

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S. O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an Application by Ontario Power Generation Inc. for an order or orders approving the disposition of the balances as of December 31, 2014 in its deferral and variance accounts.

BEFORE: Allison Duff
Member

Cathy Spoel
Member

REVISED DRAFT PAYMENT AMOUNTS ORDER

~~September 18~~October 2, 2015

Ontario Power Generation Inc. (“OPG”) filed an application dated December 18, 2014 with the Ontario Energy Board (the “OEB”) under section 78.1 of the *Ontario Energy Board Act*, S.O. 1998, c. 15, Schedule B (the “Act”) for an order or orders approving the disposition of balances, as of December 31, 2014, in certain of its deferral and variance accounts (“DVA”). The OEB assigned file number EB-2014-0370 to the application.

On February 20, 2015 OPG filed the audited 2014 year-end balances in the DVA.

A Settlement Conference between OPG and the Intervenor, observed by OEB Staff, was held beginning on April 20, 2015. On June 16, 2015, OPG filed a settlement proposal with the OEB. With the exception of one unsettled matter, OPG and the Intervenor who participated in the discussions reached a partial settlement. The unsettled matter concerned whether certain amounts, totaling a net debit balance of \$263M, recorded in the DVA accounts during January 1, 2014 to October 31, 2014, were appropriate and therefore recoverable from electricity consumers.

On June 23, 2015 the OEB issued the EB-2014-0370 Decision on Settlement Proposal and Procedural Order No. 8. In that dDecision and pProcedural oOrder, the OEB approved the partial settlement and ordered a written hearing for the unsettled matter; making provision for argument-in-chief, submissions from the Intervenor and OEB staff, and reply argument.

The OEB issued the EB-2014-0370 Decision and Order (the “Decision”) on the unsettled matter on September 10, 2015. In the Decision, the OEB found that the amounts recorded in the accounts by OPG during January 1, 2014 to October 31, 2014 were appropriate. In particular, the OEB found “that the DVA entries during the first 10-months of 2014 will be calculated with reference to the EB-2010-0008/EB-2012-0002 payment amounts order, as the EB-2013-0321 payment amounts order was not effective until November 1, 2014. As a result, \$263 million will be recovered from electricity customers.” (Decision, p. 2)

The OEB directed OPG to file a draft Payment Amounts Order by September 18, 2015.

On September 18, 2015, OPG filed a draft Payment Amounts Order that included an Appendix A (Calculation of Riders, Amortization and Impacts) and an Appendix B (Deferral and Variance Accounts). OPG confirmed that the Independent Electricity System Operator (“IESO”) can accommodate an implementation date of October 1, 2015.

NTD: Submissions on the draft order were filed on XXX-XX, 2015 by TBDOEB staff filed comments on the draft Payment Amounts Order on September 25, 2015. OPG filed its response on October 2, 2015, largely agreeing with the comments of OEB staff.

While OPG agreed with OEB staff’s proposal to set the effective date for recording interest on the balances in all deferral and variance accounts (except where otherwise stated) to January 1, 2015, OPG noted that an amendment to the description of the Pension & OPEB Cash Payment Variance Account is necessary to ensure that interest is recorded appropriately on the balance in the account from November 1, 2014 to December 31, 2014 since the balance in this account as of December 31, 2014 was not cleared in EB-2014-0370.

OEB Findings

NTD: To be determined

THE OEB ORDERS THAT:

1. OPG shall recover the approved December 31, 2014 balances shown in Appendix A, Tables 1 and 2, column (c), in the following DVA or portions of accounts effective July 1, 2015:
 - Hydroelectric Water Conditions Variance Account
 - Ancillary Services Net Revenue Variance Account – Hydroelectric
 - Hydroelectric Incentive Mechanism Variance Account
 - Hydroelectric Surplus Baseload Generation Variance Account
 - Income and Other Taxes Variance Account – Hydroelectric
 - Capacity Refurbishment Variance Account – Hydroelectric
 - Pension and OPEB Cost Variance Account – Hydroelectric – Future
 - Pension and OPEB Cost Variance Account – Hydroelectric – Post 2012 Additions
 - Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
 - Nuclear Liability Deferral Account
 - Nuclear Development Variance Account
 - Ancillary Services Net Revenue Variance Account – Nuclear
 - Capacity Refurbishment Variance Account – Nuclear – Capital Portion
 - Capacity Refurbishment Variance Account – Nuclear – Non-Capital Portion
 - Bruce Lease Net Revenues Variance Account – Derivative Sub-Account
 - Bruce Lease Net Revenues Variance Account – Non-Derivative Sub-Account – EB-2012-0002
 - Bruce Lease Net Revenues Variance Account – Non-Derivative Sub-Account – Post-2012 Additions
 - Income and Other Taxes Variance Account – Nuclear
 - Pension and OPEB Cost Variance Account – Nuclear – Future
 - Pension and OPEB Cost Variance Account – Nuclear – Post 2012 Additions
 - Pickering Life Extension Depreciation Variance Account
 - Nuclear Deferral and Variance Over/Under Recovery Variance Account
2. The DVA amounts approved for disposition are \$190.6M for the prescribed hydroelectric facilities, as set out in Appendix A, Table 1, column (c). **These amounts include \$10.5M related to Pension and OPEB Cost Variance approved in EB-2012-0002.** These amounts are in addition to the DVA balances approved for disposition in the period from January 1, 2015 to December 31, 2015 in the EB-2013-0321 Payment Amounts Order.
3. The DVA amounts approved for disposition are \$1,557.8M for the prescribed nuclear facilities, as set out in Appendix A, Table 2, column (c). **These amounts include \$214.7M related to Pension and OPEB Cost Variance approved in EB-2012-0002.** These amounts are in addition to the DVA balances approved for disposition in the period from January 1, 2015 to December 31, 2015 in the EB-2013-0321 Payment Amounts Order.

