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BY E-MAIL

July 8, 2015

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

Dear Ms. Walli:

**Re: Ontario Power Generation Inc.
Board File No. EB-2014-0370**

Please find attached OEB staff's submission with respect to the unsettled matter for Ontario Power Generation Inc.'s application for an order or orders relating to deferral and variance accounts.

Yours truly,

Original signed by

Violet Binette
Project Advisor, Applications

Attach

**ONTARIO POWER GENERATION INC.
DEFERRAL AND VARIANCE ACCOUNTS**

EB-2014-0370

**Ontario Energy Board
Staff Submission – Unsettled Matter**

July 8, 2015

Overview of OEB Staff’s Position

The disputed issue in this proceeding is the appropriate reference point for entries into Ontario Power Generation’s (OPG’s) deferral and variance accounts for the period January 1, 2014 through October 31, 2014. The Ontario Energy Board’s (OEB’s) final order in OPG’s 2014-2015 cost of service application (EB-2013-0321) had an effective date November 1, 2014 (not January 1, 2014 as OPG had requested). While a 24 month revenue requirement was determined in EB-2013-0321, the resulting payment amounts were not in effect for the first 10 months of 2014. The question before the OEB now is: what is the appropriate reference point for recording entries into OPG’s accounts for the period January 1, 2014 to October 31, 2014? Should entries into the accounts for this stub period be calculated using the EB-2013-0321 payment amounts order as a reference, or should the payment amounts order that was actually in effect during the stub period (EB-2010-0008/EB-2012-0002) be the reference?

OEB staff agrees with OPG that the EB-2012-0002 payment amounts order is the appropriate reference against which the stub period account entries should be calculated. OEB staff has arrived at this position for the following three reasons: it is consistent with the wording of the EB-2013-0321 payment amounts order, it is consistent with previous OEB practice both for OPG and for electricity distributors, and it is consistent with the provisions of O. Reg. 53/05.

Introduction

On December 18, 2014, OPG filed an application with the OEB for an order or orders related to deferral and variance accounts, including disposition of account balances as at December 31, 2014. The current application was filed as the 2014-2015 cost of service proceeding, EB-2013-0321, was concluding. That proceeding set payment amounts for OPG effective November 1, 2014.

On June 16, 2015, OPG filed a settlement proposal in relation to the deferral and variance account application. The settlement proposal represents a partial settlement and was proposed by OPG and the intervenors who participated in the settlement discussions (collectively the parties).

- The parties agreed on the amounts recorded and balances for recovery in all accounts for the period January 1, 2013 to December 31, 2013. Those amounts

and balances have been calculated with reference to the amounts underpinning the 2011-2012 payment amounts approved in EB-2010-0008, and in accordance with the methodologies approved in the deferral and variance account proceeding, EB-2012-0002.

- There is agreement on the amounts recorded and balances for recovery in all¹ accounts for the period November 1, 2014 to December 31, 2014. Those amounts and balances have been calculated with reference to the amounts underpinning the 2014-2015 payment amounts approved in EB-2013-0321 and in accordance with the methodologies approved in EB-2013-0321.
- Finally, there is agreement about the amounts recorded in the Pension and OPEB Cost Variance Account for the period January to October 2014. The EB-2013-0321 decision states at page 92, “Given the effective date for OPG’s 2014 and 2015 payment amounts, the current payment amounts which include accrued pension and OPEB expense will remain in place until November 1, 2014. Correspondingly, the current Pension and OPEB Cost Variance Account will operate until that date to track variances from actual to forecast accrued expenses.”

The OEB accepted the partial settlement on June 23, 2015.

There is a single unsettled matter in the proceeding. The parties request that the OEB determine whether the amounts recorded in accounts other than the Pension and OPEB Cost Variance Account for the period January to October 2014 for the regulated hydroelectric business and the nuclear business are appropriate.

Attachment 1 to the settlement proposal² provides the details of the unsettled matter. As documented in OPG’s EB-2014-0370 application and summarized in Attachment 1 to the settlement proposal, OPG states that the amounts recorded in the accounts should be calculated with reference to EB-2010-0008/EB-2012-0002. Some of the intervenors disagree, stating that the reference should be EB-2013-0321. The difference between these positions is \$263 million.³ OPG filed its argument in chief on the unsettled matter on June 30, 2015.

¹ Three new accounts established in EB-2013-0321 were not considered in this application

² Exh M-1-1 Attachment 1 – Statement of Entries into the Variance Accounts Which Are Disputed

³ Exh M-1-1 Attachment 1, Chart 1

OEB staff submits that the appropriate reference is EB-2010-0008/EB-2012-0002, and therefore the amounts recorded by OPG in the accounts for the period January to October 2014 are appropriate.

