-Staff-220, part b) iv).

**Board Staff Interrogatory #251**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 1 / Schedule 1**

**Ref 2: Exhibit H1 / Tab 2 / Schedule 1 / Table 2**

**Ref 3: Exhibit F4 / Tab 2 / Schedule 1**

**Preamble:**

OPG states that the Scientific Research and Experimental Development investment tax credits (SR&ED ITC) Variance Account (OPG) records the difference between actual SR&ED ITCs for OPG's nuclear facilities, as determined after tax audits, and the forecast SR&ED ITCs reflected in approved revenue requirement, including the tax on the difference.

OPG proposes to extend the SR&ED ITC Variance Account (OPG) to include hydroelectric facilities as of the effective date of the payment amounts order. Historically, the hydroelectric treatment remained in the Income and Other Taxes Variance Account as noted in Reference 3.

Reference 2 shows a 2024 balance of (\$25.7 million), with (\$25.2 million) proposed for disposition in this application over 36 months or (\$8.4 million) per year.

**Question(s):**

- a) Please reconcile the 2024 audited balance of (\$25.7 million) to the (\$25.2 million) proposed for disposition in Reference 2, including the derivation of the (\$0.4 million) already approved amortization amount.
- b) Please provide a breakdown of the 2024 audited balance including, for example:
  - i. Current year variances
  - ii. Prior year true-up entries
  - iii. Audit resolution adjustments
  - iv. Carrying charges
  - v. Any embedded taxes on the difference
- c) Please confirm which components include the associated tax on the ITC difference and show the gross-up calculation.

- 1 d) Please explain how the annual (\$8.4 million) amortization amounts for the SR&ED  
2 ITC Variance Account (Nuclear) are reflected in the overall revenue requirement  
3 and payment amounts, including whether those amounts are reflected only through  
4 riders, or also reflected in any line of the nuclear income tax model in Reference 3.  
5
- 6 e) Please provide the implementation details of the proposed extension of the SR&ED  
7 ITC Variance Account (OPG) to the hydroelectric facilities, including:  
8 i. The effective date;  
9 ii. The transition rule between the historical hydroelectric treatment in the Income  
10 and Other Taxes Variance Account and the proposed treatment in the SR&ED  
11 ITC Variance Account;  
12 iii. A working example showing how a hydroelectric SR&ED ITC variance arising  
13 after the effective date would be recorded;  
14 iv. Confirmation that no overlap will occur between the two accounts during  
15 transition.  
16  
17

18 **Response**  
19

- 20 a) The requested reconciliation can be found at Ex. H1-2-1, Table 2, line 22, cols. (a)  
21 to (d). The (\$0.4M) is the sum of the OEB-approved amortization for 2025 of  
22 (\$0.2M) and for 2026 of (\$0.2M) from EB-2023-0336 Decision and Order, Appendix  
23 A, Table 2, line 21, cols. (h) and (i), respectively.  
24
- 25 b) Refer to Ex. H1-1-1, Table 12 for the breakdown of the 2023 and 2024 additions to  
26 the account, including prior-year true-up entries and audit resolution adjustments.  
27 Refer to Ex. H1-1-1, Table 1a and 1b, line 38 for the continuity of the balance,  
28 including carrying charges for 2023 and 2024, respectively. The opening 2023  
29 balance at Ex. H1-1-1, Table 1a, line 38, col. (a) has been approved by the OEB,  
30 as per EB-2023-0336 Decision and Order, Appendix A, Table 2, line 21, col. (a).  
31
- 32 c) All five entries into the account in 2023 and 2024, labeled as Entry (i) to (v) in Ex.  
33 H1-1-1, Table 12, relate to some manner of SR&ED ITC differences and all contain  
34 an income tax “gross-up”. The calculation of the “gross-up” for each of the entries  
35 can be seen at lines 9, 16, 19, 22 to 25 of that table.  
36
- 37 d) The annual (\$8.4 million) amortization amounts are reflected only through the  
38 payment amount riders as calculated in Ex. H1-2-1, Table 2. For clarity, there is no  
39 separate income tax impact included in the regulatory income tax calculations at  
40 Ex. F4-2-1, Table 3d in connection with the disposition of this balance.

- 1 e)  
2 i. As noted at Ex. H1-1-1, p. 42, OPG is proposing to apply the same treatment of  
3 recording entries in the SR&ED ITC Variance Account for its nuclear facilities to  
4 the regulated hydroelectric facilities, as of the effective date of the payment  
5 amounts order in this proceeding.  
6  
7 ii. The “transition rule” would be that any audit resolution adjustments in  
8 connection with the regulated hydroelectric facilities in respect of periods prior  
9 to the effective date identified in part i) above would be recorded in the Income  
10 and Other Taxes Variance Account (OPG). All such adjustments in respect of  
11 periods after this effective date would be recorded in the SR&ED ITC Variance  
12 Account (OPG). This is the same approach adopted for OPG’s nuclear facilities  
13 at the time the account was originally established, effective June 1, 2017.  
14  
15 iii. As OPG is proposing to record entries in the SR&ED ITC Variance Account  
16 (OPG) for the regulated hydroelectric facilities in the same manner as for its  
17 nuclear facilities, the account entries for either 2023 or 2024 at Ex. H1-1-1,  
18 Table 12 for the nuclear facilities provide a practical example for how entries  
19 would also be recorded for the regulated hydroelectric facilities. Each of the five  
20 entries for both years are described in Ex. H1-1-1, Section 5.20.  
21  
22 iv. Confirmed.

**Board Staff Interrogatory #252**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 2 / Schedule 1**

Preamble:

OPG states that, with the exception of the Rate Smoothing Deferral Account, OPG proposes to recover deferral and variance account (DVA) balances on a straight-line basis over 2027-2029, and that the hydroelectric rate rider includes both hydroelectric DVA amortizations and the income tax impacts associated with the hydroelectric Pension & Other Post-Employment Benefits (OPEB) Cash vs Accrual Differential Deferral Account.