4. Effective from July 1, 2015 to December 31, 2016, for the production from the prescribed i.e., both previously regulated and newly regulated hydroelectric facilities, a regulated hydroelectric payment amount rider for the recovery of the approved DVA balances (“Hydroelectric Rider 2015/16-A”) is \$3.19/MWh, as set out in Appendix A, Table 1, line 12. This rider is in addition to the Previously Regulated Hydroelectric Rider 2015 of \$6.04/MWh for the production from the previously regulated hydroelectric facilities, which was established in the EB-2013-0321 Payment Amounts Order and remains in effect until December 31, 2015.
5. Effective from October 1, 2015 to December 31, 2016, for the production from the prescribed (i.e., both previously regulated and newly regulated) hydroelectric facilities, the regulated hydroelectric Interim Period Shortfall Rider (“Hydroelectric Rider 2015/16-B”) is \$0.64/MWh, as set out in Appendix A, Table 3, line 4. Hydroelectric Rider 2015/16-B provides for the recovery of Hydroelectric Rider 2015/16-A for the period July 1, 2015 to September 30, 2015.
6. Effective from July 1, 2015 to December 31, 2016, for the production from the prescribed nuclear facilities, a nuclear payment amount rider for the recovery of the approved DVA balances (“Nuclear Rider 2015/16-A”) is \$10.84/MWh, as set out in Appendix A, Table 2, line 16. This rider is in addition to the Nuclear Rider 2015 of \$1.33/MWh for the production from the prescribed nuclear facilities, which was established in the EB-2013-0321 Payment Amounts Order and remains in effect until December 31, 2015.
7. Effective from October 1, 2015 to December 31, 2016, for the production from the regulated nuclear facilities, the nuclear Interim Period Shortfall Rider (“Nuclear Rider 2015/16-B”) is \$2.17/MWh, as set out in Appendix A, Table 3, line 4. Nuclear Rider 2015/16-B provides for the recovery of the Nuclear Rider 2015/16-A for the period July 1, 2015 to September 30, 2015.
8. Amortization of the approved DVA balances over July 1, 2015 to December 31, 2016 shall be \$155.6M for the prescribed hydroelectric facilities as set out at Appendix A, Table 1, columns (e), (f) and (g). This amortization is in addition to the DVA amortization amounts approved for 2015 in the EB-2013-0321 Payment Amounts Order.
9. Amortization of the approved DVA balances over July 1, 2015 to December 31, 2016 shall be \$777.1M for the prescribed nuclear facilities as set out at Appendix A, Table 2, columns (e), (f) and (g). This amortization is in addition to the DVA amortization amounts approved for 2015 in the EB-2013-0321 Payment Amounts Order.
10. The IESO shall make payments to OPG in accordance with this Order as of October 1, 2015.

11. The terms of the DVA or portions of accounts listed below, which were approved in EB-2013-0321, are amended to reflect: (a) the EB-2014-0370 Settlement Proposal Decision that no interest will be applied by OPG to the Bruce Lease Net Revenues Variance Account during the period from January 1, 2015 to December 31, 2016; and, (b) clarification of the reference amounts for certain accounts in accordance with the OEB's Decision on page 9. OPG shall continue making entries in the following DVA or portions of accounts in accordance with Appendix B, effective January 1, 2015:

- Hydroelectric Water Conditions Variance Account
- Ancillary Services Net Revenue Variance Account – Hydroelectric
- Income and Other Taxes Variance Account
- Pension and OPEB Cost Variance Account
- Hydroelectric Incentive Mechanism Variance Account
- Hydroelectric Surplus Baseload Generation Variance Account
- Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
- Nuclear Liability Deferral Account
- Nuclear Development Variance Account
- Ancillary Services Net Revenue Variance Account – Nuclear
- Capacity Refurbishment Variance Account
- Bruce Lease Net Revenues Variance Account - Derivative Sub-Account and Non-Derivative Sub-Account
- Pickering Life Extension Depreciation Variance Account (Terminates on December 31, 2016)
- Nuclear Deferral and Variance Over/Under Recovery Variance Account

12. The ~~December 31, 2014 balances in the~~ following ~~DVA accounts~~ established in EB-2013-0321 ~~effective November 1, 2014~~ were not addressed in EB-2014-0370 and will continue, as amended, (a) per the EB-2013-0321 Payment Amounts Order (p. 6) by removing, as appropriate, the sentence, "The deferral account shall also record any associated income tax impacts", ~~and (b) to reflect that OPG shall record interest on the balance of the Pension & OPEB Cash Payment Variance Account effective November 1, 2014~~ in accordance with Appendix B:

- Gross Revenue Charge Variance Account
- Pension & OPEB Cash Payment Variance Account
- Pension & OPEB Cash Versus Accrual Differential Deferral Account

DATED at Toronto _____, 2015

ONTARIO ENERGY BOARD

Kirsten Walli
Board Secretary

APPENDICES
TO
PAYMENT AMOUNTS ORDER
ONTARIO POWER GENERATION INC.
EB-2014-0370

EB-2014-0370 PAYMENT AMOUNTS ORDER – APPENDICES

TABLE OF CONTENTS

APPENDIX A: CALCULATION OF RIDERS, AMORTIZATION AND IMPACTS

- Table 1 Calculation of Deferral and Variance Account Recovery Payment Rider – Regulated Hydroelectric (“Hydroelectric Rider 2015/16-A”)
- Table 2 Calculation of Deferral and Variance Account Recovery Payment Rider – Nuclear (“Nuclear Rider 2015/16-A”)
- Table 3 Calculation of Interim Period Shortfall Riders - (“Hydroelectric Rider 2015/16-B” and “Nuclear Rider 2015/16-B”)
- Table 4 Annualized Residential Consumer Impact
- Table 5 Computation of Percent Change in Payment Amounts

APPENDIX B: DEFERRAL AND VARIANCE ACCOUNTS

APPENDIX A

CALCULATION OF RIDERS, AMORTIZATION AND IMPACTS

Table 1

Calculation of Deferral and Variance Account Recovery Payment Rider - Regulated Hydroelectric (\$M)¹
("Hydroelectric Rider 2015/16-A")

Line No.	Account	Approved Balance at December 31, 2014	EB-2013-0321 Board Approved Amortization 2015 ²	(a)-(b) Dec 31, 2014 Approved Balance Less 2015 Approved Amortization	Recovery Period (Months)	Amortization Jul - Dec 2015	Amortization Jan - Dec 2016	(e)+(f) Amortization Jul 2015 - Dec 2016	(c)-(g) Unamortized Approved Balance At Dec 31, 2016
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Hydroelectric Water Conditions Variance	(8.5)	0.0	(8.5)	18	(2.8)	(5.6)	(8.5)	0.0
2	Ancillary Services Net Revenue Variance - Hydroelectric	(16.5)	0.0	(16.5)	18	(5.5)	(11.0)	(16.5)	0.0
3	Hydroelectric Incentive Mechanism Variance	(7.5)	(5.0)	(2.5)	18	(0.8)	(1.7)	(2.5)	0.0
4	Hydroelectric Surplus Baseload Generation Variance	67.1	19.2	47.9	18	16.0	31.9	47.9	0.0
5	Income and Other Taxes Variance - Hydroelectric	(0.2)	0.0	(0.2)	18	(0.1)	(0.1)	(0.2)	0.0
6	Capacity Refurbishment Variance - Hydroelectric	232.6	112.7	119.9	18	40.0	79.9	119.9	0.0
7	Pension and OPEB Cost Variance - Hydroelectric - Future (Dec 31, 2012 Balance)	10.5	0.0	10.5	120	1.1	1.1	2.1	8.4
8	Pension and OPEB Cost Variance - Hydroelectric - Post 2012 Additions	35.5	0.0	35.5	72	3.0	5.9	8.9	26.6
9	Hydroelectric Deferral and Variance Over/Under Recovery Variance	4.5	0.0	4.5	18	1.5	3.0	4.5	0.0
10	Total (lines 1 through 9)	317.6	127.0	190.6				155.6	35.0
11	Forecast Production ³ (TWh)							48.8	
12	Regulated Hydroelectric Payment Rider (\$/MWh) (line 10 / line 11)							3.19	