In this submission, OEB staff has reviewed:

- The Payment Amounts Orders for EB-2010-0008, EB-2012-0002 and EB-2013-0321
- The Accounting Procedures Handbook
- O. Reg. 53/05

For reference, OEB staff has included a summary table of the OPG proceedings referred to in this submission at page A-1.

Amounts Recorded are Consistent with OEB Approved Payment Amounts Order in EB-2013-0321

The EB-2013-0321 decision was issued on November 20, 2014. The decision set payment amounts for 2014-2015 effective November 1, 2014. Earlier in that proceeding, on December 17, 2013, the OEB made OPG's payment amounts at the time interim effective January 1, 2014, pending the OEB's decision on the EB-2013-0321 proceeding. The payment amounts in effect at December 17, 2013 were the payment amounts approved in EB-2010-0008 and the methodology for recording entries in accounts at December 17, 2013 was the EB-2012-0002 payment amounts order.

The EB-2013-0321 payment amounts order was issued on December 18, 2014. Appendix G of the payment amounts order addresses deferral and variance accounts.

At page 2 of Appendix G, the EB-2013-0321 payment amounts order states:

Unless otherwise stated in this Order, for the period from November 1, 2014 to December 31, 2014, OPG shall continue to record amortization entries into the applicable deferral and variance accounts pursuant to the EB-2012-0002 Payment Amounts Order.

Effective November 1, 2014, OPG shall record entries into deferral and variance accounts listed below as follows: [account descriptions follow]

OEB staff submits that the key phrase from the EB-2013-0321 payment amounts order is “OPG shall continue to record amortization entries into the applicable deferral and variance accounts pursuant to the EB-2012-0002 Payment Amounts Order.” The use of the word “continue” recognizes that OPG has been using EB-2012-0002 as the reference for recording account entries during the stub period. In directing OPG to continue using EB-2012-0002 as the reference, the OEB appears to have accepted that this was the proper methodology.

Illustrative Example

The issue in this proceeding can best be illustrated by using one of the deferral and variance accounts as an example. The first account described is the Hydroelectric Water Conditions Variance Account.

OPG uses a model to forecast hydroelectric production forecast. One of the key inputs is a forecast of water availability and flow. Since water availability is outside OPG’s control, the Hydroelectric Water Conditions Variance Account captures the financial consequences of differences between forecast and actual water conditions. When actual water conditions become known, these conditions are entered into the same model holding other variables constant. The revenue impact is determined by multiplying the difference in production by the payment amount.

For reference, the following excerpts related to the Hydroelectric Water Conditions Variance Account are provided in the attachment to this submission:

- Account description - EB-2012-0002 payment amounts order (pages A-2 to A-3)
- Account description - EB-2013-0321 payment amounts order (pages A-4 to A-5)
- Summary of dispute – attachment to settlement proposal (pages A-6 to A-7)

OPG’s proposal, which OEB staff supports, is that during January to October 2014, the EB-2012-0002 payment amounts order is the appropriate reference for determining account entries. The EB-2012-0002 payment amounts order (page A-2 of the submission) states, “Effective January 1, 2013, OPG shall record entries into deferral and variance accounts as follows ...”. The methodology for calculating variance and the

payment amount to determine the financial impact are specified, i.e. \$35.78/MWh. As noted on page A-6, OPG's proposal results in a credit of \$1.7 million. These calculations were also clearly set out in OPG's application filed on December 18, 2014 and the update filed on February 20, 2015 (Exh H1-1-2, Table 2, provided at page A-8 in this submission).

Some of the intervenors have proposed that the EB-2013-0321 payment amounts order is the appropriate reference for determining account entries during January to October 2014 (page A-4 of the submission). As noted on pages A-6 and A-7, the actual production for the January to October 2014 period differs in this scenario because the actual water conditions are entered into a different production forecast model. Using the EB-2013-0321 production forecast and the EB-2013-0321 payment amount, i.e. \$40.20/MWh, the intervenor's proposal results in a credit of \$23.9 million.

As explained in further detail throughout this submission, OEB staff submits that the EB-2013-0321 payment amounts order does not apply during January to October 2014. As noted above and on page A-4, unless otherwise stated, OPG should continue to record entries in the Hydroelectric Water Conditions Variance Account pursuant to the EB-2012-0002 payment amounts order. Effective November 1, 2014, OPG will record entries in accordance with the description on page A-4, including the \$40.20/MWh payment amount.

OEB staff notes that the EB-2013-0321 payment amounts order descriptions for other deferral and variance accounts follow a similar format, and that the evidence filed on 2014 transactions in other accounts is similar. OEB staff agrees with the position set out in paragraphs 6 to 26 of OPG's argument in chief. OEB staff submits that OPG has correctly applied the EB-2010-0008, EB-2012-0002 and EB-2013-0321 payment amounts orders in determining the amounts recorded in all accounts for January to October 2014.

