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[insert month, day], 2019

VIA EMAIL, COURIER AND RESS

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

Dear Ms. Walli:

Re: **EB-2018-0243 – Ontario Power Generation Inc. (OPG) Draft Payment Amounts Order for Payment Riders for the Period January 1, 2019 to December 31, 2021**

Attached is a draft payment amounts order and supporting schedules for payment riders for OPG's prescribed hydroelectric and nuclear facilities. OPG is also providing nine (9) paper copies, and has submitted the documents by RESS.

The draft order reflects the OEB's [insert month, day], 2019 decision in the EB-2018-0243 proceeding.

The draft order reflects payment riders with an effective date of January 1, 2019. These riders will be implemented by the Independent Electricity System Operator ("IESO") following receipt of the final OEB order. OPG confirmed that the IESO will implement payment riders for nuclear facilities no later than five business days after receipt of the final OEB order and payment rider for prescribed hydroelectric facilities on the next available month-end preliminary settlement statement after receipt of the final OEB order. The IESO will ensure retroactive recovery for the period January 1, 2019 up to the implementation date. It is OPG's understanding that issuance of the final payment amounts order by February 20, 2019 will ensure that the IESO will be able to implement an effective date of January 1, 2019 without the need for a separate shortfall mechanism.

Sincerely,

[Original signed by]

Saba Zadeh  
Director, Ontario Regulatory Affairs

Att.

cc: Charles Keizer (Torys)  
Mel Hogg (OPG)  
EB-2018-0243 Intervenors of Record

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*;

**AND IN THE MATTER OF** an Application by Ontario Power Generation Inc. for an order or orders approving a payment amount for hydroelectric generating facilities prescribed under Ontario Regulation 53/05 of the Act, as amended, and the disposition of balances in its deferral and variance accounts as of December 31, 2017.

**BEFORE:**        **xxxx**  
                         *Presiding Member*

**xxxx**  
                         *Member*

**DRAFT PAYMENT AMOUNTS ORDER**

[insert month, day], 2019

Ontario Power Generation Inc. (“OPG”) filed an application with the Ontario Energy Board (“OEB”) on August 9, 2018 under section 78.1 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) seeking approval for an order or orders related to deferral and variance accounts, including disposition of account balances related to its prescribed nuclear generating facilities and prescribed hydroelectric generating facilities as at December 31, 2017. OPG also applied for approval and implementation of the 2019 Hydroelectric Payment Amount Adjustment, effective January 1, 2019, determined pursuant to the price-cap index mechanism approved by the OEB in EB- 2016-0152 (the “2019 hydroelectric payment amount adjustment”). The OEB assigned file number EB-2018-0243 to the application.

The OEB issued a Notice of Hearing on September 13, 2018, followed by Procedural Order No. 1 on October 16, 2018. Procedural Order No. 1 established the timing for interrogatories; interrogatory responses; a technical conference; determination of an issues list; a settlement

conference; a process for hearing any settlement agreement; and a process for providing input on how to proceed with unsettled issues.

On November 9, 2018, OPG filed a letter requesting the OEB bifurcate the proceeding for the disposition of OPG's deferral and variance account balances as at December 31, 2017, and the request for the proposed 2019 hydroelectric payment amount adjustment. In Procedural Order No. 2 issued November 15, 2018, the OEB approved this request. Procedural Order No. 2 established a written process to address the hydroelectric payment amount adjustment. Procedural Order No. 2 also confirmed that the timelines established in Procedural Order No. 1 to address all other issues remained unchanged.

OPG filed updated evidence on November 28, 2018, calculating the 2019 hydroelectric payment amount to be \$42.51/MWh using an escalation factor of 1.1%, which reflected a proposed inflation factor value of 1.4% based on the StatsCan index values published by the OEB on November 23, 2018<sup>1</sup> less the approved X-factor value of 0.3%. Parties to the proceeding supported OPG's updated evidence. The EB-2018-0243 Decision and Payment Amounts Order issued on December 13, 2018 found that the methodology utilized by OPG to calculate the 2019 hydroelectric payment amount in this application followed the OEB's EB-2016-0152 Decision and Order for the period from January 1, 2017 to December 31, 2021 and ordered that, effective January 1, 2019 to December 31, 2019, the payment amount for the regulated hydroelectric facilities is \$42.51/MWh (the "2019 HPA").<sup>2</sup> The payment amounts, customer bill impacts and deferral and variance account descriptions in this Draft Payment Amounts Order ("Draft PAO") reflect the EB-2018-0243 Decision and Payment Amounts Order issued on December 13, 2018.