Notes:

- 1 All values are as shown in Ex. M1-1-1 Attachment 2 Table 1.
- 2 From EB-2013-0321 Payment Amounts Order App. E, Table 1, col. (e).
- 3 Board-approved 2014-2015 previously regulated hydroelectric production from EB-2013-0321 Payment Amounts Order, App. B, Table 1, line 2 multiplied by 18 months divided by 24 months, plus July 1, 2014 to December 31, 2015 newly regulated hydroelectric production from EB-2013-0321 Payment Amounts Order, App. C, Table 1, line 2, col. (c).

Table 2

Calculation of Deferral and Variance Account Recovery Payment Rider - Nuclear (\$M)¹
("Nuclear Rider 2015/16-A")

Line No.	Account	Approved Balance at December 31, 2014 (a)	EB-2013-0321 Board Approved Amortization 2015 ² (b)	(a)-(b) Dec 31, 2014 Approved Balance Less 2015 Approved Amortization (c)	Recovery Period (Months) (d)	Amortization Jul - Dec 2015 (e)	Amortization Jan - Dec 2016 (f)	(e)+(f) Amortization Jul 2015 - Dec 2016 (g)	(c)-(g) Unamortized Approved Balance At Dec 31, 2016 (h)
1	Nuclear Liability Deferral	285.7	0.0	285.7	18	95.2	190.5	285.7	0.0
2	Nuclear Development Variance	58.8	56.5	2.3	18	0.8	1.6	2.3	0.0
3	Ancillary Services Net Revenue Variance - Nuclear	1.7	0.0	1.7	18	0.6	1.2	1.7	0.0
4	Capacity Refurbishment Variance - Nuclear - Capital Portion	13.2	5.7	7.6	18	2.5	5.0	7.6	0.0
5	Capacity Refurbishment Variance - Nuclear - Non-Capital Portion	1.3	0.0	1.3	18	0.4	0.8	1.3	0.0
6	Bruce Lease Net Revenues Variance - Derivative Sub-Account ³	153.8	0.0	153.8	n/a	(10.4)	64.1	53.7	100.0
7	Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account - EB-2012-0002	37.3	0.0	37.3	18	18.7	18.7	37.3	0.0
8	Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account - Post 2012 Additions	123.8	0.0	123.8	18	41.3	82.5	123.8	0.0
9	Income and Other Taxes Variance - Nuclear	(13.2)	0.0	(13.2)	18	(4.4)	(8.8)	(13.2)	0.0
10	Pension and OPEB Cost Variance - Nuclear - Future (Dec 31, 2012 Balance)	214.7	0.0	214.7	120	21.5	21.5	42.9	171.7
11	Pension and OPEB Cost Variance - Nuclear - Post 2012 Additions	678.6	0.0	678.6	72	56.5	113.1	169.6	508.9
12	Pickering Life Extension Depreciation Variance	7.8	0.0	7.8	18	2.6	5.2	7.8	0.0
13	Nuclear Deferral and Variance Over/Under Recovery Variance	56.4	0.0	56.4	18	18.8	37.6	56.4	0.0
14	Total (lines 1 through 13)	1,619.9	62.2	1,557.8				777.1	780.7
15	Forecast Production ⁴ (TWh)							71.7	
16	Nuclear Payment Rider (\$/MWh) (line 14 / line 15)							10.84	

Notes:

- 1 All values are as shown in Ex. M1-1-1 Attachment 2 Table 2.
- 2 From EB-2013-0321 Payment Amounts Order App. F, Table 1, col. (e).
- 3 Amortization in cols. (e) and (f) is from Ex. H1-1-2 Table 13c, lines 20 and 21.
- 4 Board-approved 2014-2015 nuclear production from EB-2013-0321 Payment Amounts Order, App. D, Table 1, line 2 multiplied by 18 months divided by 24 months.

Numbers may not add due to rounding.

Table 3

Calculation of Interim Period Shortfall Riders
("Hydroelectric Rider 2015/16-B" and "Nuclear Rider 2015/16-B")

Line No.	Account	October 1, 2015 Implementation	
		Regulated Hydroelectric	Nuclear
		(a)	(b)
1	Approved Rider (\$/MWh)¹	3.19	10.84
2	July to September 2015 Portion of 18-month Production Forecast Used to Set Approved Rider (TWh)²	8.1	12.0
3	Production Forecast Used to Set Approved Rider (TWh)³	48.8	71.7
4	Interim Period Shortfall Rider (\$/MWh) ((line 1 x line 2) / (line 3 - line 2))	0.64	2.17

Notes:

- 1 Regulated Hydroelectric from EB-2014-0370 Payment Amounts Order, App. A, Table 1, line 12.
Nuclear from EB-2014-0370 Payment Amounts Order, App. A, Table 2, line 16.
- 2 Calculated as amount at line 3 multiplied by 3/18.
- 3 Regulated Hydroelectric from EB-2014-0370 Payment Amounts Order, App. A, Table 1, line 11.
Nuclear from EB-2014-0370 Payment Amounts Order, App. A, Table 2, line 15.