Amounts Recorded are Consistent with Methodology of Previous OPG Cost of Service and Deferral and Variance Account Applications

In the 2011-2012 payment amounts proceeding, EB-2010-0008, OPG applied for payment amounts effective March 1, 2011 based on a 24 month test period of January 1, 2011 through December 31, 2012. As a result of a delay in the filing of the

application, OPG applied to forgo recovery of the proposed increase in payment amounts for January and February of 2011 and requested a March 1, 2011 effective date. The decision, issued on March 10, 2011, and the payment amounts order, issued on April 11, 2011, reflected a March 1, 2011 effective date and no foregone revenue rider.

The EB-2010-0008 payment amounts order states at page 2 of Appendix F:

For the period January 1, 2011 to February 28, 2011, OPG shall continue to record entries into the variance and deferral accounts established by O. Reg. 53/05 and the Board's decisions and orders in EB-2007-0905, EB-2009-0038 and EB-2009-0174 pursuant to the methodologies established by O. Reg. 53/05 and the above decisions and orders.

The EB-2010-0008 proceeding disposed of 2010 year end balances in deferral and variance accounts. OPG did not file a 2013 cost of service, but did file a stand-alone deferral and variance account application, EB-2012-0002, for clearance of 2012 year end balances.

The EB-2012-0002 application filed on September 24, 2012, clearly set out the 2011 transactions for all accounts in two parts: (1) January to February 2011 and (2) March to December 2011. The same detail was provided when the audited 2011 year end balances were filed on February 8, 2013. The table with audited 2011 actuals for the Hydroelectric Water Conditions Account is reproduced at page A-9 of this submission. Similar calculations, i.e. two periods for 2011, were provided for the other accounts. OPG and the intervenors who participated in settlement achieved a complete settlement. The amounts recorded in the accounts for the period January to February 2011 were accepted by the intervenors who participated in the settlement. The settlement proposal was presented to the OEB on March 25, 2013 and accepted.

OEB staff submits that OPG correctly applied the EB-2007-0905, EB-2009-0038, EB-2009-0174 and EB-2010-0008 payment amounts orders in determining the amounts recorded in all accounts for January to February 2011. The circumstances are similar to those in the current proceeding. Accepting OPG's proposal for clearance of the 2014 year end deferral and variance account balances in this current proceeding would therefore be consistent with the result from the EB-2012-0002 proceeding.

Pension and OPEB Cost Variance Account

As noted earlier in this submission, there was specific reference in the EB-2013-0321 decision to the operation of the Pension and OPEB Cost Variance Account during the period January to October 2014.⁴

OEB staff submits that the operation of the Pension and OPEB Cost Variance Account in the period January to October 2014 was specifically referred to in the decision in order to explain the operation of a new pension and OPEB account. The decision required a change to the cash method for forecast pension and OPEB costs. The decision required that no new additions be posted to the Pension and OPEB Cost Variance account after October 31, 2014, and that the Pension and OPEB Cash Versus Accrual Differential Deferral Account commence operation with the effective date. As the fundamental operation of other deferral and variance accounts was not affected on November 1, 2014, OEB staff submits that there was no need to discuss this in the decision. As per the normal course for OPG proceedings, the operation of all accounts was set out in the payment amounts order.

Amounts Recorded are Consistent with Practice of Electricity Distributors

The majority of deferral and variance accounts approved for use by electricity distributors are set out and described in the Accounting Procedures Handbook. For example, the LV Variance Account is described as:

1550 LV Variance Account

- A. This account shall be used monthly to record the variances arising from low voltage transactions which are not part of the electricity wholesale market.
- B. On a monthly basis, this account shall be used to record the net of:
 - i. **the amount charged by a host distributor** to an embedded distributor for transmission or low voltage services, Account 4750, including accruals

AND

⁴ EB-2013-0321 Decision, November 20, 2014, page 92

- ii. **the amount billed to the embedded distributor’s customers** based on the embedded distributor’s approved LV rate(s) in, Account 4075, including accruals.
(Emphasis added)

C. Carrying charges shall apply to this account. These amounts shall be calculated using simple interest applied to the monthly opening balances in the account (exclusive of accumulated interest) and shall be recorded monthly in a separate carrying charges sub-account of this account. The interest rate shall be the rate prescribed by the Board.

For a distributor that applied for rates effective May 1, but received a September 1 effective date, the distributor would charge its customers the “old” rates until August 31. The LV costs in the distributor’s old rates would be the reference for the period May 1 to August 31. These old rates would be the actual rates charged to customers and the LV account would record the variance between actual LV costs charged by the distributor to customers and actual LV costs charged by the host distributor to the distributor.