Question(s):

- a) Please provide a reconciliation of the hydroelectric payment rider to the underlying tax-related components only, showing
  - i. The annual amortization of the hydroelectric Income and Other Taxes Variance Account
  - ii. The annual amortization of the hydroelectric Tax on Pension & OPEB Cash vs Accrual Differential Deferral line
  - iii. Any other tax-related hydro components included in the rate rider
  - iv. Confirmation that no tax-related amount is recovered both through the rate rider and through the base hydro revenue requirement/C-factor

**Response**

- a) i. to iii.

The requested information is provided in Chart 1 below.

**Chart 1 – Tax Related Amounts Included in Proposed Regulated Hydroelectric Payment Rider**

Line	Account	Amounts Recoverable (Refundable) (\$M)	Disposition Period (months)	Amortization Jan - Dec 2027	Amortization Jan - Dec 2028	Amortization Jan - Dec 2029
		(a)	(b)	(c)	(d)	(e)
1	Income and Other Taxes Variance – Hydroelectric <sup>1</sup>	(6.5)	36	(2.2)	(2.2)	(2.2)
2	Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account - Tax-related Component <sup>2</sup>	0.3	36	0.1	0.1	0.1
3	Tax on Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric - Post-2019 Additions <sup>3</sup>	(10.2)	36	(3.4)	(3.4)	(3.4)
4	Total Recoverable (Refundable) Tax-Related Amounts (lines 1 + 2 + 3)	(16.4)		(5.5)	(5.5)	(5.5)
5	Forecast Production (TWh) <sup>4</sup>			32.5	32.5	32.5
6	<b>Tax-Related Amounts in Regulated Hydroelectric Payment Rider (\$/MWh) (line 4 / line 5)</b>			<b>(0.17)</b>	<b>(0.17)</b>	<b>(0.17)</b>

<sup>1</sup> Col. (a) calculated as the sum of Ex. H1-1-1, Table 6, line 16, cols. (a) and (d).

<sup>2</sup> Col. (a) calculated as the sum of Ex. H1-1-1, Table 9, line 13, cols. (a) and (b).

<sup>3</sup> Col. (a) per Ex. H1-2-1, Table 1, line 17, col. (d).

<sup>4</sup> Cols. (c) to (e) per Ex. H1-2-1, Table 1, line 20.

iv. Confirmed.

For clarity, while there is no duplication of *recovery* of income tax impacts between the proposed hydroelectric payment rider and the proposed revenue requirement and C-factor for the regulated hydroelectric facilities over the 2027-2031 period, there is a duplication of *refund* of such impacts to ratepayers in the amount of \$0.5M per year over the 2027-2029 period, as discussed at Ex. L-F4-Staff-220, part b). As explained in that response, OPG does not propose to adjust the approvals sought in the Application on account of this duplication.

**Board Staff Interrogatory #253**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 1 / Schedule 1**

**Ref 2: Exhibit A1 / Tab 2 / Schedule 3 / pp. 3-6**

**Preamble:**

For the hydroelectric rate setting framework, OPG proposes a revised price-cap index framework for its hydroelectric facilities for the 2027-2031 period. OPG proposes the addition of a capital-factor (C-factor) and GRCF.

The application proposes to change the reference amounts for the existing capital-related variance account (CRVA). The proposal is that the threshold for CRVA additions no longer include the depreciation expense recovery that was available through payment amounts set in EB-2016-0152. The proposal is that the going forward CRVA reference amount only consider the forecast costs related to CRVA-eligible projects, and that the CRVA amounts be reviewed on a five-year cumulative basis.

OPG also proposes to establish an asymmetrical, cumulative Global Hydroelectric Capital Variance Account (GHCVA) that would address a scenario in which the actual capital-related revenue requirement determined based on OPG's actual in-service amounts for the prescribed hydroelectric facilities over the 2028-2031 period is less than the capital-related revenue requirement provided through the payment amounts inclusive of the C-factor.

**Question(s):**

- a) Please provide an illustrative, numerical example using annual entries over the 2028-2031 period that shows:
  - i. The annual capital-related entries recorded in the hydroelectric CRVA for an eligible portfolio project;
  - ii. The corresponding calculation of the GHCVA based on actual versus forecast capital-related revenue requirement
  - iii. The resulting cumulative adjustment between the CRVA and GHCVA at the end of the 2028-2031 period
  - iv. The final amount, if any, proposed for disposition from each account.

- 1 b) Please provide an illustrative, numerical example for the 2023 and 2024 years had  
2 the GHCVA existed. If necessary, please also explain if CRVA entries would have  
3 been different had the GHCVA existed.  
4  
5 c) Please ensure that the example demonstrates how OPG would avoid duplication  
6 and how the proposed cumulative limit would be applied in practice.  
7

8  
9 **Response**

- 10  
11 a) OPG understands the CRVA to refer to the Capacity Refurbishment Variance  
12 Account rather than a Capital Related Variance Account.  
13

14 For continuity with the pre-filed evidence, this response leverages the examples  
15 provided in Ex. A1-3-2, Charts 6, 10, 11, 12 and 13 in respect of the interaction  
16 between the CRVA and the proposed GHCVA.<sup>1</sup> Further, as explained in that  
17 evidence and further discussed below, the interaction between the two accounts is  
18 addressed by comparing cumulative balances recorded therein at the end of the  
19 last four years of the IR term (i.e., those years where the C-factor is proposed to be  
20 in effect). Accordingly, while the question in part (i) is posed in reference to a CRVA  
21 eligible project, the response is necessarily framed in the context of the overall  
22 CRVA eligible in-service additions over the period.  
23

- 24 i. Charts 1 and 2 below provide illustrative examples of annual 2028-2031 capital-  
25 related entries in the CRVA for all eligible regulated hydroelectric projects,  
26 resulting in credit and debit balances at line 3, respectively, before considering  
27 any interaction with the GHCVA. (For clarity, lines 1 and 2 below would comprise  
28 multiple projects, with individual project variances offsetting within lines 3, as  
29 applicable.) The examples have been designed to match lines 3 at Ex. A1-3-2,  
30 Charts 12 and 13 (reproduced as Charts 5 and 6 below), respectively.