Table 4
Annualized Residential Consumer Impact¹
January 1, 2015 to December 31, 2016

Line No.	Description	Amount
		(a)
1	Typical Consumption² (kWh/Month)	842
2	Typical Usage of OPG Generation (kWh/Month) (line 1 x line 11)	489
3	Typical Bill² (\$/Month)	132.57
4	Typical Bill Impact (\$/Month) (line 2 x line 8 / 1000)	1.93
5	Typical Bill Impact (%) (line 4 / line 3)	1.5%
6	EB-2013-0321 Payment Amounts Order OPG weighted average rate for 2015 ³ (\$/MWh)	54.75
7	Blended OPG 2015-16 weighted average rate with EB-2014-0370 approved payment riders ⁴ (\$/MWh)	58.69
8	Change in OPG weighted average rate (\$/MWh) (line 7 - line 6)	3.94
9	EB-2013-0321 Approved 2014-15 OPG Regulated Production ⁵ (TWh)	161.6
10	Forecast of Provincial Demand ⁶ (TWh)	278.3
11	OPG Proportion of Consumer Usage (line 9 / line 10)	58.1%

Notes:

- 1 All values are as shown in Ex. M1-1-1 Attachment 2 Table 3, page 3 of 6.
- 2 Typical monthly consumption (800 kWh) and typical monthly bill are based on the OEB "Bill Calculator" for estimating monthly electricity bills (using Time of Use pricing), available at:
<http://www.ontarioenergyboard.ca/OEB/Consumers/Electricity/Your+Electricity+Utility>
Typical Consumption includes line losses.
- 3 From EB-2014-0370 Payment Amounts Order App. A, Table 5, line 11, col. (a).
- 4 From EB-2014-0370 Payment Amounts Order App. A, Table 5, line 11, col. (b).
- 5 From EB-2014-0370 Payment Amounts Order App. A, Table 5, line 7.
- 6 Based on forecast demand for 2014 (139.5 TWh) and 2015 (138.8 TWh) from Table 3.1 of IESO 18-Month Outlook Update for September 2014 to February 2016, published September 4, 2014.

Table 5

Computation of Percent Change in Payment Amounts ¹
EB-2013-0321 to EB-2014-0370

Line No.	Description	Note	Nov-Dec 2014 per EB-2013-0321 Payment Amounts Order	Weighted Average 2015-16 per EB-2013-0321 Payment Amounts Order plus EB-2014-0370	((b)/(a))-1 Percent Change In Payment Amounts
			(a)	(b)	(c)
1	Previously Regulated Hydroelectric Rate Including Riders (\$/MWh)	2	42.22	45.56	8%
2	Newly Regulated Hydroelectric Rate including Riders (\$/MWh)	3	41.93	44.23	5%
3	Nuclear Rate Including Riders (\$/MWh)	4	63.47	68.09	7%
4	Approved 2014-15 Previously Regulated Hydroelectric Production (TWh)	5	41.1	41.1	
5	Approved 2014-15 Newly Regulated Hydroelectric Production (TWh)	5	24.8	24.8	
6	Approved 2014-15 Nuclear Production (TWh)	5	95.6	95.6	
7	Total Approved 2014-15 Production (TWh) (line 4 + line 5 + line 6)		161.6	161.6	
8	Previously Regulated Hydroelectric Portion of Production-Weighted Average Rate (\$/MWh) (line 1 x line 4 / line 7)		10.74	11.59	
9	Newly Regulated Hydroelectric Portion of Production-Weighted Average Rate (\$/MWh) (line 2 x line 5 / line 7)		6.45	6.80	
10	Nuclear Portion of Production-Weighted Average Rate (\$/MWh) (line 3 x line 6 / line 7)		37.56	40.29	
11	Total Production-Weighted Average Rate (\$/MWh) (line 8 + line 9 + line 10)		54.75	58.69	
12	OVERALL CHANGE IN PAYMENT AMOUNTS FROM EB-2013-0321 TO EB-2014-0370 ((line 11 col. (b) / line 11 col. (a)) -1)				7.2%

Notes:

- 1 All values are as shown in Ex. M1-1-1 Attachment 2 Table 4.
- 2 Col. (a) is payment amount from EB-2013-0321 Payment Amounts Order, App. B, Table 1, line 3 (\$40.20/MWh) plus EB-2012-0002 Approved Hydroelectric Rider 2014-A from EB-2012-0002 Payment Amounts Order, App. A, Table 1, line 13, col. (h) (\$2.02/MWh).
Col. (b) is production-weighted average of approved rates and riders for 2015 - 2016.
- 3 Col. (a) is payment amount from EB-2013-0321 Payment Amounts Order, App. C, Table 1, line 3 (\$41.93/MWh).
Col. (b) is production-weighted average of approved rates and riders for 2015 - 2016.
- 4 Col. (a) is payment amount from EB-2013-0321 Payment Amounts Order, App. D, Table 1, line 3 (\$59.29/MWh) plus EB-2012-0002 Approved Nuclear Rider 2014-A from EB-2012-0002 Payment Amounts Order, App. A, Table 2, line 13, col. (h) (\$4.18/MWh).
Col. (b) is production-weighted average of approved rates and riders for 2015 - 2016.
- 5 Previously regulated hydroelectric from EB-2013-0321 Payment Amounts Order, App. B, Table 1, line 2.
Newly regulated hydroelectric from EB-2013-0321 Ex. E1-1-1, Table 1, line 8, col. (e) plus col. (f).
Nuclear from EB-2013-0321 Payment Amounts Order, App. D, Table 1, line 2.
Forecast production is held constant in cols. (a) and (b) at values approved in the EB-2013-0321 Payment Amounts Order to isolate the effect of the overall change in payment amounts.

APPENDIX B

DEFERRAL AND VARIANCE ACCOUNTS

Appendix B: Deferral and Variance Accounts

CLEARANCE OF EXISTING DEFERRAL AND VARIANCE ACCOUNTS

With respect to the deferral and variance accounts established by *Ontario Regulation 53/05* (“O. Reg. 53/05”) and the Board’s OEB’s decisions and orders in EB-2007-0905, EB-2009-0038, EB-2009-0174, EB-2010-0008, EB-2011-0090, EB-2012-0002, and EB-2013-0321, the Board OEB approves the December 31, 2014 balances in the accounts, as provided in column (a) of Table B-1 below. The Board OEB approves the recovery of the balances in these accounts or portions of accounts, effective July 1, 2015, as provided in column (b) of Table B-1 below, which is in addition to the deferral and variance account balances approved for recovery in the EB-2013-0321 Payment Amounts Order. These amounts include \$10.5M related to the Pension and OPEB Cost Variance – Hydroelectric – Future and \$214.7M related to Pension and OPEB Cost Variance – Nuclear – Future accounts approved in EB-2012-0002. The EB-2012-0002 decision specified a 12-year disposition period for the Pension and OPEB Cost Variance Account – Future, beginning January 1, 2013. The Board OEB also approves the amortization amounts for the balances set out in column (b) of Table B-1 below for the periods from July 1, 2015 to December 31, 2015 and from January 1, 2016 to December 31, 2016, as calculated at Appendix A, Table 1 and Table 2, columns (e) and (f), respectively, and set out in columns (c) and (d), respectively, of Table B-1 below. These amortization amounts shall be in addition to the amortization amounts approved in the EB-2013-0321 Payment Amounts Order for the period from January 1, 2015 to December 31, 2015.