The costs of low voltage transaction are pass-through costs. If the distributor applied the “new” rates approved by the OEB for use on September 1 for the period May to August, the account variance would require a subsequent adjustment to reflect the real revenue collected by the distributor, i.e. the old rates.

Unlike OPG, the majority of distributor accounts relate to pass-through costs. Regardless, the long standing distributor practice with respect to recording amounts in accounts, as described above, has been applied by OPG.

Ontario Regulation 53/05

O. Reg. 53/05 establishes rules that the OEB must follow in setting OPG’s payment amounts. For two accounts – Nuclear Liability Deferral Account and Bruce Lease Net Revenues Variance Account – OEB staff submits that the regulation provides the OEB with little discretion and must allow OPG to recover its actual costs (and therefore apply the EB-2010-0008/EB-2012-0002 reference point as requested by OPG). For all other accounts the regulation is not determinative on the appropriate reference point.

Section 6 of O. Reg. 53/05 sets out the rules governing determination of payment amounts by the OEB. Subject to subsection 6(2), the regulation provides that the OEB may establish the form, methodology, assumptions and calculations used in making an order that sets the payment amounts.

Nuclear Liability Deferral Account and Bruce Lease Net Revenues Variance Account

Subsection 6(2) lists the rules that apply to the making of an order by the OEB for payment amounts. For two matters, the regulation prescribes that the OEB shall ensure that OPG recovers its full revenue requirement/costs:

- Subsection 6(2)8 states that the OEB “shall ensure that Ontario Power Generation Inc. recovers the revenue requirement impact of its nuclear decommissioning liability arising from the current approved reference plan.”
- Subsection 6(2)9 states that the OEB “shall ensure that Ontario Power Generation Inc. recovers all the costs it incurs with respect to the Bruce Nuclear Generating Stations.”

In OEB staff’s view, the regulation was intended to afford OPG special protection with respect to these categories of costs, perhaps because they are to some extent out of OPG’s control.

The Nuclear Liability Deferral Account was established to give effect to subsection 6(2)8, and the Bruce Lease Net Revenues Variance Account was established to give effect to subsections 6(2)9 and 6(2)10. The disputed amount for disposition in these two accounts is \$161.3 million.

There are no conditions or qualifying statements with respect to subsections 6(2)8 or 6(2)9. OEB staff submits that the proposal of some intervenors to use the EB-2013-0321 payment amounts order as the reference for account entries would result in OPG not recovering its full nuclear decommissioning liability revenue requirement and Bruce costs. OEB staff submits that for these two accounts the regulation provides virtually no discretion to the OEB, and that the OEB must allow for full revenue requirement/cost recovery. This requires using the EB-2010-0008/EB-2012-0002 payment amounts orders as the reference for these two accounts at a minimum.

OPG also argues that Capacity Refurbishment Variance Account falls in this category of accounts over which the Board has no discretion. OEB staff disagrees as subsection 6(2)4 of O. Reg. 53/05, which gives rise to the Capacity Refurbishment Variance Account, has the conditional statement, “if the Board is satisfied that the costs were prudently incurred and that the financial commitments were prudently made” (see further argument on this point below).

Other Deferral and Variance Accounts

The other costs and accounts referred to in O. Reg. 53/05 require a determination that costs were prudently incurred. For example, section 5(1)(a) requires that a variance account be established to record “differences in hydroelectric electricity production due to differences between forecast and actual water conditions”.

Subsection 6(2)1 states that

The Board shall ensure that Ontario Power Generation Inc. recovers the balance recorded in the variance account established under subsection 5 (1) over a period not to exceed three years, to the extent that the Board is satisfied that,

- i. the revenues recorded in the account were earned or foregone and **the costs were prudently incurred**, and
- ii. the revenues and costs are accurately recorded in the account.
(Emphasis added)

OEB staff submits that the OEB’s decision to set the implementation date at November 1, 2014 did not necessarily amount to a finding that OPG’s costs during the stub period were imprudent. Instead the OEB was adopting its ordinary practice of making rates effective at (approximately) the date that the final rate (or payment amounts) order is ready, i.e. at the end of the proceeding. The proposal to use EB-2010-0008/EB-2012-0002 as the reference for the stub period account entries therefore is consistent with the regulation. OEB staff concedes that using EB-2013-0321 as the reference for account entries (other than the Nuclear Liability Deferral Account and the Bruce Lease Net Revenues Account) could also be permitted by the regulation. As noted earlier in this submission, however, for the period January to October 2014, OEB staff submits that the amounts recorded by OPG in the deferral and variance accounts are consistent with all the payment amounts orders.