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<sup>1</sup> The illustrative examples are exclusive of any interest on the account balances.

**Chart 1 – Illustrative Hydroelectric Capital-Related Credit in CRVA (\$M)**

Line No.	Description	Note	2028	2029	2030	2031	Total
1	Reference Amount for CRVA Eligible Projects	Ex. H1-1-1, Chart 1, line 1	63.3	171.6	231.1	277.9	
2	Illustrative Actual CRRR for CRVA Eligible Projects	Illustrative only	58.3	166.6	226.1	272.9	
3	Variance: Actual CRRR for CRVA Eligible Project less Reference Amount	line 2 - line 1	(5.0)	(5.0)	(5.0)	(5.0)	<b>(20.0)</b>

**Chart 2 – Illustrative Hydroelectric Capital-Related Debit in CRVA (\$M)**

Line No.	Description	Note	2028	2029	2030	2031	Total
1	Reference Amount for CRVA Eligible Projects	Ex. H1-1-1, Chart 1, line 1	63.3	171.6	231.1	277.9	
2	Illustrative Actual CRRR for CRVA Eligible Projects	Illustrative only	76.3	183.6	244.1	289.9	
3	Variance: Actual CRRR for CRVA Eligible Projects less Reference Amount	line 2 – line 1	13.0	12.0	13.0	12.0	<b>50.0</b>

- ii. Exhibit A1-3-2, Charts 10 and 11 (reproduced as Charts 3 and 4 below) illustrate the 2028-2031 annual entries into the proposed GHCVA where the actual capital related revenue requirement (“CRRR”) over the period is greater than the forecast CRRR (with the resulting cumulative entry of \$0 at Chart 3, line 4) and where an actual CRRR over the period is lower than the forecast CRRR (with the resulting cumulative entry of (\$40M) at Chart 4, line 4), before considering any interaction with the CRVA. The forecast CRRR at line 1 of Charts 3 and 4 includes the annual reference amounts for the CRVA eligible

1 projects shown in line 1 of Charts 1 and 2 above. As discussed in Ex. A1-3-2,  
 2 Section 2.3.5, the GHCVA would be evaluated for disposition in aggregate on a  
 3 cumulative basis over the last four years of the IR term, with the last year  
 4 including any adjustment entry necessary to account for the interaction with the  
 5 CRVA.

6  
 7 **Chart 3 – GHCVA Scenario 1 – Actual CRRR is Greater than Forecast (\$M)**  
 8

Line No.	Description	Note	2028	2029	2030	2031	Total
1	Forecast CRRR (after stretch adjustment)	Ex. A1-3-2, Chart 6, line 7	978.5	1,100.7	1,176.6	1,231.4	
2	Illustrative Actual CRRR	Illustrative only	988.5	1,110.7	1,186.6	1,241.4	
3	Variance: Actual CRRR less Forecast CRRR	line 2 - line 1	10.0	10.0	10.0	10.0	40.0
4	<b>GHCVA Disposition to Ratepayers</b>	Lesser of line 3 and \$0					<b>0.0</b>

9  
 10 **Chart 4 – GHCVA Scenario 2 – Actual CRRR is Less than Forecast (\$M)**  
 11

Line No.	Description	Note	2028	2029	2030	2031	Total
1	Forecast CRRR (after stretch adjustment)	Ex. A1-3-2, Chart 6, line 7	978.5	1,100.7	1,176.6	1,231.4	
2	Illustrative Actual CRRR	Illustrative only	968.5	1,090.7	1,166.6	1,221.4	
3	Variance: Actual CRRR less Forecast CRRR	line 2 - line 1	(10.0)	(10.0)	(10.0)	(10.0)	(40.0)
4	<b>GHCVA Disposition to Ratepayers</b>	Lesser of line 3 and \$0					<b>(40.0)</b>

12  
 13 iii. and iv.  
 14

15 Exhibit A1-3-2, Chart 12 (reproduced as Chart 5 below) illustrates the interaction  
 16 between the proposed GHCVA and the CRVA if the actual cumulative CRRR is

1 less than the forecast cumulative CRRR (as is the case for Chart 4 above) and  
 2 there is a capital-related credit in the CRVA (as is the case for Chart 1 above). In  
 3 this scenario, to avoid duplicating the amounts refundable through the GHCVA of  
 4 \$40M and the CRVA of \$20M, the overall refundable amounts are limited to \$40M,  
 5 representing the actual cumulative CRRR over the 2028-20231 being lower than  
 6 the forecast cumulative CRRR, and are split between the \$20M credit in the CRVA  
 7 and the adjusted \$20M credit in the GHCVA.<sup>2</sup>

8  
 9 **Chart 5 – Interaction between GHCVA and CRVA if Actual CRRR is Less than**  
 10 **Forecast and Credit in CRVA (\$M)**  
 11

Line No.	Description	Note	Total
1	Actual CRRR less Forecast CRRR <sup>3</sup>	Chart 4, line 3	(40.0)
2	Illustrative Capital-Related CRVA Balance Available for Disposition	Chart 1, line 3	(20.0)
3	<b>Illustrative GHCVA Balance Available for Disposition</b>	line 1 – line 2	<b>(20.0)</b>

12  
 13 Exhibit A1-3-2, Chart 13 (reproduced as Chart 6 below) illustrates the interaction  
 14 between the proposed GHCVA and the CRVA if the actual cumulative CRRR is  
 15 greater than the forecast cumulative CRRR (as is the case for Chart 3 above) and  
 16 there is a capital-related debit in the CRVA (as is the case for Chart 2 above). In  
 17 this scenario, to avoid duplicating the amounts recoverable through the forecast  
 18 CRRR and the CRVA, the recoverable amounts through the CRVA of \$50M are  
 19 limited to \$40M, being the amount by which the actual cumulative CRRR exceeds  
 20 the forecast cumulative CRRR.<sup>4</sup> (There would be no entries to the GHCVA given  
 21 its asymmetrical nature in favour of ratepayers.)