Table B-1

Regulated Hydroelectric and Nuclear Deferral and Variance Accounts (\$M)

Account	Approved Balance Dec 31, 2014	Dec 31, 2014 Approved Balance Less EB-2013-0321 Jan – Dec 2015 Approved Amortization	Jul – Dec 2015 Amortization	Jan – Dec 2016 Amortization	Unamortized Approved Balance at Dec 31, 2016
(a)	(b)	(c)	(d)	(e)	
<u>Hydroelectric Accounts</u>					
Hydroelectric Water Conditions Variance	(8.5)	(8.5)	(2.8)	(5.6)	0.0
Ancillary Services Net Revenue Variance - Hydroelectric	(16.5)	(16.5)	(5.5)	(11.0)	0.0
Hydroelectric Incentive Mechanism Variance	(7.5)	(2.5)	(0.8)	(1.7)	0.0
Hydroelectric Surplus Baseload Generation Variance	67.1	47.9	16.0	31.9	0.0
Income and Other Taxes Variance - Hydroelectric	(0.2)	(0.2)	(0.1)	(0.1)	0.0
Capacity Refurbishment Variance - Hydroelectric	232.6	119.9	40.0	79.9	0.0
Pension and OPEB Cost Variance - Hydroelectric - Future (Dec 31, 2012 Balance)	10.5	10.5	1.1	1.1	8.4
Pension and OPEB Cost Variance - Hydroelectric - Post 2012 Additions	35.5	35.5	3.0	5.9	26.6
Hydroelectric Deferral and Variance Over/Under Recovery Variance	4.5	4.5	1.5	3.0	0.0
Hydroelectric Subtotal	317.6	190.6	52.2	103.4	35.0
<u>Nuclear Accounts</u>					
Nuclear Liability Deferral	285.7	285.7	95.2	190.5	0.0
Nuclear Development Variance	58.8	2.3	0.8	1.6	0.0
Ancillary Services Net Revenue Variance - Nuclear	1.7	1.7	0.6	1.2	0.0
Capacity Refurbishment Variance - Nuclear - Capital Portion	13.2	7.6	2.5	5.0	0.0
Capacity Refurbishment Variance - Nuclear - Non-Capital Portion	1.3	1.3	0.4	0.8	0.0
Bruce Lease Net Revenues Variance - Derivative Sub-Account	153.8	153.8	(10.4)	64.1	100.0
Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account - EB-2012-0002	37.3	37.3	18.7	18.7	0.0
Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account - Post 2012 Additions	123.8	123.8	41.3	82.5	0.0
Income and Other Taxes Variance - Nuclear	(13.2)	(13.2)	(4.4)	(8.8)	0.0
Pension and OPEB Cost Variance - Nuclear - Future (Dec 31, 2012 Balance)	214.7	214.7	21.5	21.5	171.7
Pension and OPEB Cost Variance - Nuclear - Post 2012 Additions	678.6	678.6	56.5	113.1	508.9
Pickering Life Extension Depreciation Variance	7.8	7.8	2.6	5.2	0.0
Nuclear Deferral and Variance Over/Under Recovery Variance	56.4	56.4	18.8	37.6	0.0
Nuclear Subtotal	1,619.9	1,557.8	244.1	533.0	780.7

Total Hydroelectric and Nuclear	1,937.6	1,748.4	296.3	636.4	815.7

Numbers may not add due to rounding

The **Board OEB** approves amortization of the balances for recovery set out in column (b) of Table B-1 above over an 18 month period commencing July 1, 2015, with the following exceptions. The balance in the Future Recovery portion of the Pension and OPEB Cost Variance Account, which represents the unamortized portion of the total balance in the account as at December 31, 2012 and was previously approved by the **Board OEB** for recovery over 144 months commencing January 1, 2013, is to be recovered over the remaining period of 120 months to December 31, 2024, with the 2015 amortization commencing on July 1, 2015. The balance in the Post 2012 Additions portion of the Pension and OPEB Cost Variance Account is to be recovered over 72 months, commencing July 1, 2015. The approved amortization amounts for the Derivative Sub-Account of the Bruce Lease Net Revenues Variance Account for 2015 and 2016 shall be as calculated in OPG's application for this proceeding at Ex. H1-1-2 Table 13c, with the 2015 amortization commencing on July 1, 2015.

The **Board OEB** approves OPG's recovery of the approved balances, set out in column (b) of Table B-1 above, in the regulated hydroelectric deferral and variance accounts using payment amount riders. Payment amount riders, as determined in Appendix A Table 1 and Table 3 and listed at page 4 of this Order, effective July 1, 2015, shall apply to OPG's regulated hydroelectric production for the period from October 1, 2015 to December 31, 2016.

The **Board OEB** approves OPG's recovery of the approved balances, set out in column (b) of Table B-1 above, in the nuclear deferral and variance accounts using payment amount riders. Payment amount riders, as determined in Appendix A Table 2 and Table 3 and listed at page 4 of this Order, effective July 1, 2015, shall apply to OPG's regulated nuclear production for the period from October 1, 2015 to December 31, 2016.

CONTINUING DEFERRAL AND VARIANCE ACCOUNTS

Unless otherwise stated in this Order, effective January 1, 2015, OPG shall continue to record entries into the deferral and variance accounts authorized by O. Reg. 53/05 and the **OEB's decisions and orders in EB-2007-0905, EB-2009-0038, EB-2009-0174, EB-2010-0008,**

~~EB-2011-0090, EB-2012-0002, EB-2013-0321 and EB-2014-0370 applicable decisions and orders of the Board~~ pursuant to the methodologies established by O. Reg. 53/05 and ~~such the above~~ decisions and orders, ~~as summarized below 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 OEB-approved production forecast, holding all other variables constant. OPG shall use the average of the monthly forecasts for 2014 and 2015 underpinning the EB-2013-0321 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, 2015.

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 OEB. For each month after 2015, OPG shall determine the calculated energy production based on actual flows by entering actual water flow values into the 2014 and 2015 forecast models and computing an average of the resulting imputed monthly energy values from the two models.

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 calculating deviations from forecast after 2015 for January 1 to June 30, OPG shall use the corresponding monthly forecasts for 2015 underpinning the EB-2013-0321 payment amounts. In calculating such deviations after 2015 for July 1 to December 31, OPG shall use the average of the corresponding monthly forecasts for 2014 and 2015 underpinning the EB-2013-0321 payment amounts.

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 BoardOEB, 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 BoardOEB.

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 BoardOEB.