Future Considerations

Recording Entries in Accounts During Stub Periods

In OEB staff's view, the intervenors in this proceeding have identified a matter that is applicable to all rates cases where an approved effective date is different from the one requested by the applicant. There is some merit in the argument that for deferral and variance accounts that track revenue requirement items, and which are scheduled to be disposed into base rates as of (for example) January 1, that any incremental deferrals or variances for the stub period between January 1 and the approved effective date must also be forgone by the applicant, as it would for the revenues from base rates given that these accounts would have been in base rates had the effective date been January 1.

However, in staff's view, this condition should be embedded within the accounting orders that established the accounts in the first instance, or expressly addressed in the decision. There do not appear to be previous decisions in which the OEB has addressed this specific matter of the impact of an effective date on previously approved deferral and variance accounts, and these accounts for not just OPG but all rate regulated utilities are currently underpinned by "existing" rates. It is therefore reasonable for the OEB to accept OPG's argument and perhaps consider whether there is merit in the intervenors' argument for the OEB to consider going forward.

Structure of Payment Amounts Orders

As there is no Accounting Procedures Handbook for OPG, OEB staff submits that it would be helpful to have standard descriptions for accounts for future payment amount orders. That standard text should be identified separately from the text that has changed in the payment amounts order.

All of which is respectfully submitted

OPG Applications Referred to in this Submission

File Number	Application	Deferral & Variance Accounts
EB-2007-0905	2009-2009 Cost of Service	Nuclear rider approved to clear 2007 year end balances in accounts established by O. Reg. 53/05. Hydroelectric balance recovery was approved as part of the payment amount. Account descriptions, effective April 2008
EB-2009-0038	Motion	Established Tax Loss Variance Account
EB-2009-0174	DVA Accounting	Established Hydroelectric Deferral and Variance Over/Under Recovery Account. Established Nuclear Deferral and Variance Over/Under Recovery Account. Account descriptions effective January 2010
EB-2010-0008	2011-2012 Cost of Service	2011 and 2012 riders approved to clear 2010 year end balances (Tax Loss Variance Account – 4 years). Established HIM Variance Account and SBG Variance Account. Account descriptions effective March 2011
EB-2011-0090	Motion	Established Pension and OPEB Cost Variance Account
EB-2011-0432	DVA Accounting	Established Impact for USGAAP Deferral Account
EB-2012-0002	DVA Accounting	2013 and 2014 riders approved to clear 2012 year end balances (Part of Pension and OPEB Cost Variance Account – 12 years) Established Pickering Life Extension Depreciation Variance Account Account descriptions effective January 2013
EB-2013-0321	2014-2015 Cost of Service	2015 riders approved to clear 2013 year end balances in four accounts Established Gross Revenue Charge Variance Account and two new pension accounts Account descriptions effective November 2014
EB-2014-0370	DVA Accounting	Application to clear 2014 year end balances in all accounts except those established in EB-2013-0321

The Board approves OPG's recovery of the approved balances in the nuclear deferral and variance accounts using payment amount riders. Payment amount riders, as determined in Appendix A, Tables 2 and 3, effective January 1, 2013 and listed at page 5 of this order, shall apply to OPG's nuclear production for the period from March 1, 2013 to December 31, 2014.

The Board approves amortization amounts for 2013 and 2014 as shown in columns (c) and (d), respectively of Table B1 above and as calculated at columns (d) and (e), respectively of Appendix A, Table 4.

CONTINUING DEFERRAL AND VARIANCE ACCOUNTS

Unless otherwise stated in this Order, effective January 1, 2013, OPG shall continue to record entries into the deferral and variance accounts authorized by O. Reg. 53/05 and the applicable decisions and orders of the Board pursuant to the methodologies established by O. Reg. 53/05 and such decisions and orders, as outlined in OPG's Application at Ex. H1-3-1 and as summarized below.

Effective January 1, 2013, OPG shall record entries into deferral and variance accounts listed below as follows:

Hydroelectric Water Conditions Variance Account

The Hydroelectric Water Conditions Variance Account was originally approved in EB-2007-0905. This account shall continue to record the financial impact of differences between forecast and actual water conditions. OPG shall determine the production impact of changes in water conditions by entering the actual flow values into the same production forecast model used to calculate the Board-approved production forecast, holding all other variables constant. OPG shall determine the deviations from forecast as the difference between the resulting production from the production forecast model based on actual flows and the energy production forecast approved by the Board. OPG shall use the average of the monthly forecasts for 2011 and 2012 underpinning the EB-2010-0008 payment amounts as the reference values against which to measure production variances due to changes in water conditions arising for the corresponding months after December 31, 2012. Therefore, for each month after 2012, OPG shall determine energy production based on actual flows by entering actual water flow values into the 2011 and 2012 forecast models and computing an

average of the resulting imputed monthly energy values from the two models. OPG shall determine the revenue impact of the production variance by multiplying the deviation between imputed production from actual flows and forecast production, as described above, by the EB-2010-0008 approved regulated hydroelectric payment amount of \$35.78/MWh. The resulting amount shall be recorded in the Hydroelectric Water Conditions Variance Account.

