

1 **Volume 3, Section 2 – Browne, Regulatory Accounting**  
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3 **Q. Please confirm that (i) the purpose of including OPEBs in rates on an accrual basis**  
4 **is to provide the cash flow required to fund NP’s future OPEBs obligations and (ii)**  
5 **if its proposal to move to the accrual method for rate-setting purposes is accepted,**  
6 **NP plans to establish a fund, similar to its pension fund, which will be held separate**  
7 **from NP’s other cash and will be invested to earn a return on investment. If not,**  
8 **please explain why the funding of OPEBs will not be created in the same manner as**  
9 **the funding of future pension obligations.**

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11 A. (i) In accordance with the cost of service standard, a regulated utility should have an  
12 opportunity to recover its costs of providing regulated service, whether it is using the  
13 accrual or cash basis. The main reason for including OPEBs in rates on an accrual  
14 basis is to match the costs of the OPEB’s to the periods for which the costs were  
15 incurred in accordance with the principle of intergenerational equity.

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17 (ii) It is my understanding that NP is not planning to fund its OPEB liabilities.  
18 According to NP, it believes that, at least with the current tax rules whereby OPEB  
19 expenditures are deducted only when they are payable, ratepayers are better off with  
20 NP not funding its OPEB liabilities.