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.

OPG shall compare actual hydroelectric ancillary services net revenue to the forecast amount reflected in the revenue requirement approved by the BoardOEB (the “reference amount”). The monthly reference amount shall be 1/24 of the total forecast amount of \$110.9M (\$65.1M for the previously regulated hydroelectric facilities and \$45.8M for the newly regulated hydroelectric facilities) for 2014 and 2015 underpinning the two-year revenue requirement approved by the OEB. The resulting monthly reference amount shall be \$4.62M (\$2.71M for the previously regulated hydroelectric facilities and \$1.91M for the newly regulated hydroelectric facilities). The difference shall be recorded in this variance account. The ancillary services for the regulated hydroelectric operations include black start capability, operating reserve, regulation service (formerly referred to as automatic generation control), and reactive support/voltage control service.

For the newly regulated hydroelectric facilities sub-account, OPG shall ensure that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its pre-filed evidence dated September 27, 2013 and the information based on OPG’s 2014-2016 Business Plan. These amounts are outlined in OPG’s Impact Statement dated December 6, 2013, as found at EB-2013-0321, Ex. N1-1-1 Chart 1.

Income and Other Taxes Variance Account

The Income and Other Taxes Variance Account was originally approved in EB-2007-0905. This account shall continue, and OPG shall attribute amounts recorded in the account to each of the previously regulated hydroelectric, newly regulated hydroelectric and nuclear prescribed assets.

This account shall continue to record the financial impact on the revenue requirement approved by the **BoardOEB** (the “reference amount”) of:

- Any differences in payments in lieu of corporate income or capital taxes that result from a legislative or regulatory change to the tax rates or rules of the *Income Tax Act* (Canada) and the *Taxation Act, 2007* (Ontario) (formerly the *Corporations Tax Act* (Ontario)), as modified by the regulations under the *Electricity Act, 1998*, and any differences in payments in lieu of property tax to the Ontario Electricity Financial Corporation that result from changes to the regulations under the *Electricity Act, 1998*.
- Any differences in municipal property taxes that result from a legislative or regulatory change to the tax rates or rules for OPG’s prescribed assets under the *Assessment Act, 1990*.
- Any differences in payments in lieu of corporate income or capital taxes that result from a change in, or a disclosure of, a new assessing or administrative policy that is published in the public tax administration or interpretation bulletins by relevant federal or provincial tax authorities, or court decisions on other taxpayers.
- Any differences in payments in lieu of income or capital taxes that result from assessments or re-assessments (including re-assessments associated with the application of the tax rates and rules to OPG’s regulated operations or changes in assessing or administrative policy including court decisions on other taxpayers).

The income tax provision reflected in the revenue requirement approved by the **BoardOEB** shall be used to calculate any variances in income taxes recorded in the Income and Other Taxes Variance Account. The income tax provision reflected in the revenue requirement approved by the **BoardOEB** is calculated in EB-2013-0321 Appendix A, Tables 7 and 8. The monthly reference amount shall be 1/24 of the total forecast amount of \$115.9M for 2014 and 2015 underpinning the two-year revenue requirement approved by the **BoardOEB**. The monthly reference amount shall be \$4.83M.

Pension and OPEB Cost Variance Account

The Pension and OPEB Cost Variance Account was originally approved in EB-2011-0090. This account recorded the difference between (i) the pension and OPEB costs, plus related income tax PILS, reflected in the current revenue requirement approved by the **BoardOEB** (the “reference amount”), and (ii) OPG’s actual pension and OPEB costs, and associated income tax impacts, for the previously regulated hydroelectric and nuclear prescribed generation facilities. Actual pension and OPEB costs used in the calculation of the difference were to be calculated using the same accounting standards as those used to derive the reference amount.

In EB-2012-0002, the approved December 31, 2012 balance in the Pension and OPEB Cost Variance Account was split into the Historic Recovery and Future Recovery components. In EB-2013-0321, OPG identified a third component, which comprised additions recorded in the account subsequent to December 31, 2012. OPG shall continue to track these components separately, with any remaining balance of the Historic Recovery component at December 31, 2014 transferred to the Hydroelectric Deferral and Variance Over/Under Recovery Variance Account and Nuclear Deferral and Variance Over/Under Recovery Variance Account, as applicable.

Effective November 1, 2014, OPG will record only amortization in this account. OPG shall not record any interest on the balance of this account.

Hydroelectric Incentive Mechanism Variance Account

The Hydroelectric Incentive Mechanism Variance Account was originally approved in EB-2010-0008 for the previously regulated hydroelectric facilities and was extended to the newly regulated hydroelectric facilities in EB-2013-0321. OPG shall maintain separate sub-accounts for the previously and newly regulated hydroelectric prescribed assets.

In its EB-2013-0321 Decision with Reasons, the **BoardOEB** found that the hydroelectric incentive mechanism (“HIM”) has encouraged appropriate use of the regulated hydroelectric facilities to supply energy in response to market prices. The **BoardOEB** has maintained the structure of the incentive mechanism (and the corresponding variance account) but has specified that the unintended interaction of the HIM due to surplus baseload generation (“SBG”) conditions be eliminated. The **BoardOEB** directed OPG to achieve this by changing its monthly average hourly production threshold calculation used by the IESO for purposes of settling HIM revenues.

In EB-2013-0321, the **BoardOEB** also found that HIM net revenues are to continue to be shared between ratepayers and OPG using a 50:50 ratio. The resulting annual revenue requirement offset with respect to the HIM net revenues is \$25.5M for 2014. The annual revenue requirement offset for 2015 is \$29M. Accordingly, during the period from November 1, 2014 to December 31, 2014, the Hydroelectric Incentive Mechanism Variance Account recorded a credit to ratepayers equal to 50 per cent of OPG's total HIM net revenues from the prescribed hydroelectric facilities above \$8.5M, being 2/12 of the 2014 annual threshold of \$51M. During the period from January 1, 2015 to December 31, 2015, OPG shall record a credit to ratepayers equal to 50 per cent of OPG's total HIM net revenues above \$58M. After December 31, 2015, OPG shall record a credit to ratepayers equal to 50 per cent of OPG's total HIM net revenues above \$54.5M, being the average of the 2014 annual threshold of \$51M and the 2015 threshold of \$58M.

Hydroelectric Surplus Baseload Generation Variance Account

The Hydroelectric Surplus Baseload Generation Variance Account was originally approved in EB-2010-0008 for the previously regulated hydroelectric facilities. OPG shall continue this account and shall maintain separate sub-accounts for the previously and newly regulated hydroelectric prescribed assets.