OPG shall also continue to record in this account changes in the gross revenue charge costs reflected in the revenue requirement approved by the Board as a result of differences in imputed production from actual flows and forecast energy production described above. OPG shall determine amounts to be recorded in this account by multiplying the production deviation as described above by the applicable gross revenue charge rate.

OPG shall also continue to record in this account any variations from the amounts payable to the St. Lawrence Seaway Management Corporation reflected in the revenue requirement approved by the Board for the conveyance of water in the Welland Ship Canal.

Ancillary Services Net Revenue Variance Account – Hydroelectric

The Ancillary Services Net Revenue Variance Account – Hydroelectric was originally approved in EB-2007-0905. OPG shall continue to compare actual hydroelectric ancillary services net revenue to the forecast amount reflected in the revenue requirement approved by the Board (the “reference amount”). The monthly reference amounts shall be 1/24 of the total forecast amount of \$77.8M for 2011 and 2012 underpinning the two-year revenue requirement approved in EB-2010-0008. The monthly reference amount shall be \$3.24M. The difference shall continue to be recorded in this variance account. The ancillary services for regulated hydroelectric operations include black start capability, operating reserve, automatic generation control, and reactive support/voltage control service.

Income and Other Taxes Variance Account

The Income and Other Taxes Variance Account was originally approved in EB-2007-0905. This account shall continue to record the financial impact on the EB-2010-0008 revenue requirement approved by the Board (the “reference amount”) of:

CONTINUING DEFERRAL AND VARIANCE ACCOUNTS

Unless otherwise stated in this Order, effective November 1, 2014, OPG shall continue to record entries into the deferral and variance accounts authorized by O. Reg. 53/05 and the applicable decisions and orders of the Board pursuant to the methodologies established by O. Reg. 53/05 and such decisions and orders, as outlined in OPG's Application at Ex. H1-3-1 and as summarized below. Unless otherwise stated in this Order, for the period from November 1, 2014 to December 31, 2014, OPG shall continue to record amortization entries into the applicable deferral and variance accounts pursuant to the EB-2012-0002 Payment Amounts Order.

Effective November 1, 2014, OPG shall record entries into deferral and variance accounts listed below as follows:

Hydroelectric Water Conditions Variance Account

The Hydroelectric Water Conditions Variance Account was originally approved in EB-2007-0905 for the previously regulated hydroelectric facilities. OPG shall continue this account and maintain separate sub-accounts for the previously and newly regulated hydroelectric prescribed assets. The account shall apply to the previously regulated hydroelectric facilities and to 21 of the newly regulated hydroelectric facilities. These 21 newly regulated hydroelectric facilities are listed in EB-2013-0321, Ex. E1-1-1 Appendix 1.

For the previously regulated hydroelectric facilities, OPG will continue to determine the hydroelectric production impact of changes in water conditions by entering the actual flow values into the same production forecast models used to calculate the Board-approved production forecast, holding all other variables constant. Deviations from forecast will be determined as the difference between the calculated production resulting from entering actual flows for the month into the forecast model and the energy production forecast approved by the Board. The revenue impact of the production variance recorded in the account for the previously regulated hydroelectric facilities will continue to be determined by multiplying the deviation from forecast, as described above, by the approved payment amount for these facilities. For production from the previously regulated hydroelectric facilities, OPG shall determine the revenue impact of the production variance by multiplying the deviation from forecast, as described above, by the approved payment amount of \$40.20/MWh.

Energy production forecasts for 21 of the newly regulated hydroelectric plants, listed in EB-2013-0321, Ex. E1-1-1 Appendix 1, are produced using similar computer models to those used to forecast production for the previously regulated hydroelectric facilities. The models convert forecast water availability to forecast energy production using historical median monthly flows as the basis for determining the monthly energy production forecasts. Similar to the previously regulated hydroelectric facilities, for these 21 facilities, OPG shall compute deviations of actual monthly flows from these historical median monthly flows in order to determine the production variance for purposes of the Hydroelectric Water Conditions Variance Account. OPG shall determine the revenue impact of the production variance by multiplying the deviation from forecast, as described above, by the approved payment amount of \$41.93/MWh.