<sup>2</sup> More broadly, as discussed in Ex. A1-3-2, Section 3.5 and Ex. H1-1-1, Section 5.6, over the 2028-2031 period, (i) the refundability of a credit in the GHCVA would be reduced (not to exceed zero) by a credit in the CRVA, and (ii) the refundability of a credit in the CRVA would be limited to an amount, if any, by which the actual cumulative CRRR is below the forecast cumulative CRRR.

<sup>3</sup> This line has been incorrectly labelled in Ex. A1-3-2, Chart 12 as “Illustrative GHCVA disposition to ratepayers” and should instead be labelled “Actual CRRR less Forecast CRRR”.

<sup>4</sup> More broadly, as discussed in Ex. A1-3-2, Section 3.5 and Ex. H1-1-1, Section 5.6, over the 2028-2031 period, the recoverability of a debit in the GHCVA would be limited to the amount, if any, by which the actual cumulative CRRR exceeds the forecast cumulative CRRR.

**Chart 6 – Interaction of GHCVA and CRVA if Actual CRRR is Greater than Forecast and Debit in CRVA (\$M)**

Line No.	Description	Note	Total
1	Actual CRRR less Forecast CRRR	Chart 3, line 3	40.0
2	Illustrative Capital-Related CRVA Balance Available for Disposition	Chart 2, line 3	50.0
3	<b>Illustrative CRVA Balance Available for Disposition</b>	<b>Lesser of line 2 and line 2</b>	<b>40.0</b>

As discussed in Ex. A1-3-2, Section 2.3.5, given the interaction between the GHCVA and the CRVA, the capital-related CRVA balances for the regulated hydroelectric facilities would be evaluated for disposition in aggregate on a cumulative basis over the last four years of the IR term, at the same time as the GHCVA. The disposition of the CRVA entries for the first year of the IR term would not be affected by an interaction with the GHCVA.]

- b) OPG is unable to provide the requested example because the payment amounts for the 2023 and 2024 years were not set on the basis of a forecast CRRR that would be necessary to compute entries into a hypothetical GHCVA. Specifically, the 2023 and 2024 hydroelectric payment amounts were set equal to the 2021 hydroelectric payment amount pursuant to Ontario Regulation 53/05, section 6(2)13, while the 2021 hydroelectric payment amount was set using an annual price-cap adjustment that did not contain a C-factor. The 2023 and 2024 hydroelectric payments amounts therefore did not reflect a corresponding CRRR.
- c) Although OPG is unable to provide the requested example in part b), the examples in part a) illustrate how duplication between the GHCVA and the CRVA would be avoided.

**Board Staff Interrogatory #254**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 1 / Schedule 1 / pp. 64-65**

**Ref 2: Exhibit I1 / Tab 3 / Schedule 2 / pp. 6-9**

**Preamble:**

OPG proposes to establish the Payment Amount Shaping Deferral Account (PASDA). An annual deferral amount as determined by the OEB would be recorded in the account from January 1, 2027 until December 31, 2031. This account is proposed in conjunction with OPG's payment amount shaping proposal to help manage the 2027 ratepayer impact while balancing OPG's financing needs over the period.

OPG is currently proposing an amount of \$500 million to be deferred in the account in 2027, to be cleared in 2028. OPG proposes to record interest on the balance of the account at a long-term debt rate reflecting OPG's cost of long-term borrowing, as approved by the OEB, compounded annually.

In Reference 2, OPG described the three options it considered for payment amount shaping. Approach A is a status quo scenario with no shaping of proposed payment amounts. Approach B reduces recovery by \$500 million in 2027 and increases recovery by \$500 million in 2028. Approach C reduces recovery by \$500 million in 2027 and increases recovery by \$250 million in 2028, \$50 million in 2029, and \$200 million in 2030. The figures are stated before interest costs that would be associated with the deferral.

**Question(s):**

- a) Please explain whether OPG considers the PASDA to be a one-time mechanism limited to the proposed deferral of \$500 million from 2027 to be recovered in 2028.
- b) Please provide the forecast interest costs under Approach B and C as at December 31, 2031, as described in Reference 2.
- c) Please confirm whether OPG has considered alternatives to requesting the establishment of the DVA. If other alternatives have been considered, please describe those in detail and why they were not chosen.

1 Response  
2

3 a) OPG developed the payment amount shaping proposal specific to this proceeding  
4 and therefore intends for the proposed Payment Amount Shaping Deferral Account  
5 to be a one-time mechanism.  
6

7 b) Estimated interest costs over the 2027-2031 period are approximately \$23M under  
8 Approach B and approximately \$45M under Approach C, both calculated at OPG's  
9 proposed long-term debt rates in this proceeding as explained at Ex. H1-1-1,  
10 Section 7.4.  
11

12 c) The Applicants interpret this request to be asking whether alternative mechanisms  
13 to smooth payment amounts in this proceeding were considered.  
14

15 OPG considered whether the existing Rate Smoothing Deferral Account could be  
16 utilized. However, O. Reg. 53/05 section 6(2)12 states that amounts shall be  
17 recorded in that account during a deferral period ending when the Darlington  
18 Refurbishment Project ends, with recovery commencing thereafter. With the  
19 Darlington Refurbishment at or near completion, the account therefore cannot be  
20 used to effect payment amount shaping in this proceeding.  
21

22 OPG also considered adjusting the timing of amortization of deferral and variance  
23 account balances proposed for disposition (Ex. H1-2-1, Tables 1 and 2). However,  
24 the proposed 2027 amortization amounts are significantly less than \$500M, and  
25 OPG therefore did not pursue this alternative.