This account shall continue to record the financial impact of foregone production at the prescribed hydroelectric facilities due to SBG conditions. 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.

OPG shall determine the revenue impact of SBG conditions by multiplying the foregone production volume by the approved previously regulated hydroelectric payment amount of \$40.20/MWh or the approved newly regulated hydroelectric payment amount of \$41.93/MWh, as applicable. The resulting amount shall be recorded in the Hydroelectric Surplus Baseload Generation Variance Account.

In respect of production foregone due to SBG conditions at the previously and the 21 applicable 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 **BoardOEB**. OPG

shall determine amounts to be recorded in this account by multiplying the production volume foregone at its prescribed hydroelectric facilities due to SBG conditions by the applicable gross revenue charge rates.

In respect of production foregone due to SBG conditions at 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 OEB. In respect of foregone production at the 21 applicable 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 OEB.

Changing the monthly average hourly production threshold calculation associated with the HIM by removing any contribution from production volume foregone due to SBG conditions eliminates the need for any rebating back to ratepayers of unintended benefits of this interaction through the Hydroelectric Surplus Baseload Generation Variance Account.

Hydroelectric Deferral and Variance Over/Under Recovery Variance Account

The Hydroelectric Deferral and Variance Over/Under Recovery Variance Account was originally approved in EB-2009-0174 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.

This account shall record the differences between the amounts approved for recovery in the hydroelectric deferral and variance accounts and the actual amounts recovered based on actual regulated hydroelectric production and approved riders. The account ~~shall also include~~ the transfer of the previously regulated hydroelectric balances in the Tax Loss Variance Account and the Impact for USGAAP Deferral Account following upon their expiry on December 31, 2014, the previously regulated hydroelectric balance of the Historic Recovery component of the Pension and OPEB Cost Variance Account at December 31, 2014, and other accounts as they may expire from time to time.

Nuclear Liability Deferral Account

The Nuclear Liability Deferral Account was originally approved in EB-2007-0905. This account shall continue to record the revenue requirement impact of any change in OPG's nuclear decommissioning liability arising from an approved reference plan measured against the forecast impact reflected in the revenue requirement approved by the BoardOEB. OPG shall not record the revenue requirement impact of a change in its nuclear decommissioning liability associated with its nuclear obligations related to the Bruce facilities in this account. OPG shall record the return on rate base in the account using the weighted average accretion rate on OPG's nuclear liabilities of 5.37%.

The "nuclear decommissioning liability" shall be defined as "the liability of Ontario Power Generation Inc. for decommissioning its nuclear generating facilities and the management of its nuclear waste and nuclear fuel." An "approved reference plan" shall be defined as "a reference plan, as defined in the Ontario Nuclear Funds Agreement, which has been approved by Her Majesty the Queen in the right of Ontario in accordance with that agreement."

OPG shall not record any interest on the balance of the Nuclear Liability Deferral Account.

Nuclear Development Variance Account

The Nuclear Development Variance Account was originally approved in EB-2007-0905. This account shall continue to record variances between the actual non-capital costs incurred and firm financial commitments made in the course of planning and preparation for the development of proposed new nuclear generation facilities and those forecast costs and firm financial commitments reflected in the revenue requirement approved by the BoardOEB (the "reference amount"). The monthly reference amount shall be 1/24 of the total forecast amount of \$0 underpinning the two-year revenue requirement approved by the BoardOEB for 2014 and 2015. The monthly reference amount shall be \$0.

Ancillary Services Net Revenue Variance Account – Nuclear

The Ancillary Services Net Revenue Variance Account – Nuclear was originally approved in EB-2007-0905. OPG shall compare actual nuclear ancillary services net revenue to the forecast amount reflected in the revenue requirement approved by the BoardOEB (the "reference amount"). The monthly reference amount shall be 1/24 of the total forecast amount \$3.4M for 2014 and 2015 underpinning the two-year revenue requirement approved by the BoardOEB. The

monthly reference amount shall be \$0.14M. The difference shall be recorded in this variance account. The ancillary services for nuclear operations include reactive support/voltage control service.

OPG shall ensure that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its pre-filed evidence dated September 27, 2013 and the information based on OPG's 2014-2016 Business Plan. These amounts are outlined in OPG's Impact Statement dated December 6, 2013, as found at EB-2013-0321, Ex. N1-1-1 Chart 1.

Capacity Refurbishment Variance Account

The Capacity Refurbishment Variance Account was originally approved in EB-2007-0905. This account shall continue and will record variances between the actual capital and non-capital costs, and firm financial commitments incurred to increase the output of, refurbish or add operating capacity to a prescribed generation facility referred to in O. Reg. 53/05 section 2 and those forecast costs and firm financial commitments reflected in the revenue requirement approved by the **BoardOEB** for 2014 and 2015. This account shall continue to include assessment costs and pre-engineering costs and commitments.

OPG shall separately track amounts recorded in this variance account for each of the previously regulated hydroelectric, newly regulated hydroelectric and nuclear prescribed assets.

OPG shall ensure that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its pre-filed evidence dated September 27, 2013 and the information based on OPG's 2014-2016 Business Plan. These amounts are outlined in OPG's Impact Statement dated December 6, 2013, as found at EB-2013-0321, Ex. N1-1-1 Chart 1.

Bruce Lease Net Revenues Variance Account

The Bruce Lease Net Revenues Variance Account was originally approved in EB-2007-0905. This account shall continue to capture differences between (i) the forecast revenues and costs related to the Bruce lease that are factored into the nuclear revenue requirement approved by the **BoardOEB** (the "reference amount"), and (ii) OPG's actual revenues and costs in respect of the

Bruce facilities. The monthly reference amount shall be 1/24 of the total forecast amount of \$80.3M underpinning the two-year revenue requirement approved by the BoardOEB for 2014 and 2015. The monthly reference amount shall be \$3.35M.

The variance recorded in this account shall be measured by comparing the Bruce lease revenues net of costs credited to customers monthly through the approved nuclear payment amount of \$59.29/MWh to the actual monthly Bruce lease revenues net of costs realized by OPG. The monthly Bruce lease revenues net of costs credited to customers shall continue to be equal to the rate of recovery reflected in the nuclear revenue requirement approved by the BoardOEB multiplied by OPG's actual nuclear production. The rate of recovery shall be calculated by dividing the 24-month forecast Bruce lease net revenues approved by the BoardOEB for 2014 and 2015 by the 24-month forecast nuclear production approved by the BoardOEB for 2014 and 2015.

OPG shall ensure that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its pre-filed evidence dated September 27, 2013 and the information based on OPG's 2014-2016 Business Plan. These amounts are outlined in OPG's Impact Statement dated December 6, 2013, as found at EB-2013-0321, Ex. N1-1-1 Chart 1.