In respect of production from the previously and the applicable 21 newly regulated hydroelectric facilities, OPG shall also record in this account changes in the gross revenue charge costs reflected in the revenue requirement approved by the Board, as a result of differences between imputed production from actual flows and forecast energy production described above. OPG shall determine amounts to be recorded in this account by multiplying the production deviation as described above by the applicable gross revenue charge rates.

In respect of production from the previously regulated hydroelectric facilities, OPG shall also record in this account any variations from the amounts payable to the St. Lawrence Seaway Management Corporation for the conveyance of water in the Welland Ship Canal reflected in the revenue requirement approved by the Board.

In respect of production from the applicable 21 newly regulated hydroelectric facilities, OPG shall also record in the account any variances from the amounts payable to the Government of Quebec for water rentals reflected in the revenue requirement approved by the Board.

Ancillary Services Net Revenue Variance Account – Hydroelectric

The Ancillary Services Net Revenue Variance Account – Hydroelectric was originally approved in EB-2007-0905 for the previously regulated hydroelectric facilities. The account shall apply to the previously and newly regulated hydroelectric facilities. OPG shall maintain separate sub-accounts for the previously and newly regulated hydroelectric prescribed assets.

Chart 2

Alternative Approaches to Entries for the Period January 1, 2014 to October 31, 2014 for Nuclear and Previously Regulated Hydroelectric (\$M unless otherwise stated)						
Account / Item	OPG Proposed Entries Based on EB-2010-0008 Forecasts			Entries Proposed by Some Parties Based on EB-2013-0321 Forecasts		
	Jan-Oct 2014 Actual	EB-2010- 0008 Forecast	OPG Proposed Entries Based on EB- 2010-0008 Forecasts	Jan-Oct 2014 Actual	EB-2013- 0321 Forecast	Entries Proposed by Some Parties Based on EB- 2013-0321 Forecasts
	(a)	(b)	(c) = (a)-(b)	(d)	(e)	(f) = (d)-(e)
Water Conditions Variance						
Production (GWh) ¹	15,579	15,484	(96)	16,584	15,639	(945)
Payment Amount (\$/MWh)			35.78			40.20
Revenue			(3.4)			(38.0)
GRC/Water Rental Costs			1.7			14.1
Total			(1.7)			(23.9)
Ancillary Services Net Revenues Variance						
Hydroelectric						
Ancillary Services Net Revenue	44.5	32.4	(12.1)	44.5	27.1	(17.3)
Nuclear						
Ancillary Services Net Revenue	2.1	2.5	0.3	2.1	1.4	(0.7)
EB-2013-0321 Impact Statement (Ex. N1) Adjustment	N/A	N/A	N/A	N/A	(0.5)	(0.5)
Nuclear Total	2.1	2.5	0.3	2.1	1.9	(0.3)
Hydroelectric Incentive Mechanism (HIM) Variance						
HIM Net Revenue ^{2,3}	15.7	10.8	(2.4)	15.7	10.0	(2.9)
Hydroelectric Surplus Baseload Generation Variance						
Foregone Production due to SBG Conditions (GWh)	1,061	-	1,061	1,061	-	1,061
Payment Amount (\$/MWh)			35.78			40.20
Revenue			38.0			42.6
GRC/Water Rental Costs			(15.3)			(15.3)
Total			22.7			27.4

Notes to Chart 2:

1. Actual production values in cols. (a) and (d) represent imputed values based on production models used to generate the OEB-approved production forecasts, and as such, differ between EB-2010-0008-based actuals and EB-2013-0321 actuals.
2. Credit to ratepayers in col. (c) is 50% of the HIM net revenues above the annual threshold of \$13M (per EB-2012-0002 Payment Amounts Order) prorated for 10 months.
3. Credit to ratepayers in col. (f) is 50% of the HIM net revenues above the previously regulated hydroelectric portion of \$12M of the annual 2014 threshold of \$51M (per EB-2013-0321 Payment Amounts Order), prorated for 10 months.
4. Actual tax impacts reflect imputed amounts based on corresponding OEB-approved forecasts adjusted for qualifying tax changes or differences.
5. Actuals do not match since col. (a) is calculated in accordance with CGAAP and col. (d) is calculated in accordance with USGAAP to maintain consistency with their corresponding forecast amounts.
6. Additions to this account are recorded as a credit of \$3.9M/month per EB-2012-0002 Payment Amounts Order during the period from January 1, 2013 until the effective date of new nuclear payment amounts excluding riders. The EB-2013-0321 Payment Amounts Order ordered that only amortization be recorded in this account, and therefore, there would be no additions if the EB-2013-0321 order is applied to the January to October 2014 period.
7. Actuals in col. (d) do not match certain corresponding lines in col. (a) due to differences in OEB-approved capital structure, return on equity, and debt ratio established in EB-2010-0008 and EB-2013-0321.