**Board Staff Interrogatory #255**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 1 / Schedule 1 / p. 1**

**Preamble:**

OPG is not seeking clearance of balances in the following accounts (2024 audited year end balances):

- i. the hydroelectric components of the Capacity Refurbishment Variance Account - \$120.7 million
- ii. the components of the Nuclear Development Variance Account not related to the Darlington New Nuclear Program (DNNP) - \$23.5 million
- iii. Pickering B Variance Account. OPG proposes to defer the clearance of these balances to a future application - \$131.1 million.

**Question(s):**

- a) For each material balance not proposed for disposition in this application, please provide (in summary format) or explain:
  - i. The additional revenue requirements and bill impacts of disposing the audited 2024 year-end balance, assuming a 36-month disposition period effective January 1, 2027;
  - ii. Whether OPG considered partial disposition;
    - i. If not, why not.
  - iii. Whether continued deferral raises bill impact, carrying charge or intergenerational equity concerns.
  - iv. The forecast carrying charges on the balances at December 31, 2031

**Response**

- a)
  - i. In responding to this question, OPG has limited the analysis to the non-DNNP components of the Nuclear Development Variance Account and the Pickering B Variance Account. OPG did not perform the analysis for the hydroelectric components of the Capacity Refurbishment Variance Account ("CRVA") because, as explained further in Ex. L-H1-Staff-260, part b), the balance in the account cannot be cleared prior to the completion of the 2022-2026 period.

There would be no incremental revenue requirement impact of disposing of the year-end 2024 balances for the non-DNNP components of the Nuclear Development Variance Account and the Pickering B Variance Account. For additional context, in Chart 1 below, OPG provides the illustrative incremental deferral and variance account amortization amounts and residential customer bill impacts that would result over the 2027-2031 period if these balances were cleared over a 36-month period beginning January 1, 2027.

**Chart 1 – Illustrative Incremental Deferral and Variance Account Amortization and Residential Customer Bill Impacts**

Line	Account	Amount <sup>1</sup>	Disposition Period (months)	Amortization 2027	Amortization 2028	Amortization 2029	Amortization 2030	Amortization 2031
1	Nuclear Development Variance – Non DNNP	23.5	36	7.8	7.8	7.8	0.0	0.0
2	Pickering B Variance	131.1	36	43.7	43.7	43.7	0.0	0.0
3	<b>Total (line 1 + line 2)</b>	<b>154.6</b>		<b>51.5</b>	<b>51.5</b>	<b>51.5</b>	<b>0.0</b>	<b>0.0</b>
4	Change in Typical Residential Bill Impact of Application (\$/Month)			0.3	0.0	0.0	-0.3	0.0
5	Change in Typical Residential Bill Impact of Application (%)			0.2%	0.0%	0.0%	-0.2%	0.0%

<sup>1</sup> From Ex. H1-2-1, Table 2, col. (e), lines 3 and 29, respectively.

- ii. OPG did not consider a partial disposition of the account balances it is not seeking to clear, for the same reasons as outlined in Ex. H1-1-1 and Ex. L-H1-Staff-260 part b).
- iii. The Applicants do not believe that the deferral of the account balances identified in the preamble raises bill impact, carrying charge or intergenerational equity concerns. As discussed in Ex. H1-1-1 and Ex. L-H1-Staff-260 part b), OPG believes that it has a sound rationale for not seeking clearance of these balances in this proceeding, including, with respect to the hydroelectric components of the CRVA, that such deferral is necessary to comply with the terms of the account. Refer to part (iv) below for a discussion of potential future customer bill impacts related to the incremental interest that could be recorded on the balances as a result of deferring their clearance.

Specifically with respect to intergenerational equity considerations for the Pickering B Variance Account, deferring the clearance of the debit balance as of year-end 2024 until offsetting credit entries can be recorded in 2026, all with respect to the continued operation of Pickering Units 5-8, as discussed in Ex. L-

1 H1-Staff-260 part b), supports greater intergenerational equity by matching the  
2 benefits of the additional generation in 2026 with the preceding years' costs  
3 incurred to enable these benefits.  
4

- 5 iv. OPG is unable to provide a forecast of the carrying charges on the balances in  
6 question as of December 31, 2031, as developing such a forecast would require  
7 forecasts of future account additions (where applicable), the OEB's prescribed  
8 interest rates for deferral and variance accounts, and the timing of future  
9 disposition, all over a six-year period.  
10

11 For illustrative purposes, OPG has estimated the hypothetical cumulative  
12 carrying charges that would be recorded on the year-end 2026 forecasted  
13 balances (as provided in Ex. L-A1-CCC-001) over the 2027-2031 period,  
14 assuming a prescribed deferral and variance account interest rate of 2.55%, no  
15 post-2026 additions and no disposition through December 31, 2031. Such  
16 aggregate interest as of December 31, 2031 for these balances would be  
17 approximately \$33M for the hydroelectric components of the CRVA, \$25M for  
18 the non-DNNP components of the Nuclear Development Variance Account and  
19 approximately (\$17M) for the Pickering B Variance Account, for a net amount  
20 recoverable of approximately \$42M. This net amount is order-of-magnitude  
21 equivalent to about 0.1% of a typical residential customer bill. Should these  
22 balances be disposed of as part of a separate deferral and variance account  
23 application submitted during the 2027-2031 period, the clearance would likely  
24 commence sooner than in the above scenario and the interest impacts would  
25 be smaller.