The account balance shall not attract interest for the period from January 1, 2015 to December 31, 2016.

This account will continue to have two sub-accounts as follows:

Derivative Sub-Account

The sub-account balance relates to the derivative liability for the conditional supplemental rent rebate provision of the Bruce lease (including associated income tax impacts on Bruce lease net revenues calculated in accordance with generally accepted accounting principles for unregulated entities) and the rent rebates associated with supplemental rent revenue.

The amount to be cleared for this sub-account in respect of each year shall be equal to the amount of the rebate forecast to be payable to Bruce Power for that year by OPG and associated

income tax impacts as described above, less the difference between the following amounts to the extent this difference has not yet been credited to, or recovered from, ratepayers:

- (i) Cumulative amount recovered from ratepayers for the derivative portion since April 1, 2008; and
- (ii) Cumulative amount of actual rent rebates and associated income taxes (as described above) incurred by OPG since April 1, 2008.

To the extent that the actual supplemental rent rebate amounts paid to Bruce Power differ from the approved forecast amounts used to establish amounts to be recovered by OPG in respect of this sub-account, such differences shall be reflected in the Derivative Sub-Account in order to be carried forward to adjust amortization amounts the next time the sub-account balance is cleared.

Non-Derivative Sub-Account

The sub-account balance relates to the non-derivative aspects of the account.

The cost impact of any changes in OPG's liability for decommissioning the Bruce nuclear generating facilities and the management of nuclear waste and nuclear fuel related to the Bruce stations shall continue to be recorded in the Non-Derivative Sub-Account of the Bruce Lease Net Revenues Variance Account.

Pickering Life Extension Depreciation Variance Account

The Pickering Life Extension Depreciation Variance Account was originally approved in EB-2012-0002 to record a credit amount of \$46.9M over the course of a year at approximately \$3.9M per month, for the period from January 1, 2013 until the effective date of new nuclear payment amounts (excluding riders), reflecting the revised service lives, for depreciation purposes, of the Pickering stations. As the payment amounts authorized in the EB-2013-0321 Payment Amounts Order reflected these revised service lives, effective November 1, 2014, OPG will record only amortization in the account. No interest shall be recorded on the balance in this account.

Nuclear Deferral and Variance Over/Under Recovery Variance Account

The Nuclear Deferral and Variance Over/Under Recovery Variance Account was originally approved in EB-2009-0174. This account shall continue to record the differences between the amounts approved for recovery in the nuclear deferral and variance accounts and the actual amounts recovered based on actual nuclear production and approved riders. The account shall also include the transfer of the nuclear portion of the balances in the Tax Loss Variance Account and the Impact for USGAAP Deferral Account upon following their expiry on December 31, 2014, the balance of the nuclear portion of the Historic Recovery component of the Pension and OPEB Cost Variance Account at December 31, 2014, and other accounts as they may expire from time to time.

NEW DEFERRAL AND VARIANCE ACCOUNTS ESTABLISHED IN EB-2013-0321

OPG shall record entries into the deferral and variance accounts established in EB-2013-0321 effective November 1, 2014 as follows:

Gross Revenue Charge Variance Account

The Gross Revenue Charge Variance Account will record the cost impact of a gross revenue charge reduction under Ontario Regulation 124/02, once approved by the Ontario Ministry of Natural Resources and Forestry, pertaining to production increases at OPG's Sir Adam Beck plants due to the operation of the new Niagara tunnel. The impact shall be determined by applying the approved reduction to the forecast gross revenue charge costs included in the revenue requirement approved by the Board OEB for 2014 and 2015, holding all other variables constant. The impact shall be calculated as of the later of November 1, 2014 and the effective date of the approved gross revenue charge reduction.

Pension & OPEB Cash Payment Variance Account

The Pension & OPEB Cash Payment Variance Account will record the difference between OPG's actual registered pension plan contributions and other post employment benefit plan payments (including the long-term disability benefit plan) attributed to the prescribed generating facilities, and such forecast amounts reflected in the revenue requirement approved by the Board OEB (the "reference amount"). With respect to OPG's forecast registered pension plan contributions, the monthly reference amount shall be 1/24 of the total forecast contribution of \$651.5M for 2014 and 2015 (\$561.2M for the nuclear facilities, \$31.7M for the previously regulated hydroelectric

facilities, and \$58.6M for the newly regulated hydroelectric facilities) underpinning the two-year revenue requirement approved by the BoardOEB. With respect to OPG's forecast other post employment benefit plan payments (including the long-term disability benefit plan), the monthly reference amount shall be 1/24 of the total forecast benefit payments of \$185.4M for 2014 and 2015 (\$159.8M for the nuclear facilities, \$9.0M for previously regulated hydroelectric facilities, and \$16.7M for the newly regulated hydroelectric facilities) underpinning the two-year revenue requirement approved by the BoardOEB. The resulting monthly reference amount shall be \$27.15M for OPG's registered pension plan contributions (\$23.38M for the nuclear facilities, \$1.32M for the previously regulated hydroelectric facilities, and \$2.44M for the newly regulated hydroelectric facilities) and \$7.73M for OPG's other post employment benefit plan payments (\$6.66M for the nuclear facilities, \$0.38M for the previously regulated hydroelectric facilities, and \$0.69M for the newly regulated hydroelectric facilities).

OPG shall separately track amounts recorded in this variance account for each of the previously regulated hydroelectric, newly regulated hydroelectric, and nuclear prescribed assets.

Effective November 1, 2014, OPG shall record interest on the balance in this account.

Pension & OPEB Cash Versus Accrual Differential Deferral Account

The Pension & OPEB Cash Versus Accrual Differential Deferral Account will record differences between (i) OPG's actual pension and OPEB costs for its prescribed generating facilities determined using the accrual accounting method applied in OPG's audited consolidated financial statements, and (ii) OPG's actual registered pension plan contributions and other post employment benefit plan payments (including the long-term disability benefit plan) attributed to OPG's prescribed generating facilities.

OPG shall separately track amounts recorded in this deferral account for each of the previously regulated hydroelectric, newly regulated hydroelectric, and nuclear prescribed assets. No interest shall be recorded on the balance of this account.

INTEREST

Except where otherwise stated, effective November 1, 2014/January 1, 2013, OPG shall record interest on the balances in all deferral and variance accounts using the interest rates set by the

BoardOEB from time to time pursuant to the **BoardOEB**'s interest rate policy. OPG shall apply simple interest to the opening monthly balance of the accounts until the balances are fully recovered or refunded.