Numbers may not add due to rounding.

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 EB-2014-0370
 Exhibit H1
 Tab 1
 Schedule 2
 Table 2

Table 2
 (Updated version of Ex. H1-1-1 Table 2)
 Hydroelectric Water Conditions Variance Account
 Summary of Account Transactions - 2013 and 2014

Line No.	Particulars	Actual 2013 ¹ (a)	Actual Jan - Oct 2014 (b)	Actual Nov - Dec 2014 (c)	(b)+(c) Actual Total 2014 (d)
	Previously Regulated Hydroelectric:				
1	Forecast Production - EB-2012-0002 / EB-2013-0321 ² (GWh)	19,832	15,484	3,282	18,766
2	Actual Calculated Production (GWh)	19,167	15,579	3,424	19,003
3	Difference (GWh) (line 1 - line 2)	664	(96)	(142)	(238)
4	Payment Amount per EB-2010-0008 / EB-2013-0321 (\$/MWh) ³	35.78	35.78	40.20	
5	Revenue Impact (\$M) (line 3 x line 4 / 1000)	23.8	(3.4)	(5.7)	(9.1)
6	GRC/Water Rental Costs (\$M)	(8.5)	1.7	2.1	3.7
7	Addition to Variance Account (\$M) (line 5 + line 6)	15.2	(1.7)	(3.7)	(5.4)
	Newly Regulated Hydroelectric:				
8	Forecast Production - EB-2013-0321 ^{2,5} (GWh)	N/A	N/A	2,057	2,057
9	Actual Calculated Production ⁵ (GWh)	N/A	N/A	2,623	2,623
10	Difference (GWh) (line 8 - line 9)			(566)	(566)
11	Payment Amount per EB-2013-0321 (\$/MWh) ⁴	N/A	N/A	41.93	
12	Revenue Impact (\$M) (line 10 x line 11 / 1000)	N/A	N/A	(23.7)	(23.7)
13	GRC/Water Rental Costs (\$M)	N/A	N/A	4.8	4.8
14	Addition to Variance Account (\$M) (line 12 + line 13)	N/A	N/A	(18.9)	(18.9)
15	Total Addition to Variance Account (\$M) (line 7 + line 14)	15.2	(1.7)	(22.6)	(24.3)

Notes:

- As shown in EB-2013-0321 Ex. L-9.1-17 SEC-132, Attachment 1, Table 2, col. (a).
- 2013 and January to October 2014 forecast production has been determined using the average monthly forecasts for 2011 and 2012 underpinning the reference amounts from EB-2010-0008 per EB-2012-0002 Payment Amounts Order, App. B, page 3. November to December 2014 forecast production is as reflected in the 2014 Board-approved production value, in accordance with the EB-2013-0321 Payment Amounts Order, App. G, page 3.
- From EB-2010-0008 Payment Amounts Order, App. B, Table 1, line 3 for 2013 and January to October 2014.
- From EB-2013-0321 Payment Amounts Order, App. B, Table 1, line 3 for November to December 2014.
- From EB-2013-0321 Payment Amounts Order, App. C, Table 1, line 3. In accordance with the EB-2013-0321 Payment Amounts Order, App. G, pp. 2-3, the value represents production for the 21 newly regulated hydroelectric facilities subject to the variance account.

Numbers may not add due to rounding.

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 EB-2012-0002
 Exhibit H1
 Tab 1
 Schedule 2
 Table 2

Table 2
 (Updated version of Ex. H1-1-1 Table 2)
 Hydroelectric Water Conditions Variance Account
 Summary of Account Transactions - 2011 and 2012

Line No.	Particulars	Jan - Feb 2011 (a)	Mar - Dec 2011 (b)	Total 2011 (c)	Actual 2012 (d)
1	Forecast Production - EB-2009-0174 / EB-2010-0008 ¹ (GWh)	2,769	15,594	18,363	18,573
2	Calculated Actual Production (GWh)	2,736	15,748	18,484	17,638
3	Difference (GWh) (line 1 - line 2)	33	(154)	(121)	935
4	Revenue Impact @ \$36.66/MWh for Jan-Feb 2011 and \$35.78/MWh for Mar-Dec 2011 and 2012 (\$M)	1.2	(5.5)	(4.3)	33.5
5	GRC/Water Rental Costs (\$M)	(0.2)	2.3	2.1	(13.0)
6	Addition to Variance Account (\$M) (line 4 + line 5)	1.0	(3.2)	(2.2)	20.4

Notes:

- 1 January and February 2011 forecast has been determined in accordance with the EB-2009-0174 Decision and Order. March 2011 to December 2012 forecast has been determined based on amounts reflected in the payment amounts approved in EB-2010-0008.