**Board Staff Interrogatory #256**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 2 / Schedule 1 / pp. 40-41**

**Preamble:**

OPG is proposing to recover the Rate Smoothing Deferral Account year-end 2024 balance of \$677.4 million over the maximum prescribed period of ten years, from January 1, 2027 to December 31, 2036 in the Rate Smoothing Deferral Account.

According to O. Reg. 53/05, an annual deferral amount as determined by the OEB is recorded in the account from January 1, 2017 until the Darlington Refurbishment Project (DRP) ends (the “deferral period”). Section 6(2)12(iv) of O. Reg. 53/05 stipulates that the OEB shall ensure that OPG recovers the balance recorded in the account and shall authorize recovery of the account balance on a straight-line basis over a period not to exceed ten years commencing at the end of the deferral period.

With the DRP expected to return the last unit to service in 2026, no additions are anticipated to be required to the account as of the effective date of the payment amounts order in this proceeding. Section 5.5(2) of O. Reg. 53/05 stipulates that the deferral account shall record interest on the balance of the account at OPG’s long-term debt rate, compounded annually.

**Question(s):**

- a) Please explain the rationale of proposing the maximum 10-year disposition period for the Rate Smoothing Deferral Account compared to shorter disposition periods.
- b) Please provide an analysis, with interest costs shown separately, showing the additional cost and bill impacts if the balance was disposed over 3 years, 5 years, and 7 years.

**Response**

- a) As noted at Ex. H1-2-1, p. 3, lines 13-15, OPG is proposing the maximum 10-year disposition period for the Rate Smoothing Deferral and Variance Account permitted by O. Reg. 53/05, Section 6(2)12(iv) due to its larger size compared to OPG’s other deferral and variance account balances, which the Application proposes to clear

1 over a three-year period, and this would help to mitigate customer bill impacts  
 2 arising from the Application.  
 3

4 b) An illustrative analysis for the requested scenarios is presented in Charts 1 to 4  
 5 below, based on the year-end 2024 balance in the account. The analysis calculates  
 6 interest over the 2027-2031 period at the corresponding proposed OPG's cost of  
 7 long-term debt per Ex. C1-1-1, Tables 1 to 5. The 2031 cost of long-term debt is  
 8 held constant for the subsequent years. Where applicable, for simplicity, the  
 9 analysis assumes that any year-end 2031 balance in the account would be cleared  
 10 over the 2032-2036 period on a straight-line basis, and the amortization of any  
 11 residual interest that would be accumulated during that period is not shown. The  
 12 analysis reflects the format, methodology and applicable inputs used to produce  
 13 Ex. I1-1-2, Table 1 that determines the estimated typical residential consumer bill  
 14 impacts of the Application.  
 15

16 **Chart 1 – Illustrative Summary of Amortization, Interest Costs and Bill Impacts**  
 17 **of Proposed 10-Year Disposition Period for Rate Smoothing Deferral Account**  
 18

Line	Particulars	2027	2028	2029	2030	2031	2032-2036	2027-2036
1	Amortization – EB-2025 (\$M)	(67.7)	(67.7)	(67.7)	(67.7)	(67.7)	(338.7)	(677.4)
2	Amortization – Post-2031 (\$M)	0.0	0.0	0.0	0.0	0.0	(200.3)	(200.3)
3	Interest (\$M)	31.8	31.5	30.5	29.0	27.2	77.1	227.0
4	Typical Residential Bill Impact of Application	\$7.93 5.6%	\$2.44 1.7%	\$1.33 0.9%	\$0.69 0.5%	\$4.62 3.3%	N/A	N/A

19

1  
 2  
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**Chart 2 – Illustrative Summary of Amortization, Interest Costs and Bill Impacts of 7-Year Disposition Period for Rate Smoothing Deferral Account**

Line	Particulars	2027	2028	2029	2030	2031	2032-2036	2027-2036
1	Amortization – EB-2025 (\$M)	(96.8)	(96.8)	(96.8)	(96.8)	(96.8)	(193.5)	(677.4)
2	Amortization – Post-2031 (\$M)	0.0	0.0	0.0	0.0	0.0	(181.3)	(181.3)
3	Interest (\$M)	31.1	29.4	26.8	23.7	20.1	37.5	168.5
4	Typical Residential Bill Impact of Application	\$8.07 5.7%	\$2.42 1.7%	\$1.33 0.9%	\$0.69 0.5%	\$4.62 3.3%	N/A	N/A
<i>Difference to 10-Year Disposition Period:</i>								
5	Amortization – EB-2025 (\$M)	(29.0)	(29.0)	(29.0)	(29.0)	(29.0)	145.1	-
6	Amortization – Post-2031 (\$M)	0.0	0.0	0.0	0.0	0.0	18.9	18.9
7	Interest (\$M)	(0.7)	(2.1)	(3.7)	(5.4)	(7.1)	(39.6)	(58.5)
8	Typical Residential Bill Impact of Application	\$0.14 0.1%	\$(0.02) 0.0%	\$0.00 0.0%	\$0.00 0.0%	\$0.00 0.0%	N/A	N/A

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**Chart 3 – Illustrative Summary of Amortization, Interest Costs and Bill Impacts of 5-Year Disposition Period for Rate Smoothing Deferral Account**

