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File 20741

**VIA RESS FILING AND COURIER**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto, Ontario M4P 1E4

Dear Ms. Walli,

**Re: Application for an Accounting Order Establishing a Deferral Account to Capture the Revenue Requirement Impact on OPG's Prescribed Nuclear Facilities Resulting From Changes in Station End-of-Life Dates (EB-2015-0374)**

Attached please find the Power Workers' Union's submission on Ontario Power Generation's request for an Accounting Order to establish a deferral account to capture the revenue requirement impact on the prescribed nuclear facilities resulting from changes to nuclear liabilities and depreciation and amortization expense arising from changes to station end-of-life dates (EB-2015-0374).

We hope you will find the PWU's comments useful.

Yours very truly,

**PALIARE ROLAND ROSENBERG ROTHSTEIN LLP**



Richard P. Stephenson  
RPS:pb

c: John Sprackett  
Kim McKenzie

Attach.

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**Ontario Power Generation Inc.**  
**Application for Deferral Account Related to Nuclear Liabilities,**  
**Depreciation and Amortization Expense**

**Submission of the Power Workers' Union**

## 1. INTRODUCTION

On December 22, 2015 Ontario Power Generation ("OPG") filed an Application with the Ontario Energy Board ("Board" or "OEB") to establish a new deferral account ("Deferral Account"), to record changes to nuclear liabilities and depreciation and amortization expense resulting from changes to station end-of-life ("EOL") dates for OPG's Bruce, Pickering and Darlington nuclear stations. The Deferral Account will record the revenue requirement impact resulting from the change in EOL dates from January 1, 2016 until the effective date of the OEB's next payment amounts order.

The application is filed in response to the OEB's deferral and variance account payment amounts order<sup>1</sup> issued on April 18, 2013 and the 2014-2015 payment amounts order<sup>2</sup> issued on December 18, 2014. OPG is required to file an accounting order application if a proposed accounting change, not resulting from an Ontario Nuclear Funds Agreement ("ONFA") Reference Plan update, impacts the calculation of nuclear liabilities and revenue requirement; or if a change in EOL of its prescribed nuclear stations for depreciation and amortization purposes results in a non-Asset Retirement Cost ("ARC") revenue requirement impact.

The EOL dates extensions that are the basis of this Application are:

- i. **Bruce: Based on the Province of Ontario's announcement to proceed with the refurbishment of the six units operated by Bruce Power under a lease agreement with OPG and the execution of the updated Bruce Power**

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<sup>1</sup> EB-2012-0002

<sup>2</sup> EB-2013-0321

Refurbishment Implementation Agreement (“BPRIA”) between the IESO and Bruce Power, OPG is aligning has the necessary evidence to align the Bruce EOL dates for accounting purposes with the updated BRPIA, effective December 31, 2015. As a result, OPG is extending the average EOL date of the Bruce A station from December 31, 2048 to December 31, 2052 and the average EOL date of the Bruce B station will be extended from December 31, 2019 to December 31, 2061.,

- ii. Pickering: Based on confirmation in 2015 of high confidence that all four Pickering Units 5-8 are expected to operate until at least the end of 2020, OPG is extending the average EOL date for accounting purposes from April 30, 2020 to December 31, 2020 (by 8 months) for these units, effective December 31, 2015. ,
- iii. Darlington: Based on OPG’s Board of Directors approved refurbishments schedule, the resulting scheduled return-to-service dates for each unit and an assumed post-refurbishment operating life for the four units, OPG is extending the average station EOL date for Darlington from December 31, 2051 to December 31, 2052 (12 months), effective December 31, 2015.

The Application also notes that the revenue requirement impact is neither reflected in current or proposed payment amounts nor recorded in an authorized deferral or variance account and that OPG’s preliminary estimate of the annualized revenue requirement impact for the prescribed facilities is over \$10M which is the required threshold.

As the revenue requirement impact commences January 1, 2016, OPG also requested that the Board issue an interim order effective January 1, 2016, approving the establishment of the requested deferral account on an interim basis so as to record the above revenue requirement impacts in a deferral account pending the OEB’s final order in respect of this Application.

On January 27, 2016, the Board issued an interim order and Procedural Order #1 which approved the requested new Deferral Account on an interim basis to allow OPG to begin recording entries in January 2016.<sup>3</sup> The Board also ordered OPG to file a draft accounting order, which the OPG filed on February 3, 2016.

The Board has invited participants to file submissions on OPG’s Application and draft accounting order, including whether there is a need for further discovery of OPG’s evidence.

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<sup>3</sup> EB-2015-0374, Notice of Application and Hearing, Interim Order and Procedural Order No. 1, January 27, 2016

## **2. PWU SUBMISSION**

### **2.1. DISCOVERY OF FURTHER INFORMATION**

The PWU notes that OPG intends to supplement or amend its filed written evidence from time to time prior to the Board's final decision on the Application. While not a necessary condition for approval of the requested deferral account, the PWU submits that the Board and stakeholders would benefit if OPG filed an update to the EOL dates extensions and hence impact on revenue requirement between now and the Board's final decision on the Application.

As indicated in the Application, the EOL dates extensions for the six Bruce units are based on the Government's announcement in December to proceed with the refurbishment of the units. On the other hand, the EOL changes identified in the Application with respect to Pickering (8 months) Darlington (12 months) appear to be based on relatively outdated information. With respect to Pickering, the Province announced on January 11<sup>th</sup>, 2015, that it had approved OPG's plan to pursue continued operation of the Pickering Generating Station beyond 2020 up to 2024.<sup>4</sup> In the announcement, the government stated that it is moving forward with nuclear refurbishment at Darlington Generating Station, indicating also that it has established off-ramps that may affect the manner by which the refurbishment of each unit proceeds. It would be helpful to know how the government's latest announcement impacts the EOL changes assumed in OPG's application and hence OPG's preliminary assessment of revenue requirement impact.

### **2.2. APPROVAL OF NEW DEFERRAL ACCOUNT**

The PWU submits that the Board approve the requested deferral account for the following reasons:

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<sup>4</sup> <http://www.news.ontario.ca/mei/en/2016/01/ontario-moving-forward-with-nuclear-refurbishment-at-darlington-and-pursuing-continued-operations-at.html>

- i. The approval of the Deferral Account merely starts the process of capturing amounts associated with the changes to nuclear liabilities and depreciation and amortization expense resulting from changes to station EOL dates for OPG's nuclear stations. The accuracy of the amounts recorded in the proposed Deferral Account will be subject to review and scrutiny by the Board and stakeholders in a future payment amounts application as part of any proposed disposition of the account balance.
- ii. The changes to the EOL dates at the Bruce stations, which constitute the largest revenue requirement impact, are the result of the amended BPRIA between Bruce Power and the IESO which as OPG indicates are wholly external to OPG.
- iii. There is no rate impact at this time and that the ultimate balance in the Deferral Account, as well as the timing and manner of its disposition, will be reviewed as part of a future payment amounts application.
- iv. The changes to the nuclear liabilities for the prescribed facilities are not associated with an ONFA Reference Plan update and therefore the resulting revenue requirement impact for the prescribed facilities cannot be recorded in the existing Nuclear Liability Deferral Account or any other authorized deferral or variance account.
- v. OPG is unable to provide the annual revenue requirement impact at this time because actual year-end information that is required to calculate the December 31, 2015 nuclear liabilities adjustment is not yet available.

**All of which is respectfully submitted.**