Line	Particulars	2027	2028	2029	2030	2031	2032-2036	2027-2036
1	Amortization – EB-2025 (\$M)	(135.5)	(135.5)	(135.5)	(135.5)	(135.5)	-	(677.4)
2	Amortization – Post-2031 (\$M)	0.0	0.0	0.0	0.0	0.0	(156.1)	(156.1)
3	Interest (\$M)	30.2	26.5	21.8	16.5	10.6	22.3	128.0
4	Typical Residential Bill Impact of Application	\$8.26 5.8%	\$2.39 1.7%	\$1.33 0.9%	\$0.68 0.5%	\$4.61 3.2%	N/A	N/A
<i>Difference to 10-Year Disposition Period:</i>								
5	Amortization – EB-2025 (\$M)	(67.7)	(67.7)	(67.7)	(67.7)	(67.7)	338.7	-
6	Amortization – Post-2031	0.0	0.0	0.0	0.0	0.0	44.2	44.2
7	Interest (\$M)	(1.6)	(4.9)	(8.6)	(12.5)	(16.6)	(54.7)	(98.9)
8	Typical Residential Bill Impact of Application	\$0.33 0.2%	\$(0.05) 0.0%	\$0.00 0.0%	\$(0.01) 0.0%	\$(0.01) 0.0%	N/A	N/A

4

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**Chart 4 – Illustrative Summary of Amortization, Interest Costs and Bill Impacts of 3-Year Disposition Period for Rate Smoothing Deferral Account**

Line	Particulars	2027	2028	2029	2030	2031	2032-2036	2027-2036
1	Amortization – EB-2025 (\$M)	(225.8)	(225.8)	(225.8)	-	-	-	(677.4)
2	Amortization – Post-2031	0.0	0.0	0.0	0.0	0.0	(119.9)	(119.9)
3	Interest (\$M)	28.1	20.0	10.4	5.4	5.7	17.1	86.7
4	Typical Residential Bill Impact of Application	\$8.69 6.1%	\$2.32 1.6%	\$1.35 1.0%	\$(0.42) -0.3%	\$4.64 3.3%	N/A	N/A
<i>Difference to 10-Year Disposition Period:</i>								
5	Amortization – EB-2025 (\$M)	(158.0)	(158.0)	(158.0)	67.7	67.7	338.7	-
6	Amortization – Post-2031 (\$M)	0.0	0.0	0.0	0.0	0.0	80.4	80.4
7	Interest (\$M)	(3.6)	(11.5)	(20.1)	(23.6)	(21.5)	(59.9)	(140.3)
8	Typical Residential Bill Impact of Application	\$0.76 0.5%	\$(0.12) -0.1%	\$0.02 0.1%	\$(1.11) -0.8%	\$0.02 0.0%	N/A	N/A

4

**Board Staff Interrogatory #259**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit H1 / Tab 1 / Schedule 1 / pp. 60-63, 71-72**

**Ref 2: Exhibit A1 / Tab 6 / Schedule 1**

**Ref 3: Exhibit A1 / Tab 6 / Schedule 1 / Attachment 3**

**Preamble:**

At Reference 1, the Applicants propose a “Change of Laws Deferral Account” for each of OPG and DNNP LP. The filed evidence describes a proposal where this account would record material impacts to both costs and revenues. At Reference 2, OPG summarizes and explains the legislative framework under which OPG operates and DNNP LP will operate.

Reference 3 is Ontario Power Generation Inc.’s Electricity Generation Licence, which has provisions for changes in law.

**Question(s):**

- f) Please explain if the proposed account would overlap with the change in law provisions in the licence and if there is overlap, how OPG proposes to address that overlap.
- g) Please explain how OPG proposes to address situations where the Changes of Laws Deferral Account would record material impacts to costs that also relate to other approved and proposed accounts, such as situations where the proposed account captures capital expenditures are deemed to have resulted in “material costs.”
- h) Please explain how OPG proposes to address situations where the Changes of Laws Deferral Account would record material impacts to revenues that also relate to other approved or proposed accounts.

**Response**

- f) The proposed account does not overlap with the change in law provisions in OPG’s Electricity Generation Licence since that change in law provision applies to Part 2

1 (Price Cap and Rebate) of the Licence which is subject to Schedule B of the Licence  
2 applicable until April 30, 2009.

3  
4 g) and h)

5  
6 As noted at Ex. H1-1-1, p. 61, lines 9-13, and Ex. H1-1-1, p. 72, lines 1-5, the  
7 Applicants propose to establish respective deferral accounts to capture material  
8 cost and revenue impacts to OPG's regulated hydroelectric and nuclear facilities,  
9 and the DNNP facilities, arising from provincial and/or federal legislative or  
10 regulatory changes (collectively, "change in law(s)"), to the extent these impacts  
11 are not recorded in other deferral and variance accounts. As such, any material  
12 impacts to costs or revenues resulting from a change in laws would be first  
13 evaluated for eligibility under the other accounts in place at the time.

14  
15 For example, if a change in law results in OPG incurring an incremental nuclear  
16 capital expenditure that is part of a project eligible for the Capacity Refurbishment  
17 Variance Account ("CRVA"), the associated revenue requirement impact of such  
18 costs would be captured in the CRVA, rather than the Change of Laws Deferral  
19 Account (OPG). On the other hand, if such incremental nuclear capital expenditure  
20 is not eligible for the CRVA, its revenue requirement would be captured in the  
21 Change of Laws Deferral Account (OPG).

22  
23 Further details regarding the interaction of the proposed Change of Laws Deferral  
24 Account (OPG) with OPG's other income tax related deferral and variance accounts  
25 can be found at Ex. L-H1-Staff-248.

26  
27 A discussion of the proposed materiality thresholds to be applied to the Change of  
28 Laws Deferral Accounts can be found at Ex. L-H1-CCC-106.

**Board Staff Interrogatory #264**

**Interrogatory**

**Reference:**

**Ref 1: Exhibit A2 / Tab 1 / Schedule 1 / pp. 1 & 2**

**Ref 2: EB-2012-0002, Settlement Agreement, March 14, 2013, pp. 3 & 25 (revised March 22, 2013)**

**Ref 3: EB-2012-0002, Payment Amounts Order, April 18, 2013, p. 2**

**Ref 4: EB-2021-0110, Hydro One Networks Inc., Decision and Order on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, November 29, 2022; Settlement Proposal, October 24, 2022, pp. 54 & 107**

**Preamble:**

OPG stated that as required by Ontario Regulation 395/11 under *Financial Administration Act* (Ontario) (O. Reg. 395/11), its consolidated financial statements are prepared in accordance with US Generally Accepted Accounting Principles (GAAP).

In 2012, OPG filed an application regarding the adoption of US GAAP for regulatory purposes. In the settlement agreement in that proceeding, the Parties agreed that OPG's adoption of US GAAP for regulatory accounting, reporting and rate-making purposes effective January 1, 2012 was appropriate. The settlement agreement was approved by the OEB.

Hydro One Networks Inc. (Hydro One) filed an application for the period January 1, 2023 to December 31, 2027. A settlement proposal for Hydro One was approved by the OEB on November 29, 2022, including the following terms:

...the Parties agree that subject to the accounting system limitations identified by Hydro One during the proceeding and the issuance by the IASB of a final IFRS Standard applicable to rate regulated utilities, Hydro One will in its next cost-based rate application provide, on a best efforts basis, estimated impacts of an initial transition from USGAAP to IFRS for regulatory purposes as at the beginning of the next rate term, as well as estimated impacts on the annual revenue requirements for the remainder of the rate term. Hydro One will also, on a best efforts and without prejudice basis, quantify the incremental costs of transitioning and maintaining IFRS for regulatory purposes...

...to the extent reasonably possible, the impacts will be broken down based on the areas of potential revenue requirement impacts identified in the PwC US

1 GAAP to IFRS Conversion Impact Review Report (Exhibit A/Tab 6/Schedule  
2 1/Attachment 1/p. 9)...

3  
4 Question(s):

- 5  
6 a) Please explain whether OPG would see any barriers to performing the tasks agreed  
7 to by Hydro One in Hydro One's settlement agreement for 2023-2027 rates and  
8 present the results of such tasks in OPG's next payment amounts application (for  
9 payment amounts beginning in 2032).

10  
11  
12 **Response**

13  
14 The Applicants do not see material barriers to performing the tasks of the type  
15 referenced in the question, should they be required to do so by the OEB. The  
16 Applicants note that carrying out the analysis referenced in the question would result  
17 in incremental OM&A costs that are not contemplated in their proposed revenue  
18 requirements.

19  
20 The Applicants also observe that, as discussed in Ex. A2-1-1, Section 2.0 and Ex. L-  
21 H1-Staff-263, OPG is not currently planning for adoption of IFRS for continuous  
22 disclosure purposes in Canada, is required to prepare its consolidated financial  
23 statements in accordance with US GAAP by Ontario Regulation 395/11 under the  
24 *Financial Administration Act* (Ontario) in Ontario and has received an exemption from  
25 the Ontario Securities Commission effectively enabling the company to continue filing  
26 its financial statements using US GAAP instead of IFRS for continuous disclosure  
27 purposes until January 1, 2031 at the earliest. As discussed in Ex. L-H1-Staff-262,  
28 OPG's current filing requirements with the OEB require it to submit payment amounts  
29 applications based on US GAAP and, as discussed in Ex. L-C1-Staff-034, once it  
30 becomes an SEC registrant, OPG plans to continue using US GAAP for continuous  
31 disclosure purposes in Canada and not to seek moving to IFRS for regulatory  
32 purposes. In view of the above, the Applicants would disagree with the utility of a  
33 blanket requirement for the referenced analysis and believe it would be more practical  
34 for the requirement to apply only if OPG were no longer able to use US GAAP for  
35 continuous disclosure purposes in Canada.

36  
37 The Applicants also believe that, if applicable, the referenced analysis should be  
38 performed as of the transition date that amounts are recorded in the Impact for IFRS  
39 Deferral Accounts proposed in this Application (which for example could be January 1,  
40 2031), rather than as of a fixed date such as the beginning of the next IR term. This  
41 would allow the analysis to be reflective of the actual financial impacts of moving to  
42 IFRS, should this occur, and to support any balances recorded in such accounts, rather

1 than being a separate hypothetical calculation as of a date that may not be meaningful  
2 in those circumstances.

3

4 Finally, to facilitate efficiencies in evidence preparation and regulatory review, the  
5 Applicants are of the view that the referenced analysis should be limited to areas with  
6 material financial impact and/or revenue requirement impact (see Ex. L-H1-Staff-261).

**VECC Interrogatory #015**

**Interrogatory**

**Reference:**

**Exhibits A1-3-2, pg. 35 / H1-1-1, pg.50**

**Preamble:**

“The Earnings Sharing Deferral Account was approved in EB-2020-0290, effective January 1, 2022, to record 50% of any regulated earnings for OPG’s combined regulated nuclear and regulated hydroelectric business that exceed 100 basis points above the OEB-approved ROE rate, assessed over a cumulative 5-year period from January 1, 2022 to December 31, 2026. No entries will be recorded in this account until following the completion of the above five-year period, if applicable.”

**Question(s):**

- a) Does OPG propose to dispose of any amounts related to earning sharing in this application?
- b) Please provide the annual 2022 to 2025 recordings in the earning sharing deferral account that will be considered with 2026 results to determine the post 2026 disposition.

**Response**

**a) and b)**

Any amounts related to earnings sharing for OPG are recorded in the Earnings Sharing Deferral Account, as described in Ex. H1-1-1, Section 5.26. As discussed in that evidence, pursuant to the EB-2020-0290 Payment Amounts Order, the account operates to assess 50% of regulated earnings for OPG’s combined prescribed facilities that exceed 100 basis points above the OEB-approved ROE, if any, on a cumulative 5-year basis for January 1, 2022 to December 31, 2026. Therefore, no entries are recorded in the account until the completion of this current IR term and there are no amounts to consider for disposal in this proceeding.

Refer to Ex. L-H1-SEC-212 for a discussion of the amount projected to be recorded in the Earnings Sharing Deferral Account in respect of the above period.