On December 12, 2018, OEB Staff advised the OEB that parties did not reach an agreement on the Issues List. On December 13, 2018, the OEB issued Procedural Order No. 3 which established a timeline for parties to make submissions on the initial draft Issues List proposed by OPG. The OEB issued its EB-2018-0243 Decision on the Issues List on January 7, 2019 to frame the scope of a settlement conference that was scheduled to commence January 8, 2019 relating to the proposed disposition of OPG's deferral and variance account balances as at December 31, 2017.

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<sup>1</sup> The OEB approved inflation factor value for OPG is determined as 88% of the published change in the StatsCan GDP-IPI (FDD) Index and 12% of the published change in the Ontario AWE index, pursuant to the EB-2016-0152 Decision and Order.

<sup>2</sup> EB-2018-0243, Decision and Payment Amounts Order, December 13, 2018, p. 3.

The settlement conference was held at the OEB on January 8 and 9, 2019. A comprehensive settlement was reached on all issues. There are no outstanding issues among the parties.

**[NTD: The following section is based on the timelines set out in Procedural Order No. 1 and will be revised accordingly based on actual events.]** OPG filed Ex. M1-1-1 (the “Settlement Proposal”) with the OEB on January 29, 2019 and OEB Staff submitted written comments on the Settlement Proposal on February 5, 2019 in accordance with Procedural Order No. 1. OEB Staff [insert summary of submissions].

OPG presented the Settlement Proposal to the OEB on February 11, 2019, consistent with the timing provided in Procedural Order No. 1. The OEB issued a decision on February [insert date], 2019 in which the OEB [insert finding] the Settlement Proposal as filed on January 29, 2019, including resulting payment riders effective January 1, 2019 to December 31, 2021. The Settlement Proposal is attached as Appendix C to this Order.

OPG filed the EB-2018-0243 Draft PAO on [insert date] which had been reviewed and agreed to by the parties to the Settlement Proposal. OPG advised that it was filing the Draft PAO with the Settlement Proposal to help expedite resolution of the proceeding.

#### **THE BOARD ORDERS THAT:**

1. The accrual method is the appropriate regulatory accounting and cost recovery basis for the December 31, 2017 pension and other post-employment (“OPEB”) balances in the Pension & OPEB Cash Versus Accrual Differential Deferral Account (“Interim Account”) and shall be applied in determining the Interim Account balance and related income tax amounts approved in this proceeding, discussed below.
2. OPG shall recover the approved balances as of December 31, 2017 in the deferral and variance accounts listed below (less amounts previously approved for recovery through payment riders established in EB-2016-0152 set out in Appendix A Table 1 and Table 2, col. (b)) over the 36 month period from January 1, 2019 to December 31, 2021 unless otherwise

specified below.<sup>3</sup> The approved balances, recovery periods and resulting annual amortization amounts for 2019, 2020 and 2021 are set out in Appendix A, Table 1 and Table 2, cols. (e) through (k), effective January 1, 2019:

- Hydroelectric Water Conditions Variance Account
- Ancillary Services Net Revenue Variance Account – Hydroelectric and Nuclear Sub-Accounts
- Hydroelectric Incentive Mechanism Variance Account
- Hydroelectric Surplus Baseload Generation Variance Account
- Income and Other Taxes Variance Account
- Pension and OPEB Cost Variance Account – Future Recovery (72 months recovery period ending December 31, 2024)<sup>4</sup> and Post-2012 Additions components (30 months recovery period ending June 30, 2021)<sup>5</sup>
- Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
- Pension & OPEB Cash Payment Variance Account
- Pension & OPEB Cash Versus Accrual Differential Deferral Account – Registered Pension Plan (“RPP”) (recovery deferred to next payment amounts application)<sup>6</sup>
- Pension & OPEB Cash Versus Accrual Differential Deferral Account – Non-RPP components (72 months recovery period ending December 31, 2024)<sup>7</sup>
- Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account
- Nuclear Liability Deferral Account
- Nuclear Development Variance Account
- Bruce Lease Net Revenues Variance Account – Derivative Sub-Account
- Bruce Lease Net Revenues Variance Account – Non-Derivative Sub-Account (96 months recovery period ending December 31, 2026)
- Nuclear Deferral and Variance Over/Under Recovery Variance Account
- Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account

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<sup>3</sup> Accounts with a zero balance are not listed.

<sup>4</sup> As approved by the OEB in previous proceedings and reaffirmed at EB-2016-0152 Payment Amounts Order, Appendix G, p. 11.

<sup>5</sup> *Ibid.*

<sup>6</sup> Pursuant to the Ex. M1-1-1 (Issue 3, p. 11), recovery of the portion of the approved December 31, 2017 Interim Account balances related to RPP costs as set out at Appendix A, Table 1 line 10 and Appendix A, Table 2, line 12, and recovery of the associated income tax amounts set out at Appendix A, Table 1, line 15 and Appendix A, Table 2, line 19 shall be deferred to OPG's next payment amounts application.

<sup>7</sup> Pursuant to the approved Ex. M1-1-1 (Issue 3, p. 11), recovery of the portion of the approved December 31, 2017 Interim Account balances related to Non-RPP costs as set out at Appendix A, Table 1, line 11 and Appendix A, Table 2, line 13 and recovery of the associated income tax amounts set out at Appendix A, Table 1, line 16 and Appendix A, Table 2, line 20 shall be recovered over a 72 month period effective January 1, 2019 to December 31, 2024.

- SR&ED ITC Variance Account
3. OPG shall recover the approved income tax amounts related to the recovery of approved balances of the Interim Account as of December 31, 2017 set out in Appendix A, Table 1, col. (e), lines 15 and 16 and Appendix A, Table 2, col. (e), lines 19 and 20. The income tax amounts related to the recovery of the Non-RPP component of the Interim Account balance shall be recovered over 72 months effective January 1, 2019 to December 31, 2024. The recovery of income tax amounts related to the recovery of the RPP component of the Interim Account shall be deferred to OPG's next payment amounts application. The resulting annual amortization amounts for 2019, 2020 and 2021 are set out in Appendix A, Table 1 and Table 2, cols. (i) through (k), effective January 1, 2019.<sup>8</sup>
  4. Effective January 1, 2019, for production from the prescribed hydroelectric facilities, the Hydroelectric Production Rider (HPR) for the recovery of the deferral and variance account balances and income tax amounts associated with the recovery of the balances in the Interim Account approved in this proceeding ("HPR C") shall be \$1.16/MWh for January 1, 2019 to December 31, 2019, \$1.25/MWh for January 1, 2020 to December 31, 2020 and \$2.05/MWh for January 1, 2021 to December 31, 2021, as set out in Appendix A, Table 1, line 19 columns (i) to (k) respectively<sup>9</sup>. The approved disposition amount for this proceeding is a debit of \$147.0 million as set out in Appendix A, Table 1, line 17, col. (l). HPR C will apply to 50% of the output from OPG's Chat Falls GS.
  5. Effective January 1, 2019, for production from the prescribed nuclear facilities, the Nuclear Production Rider (NPR) for the recovery of the deferral and variance account balances and income tax amounts associated with the recovery of the balances in the Interim Account approved in this proceeding ("NPR C") shall be \$2.20/MWh for January 1, 2019 to December 31, 2019, \$2.28/MWh for January 1, 2020 to December 31, 2020 and \$6.13/MWh for January 1, 2021 to December 31, 2021 as set out in Appendix A, Table 2, line 23 columns (i) to (k) respectively<sup>10</sup>. The approved disposition amount for this proceeding is a debit of \$387.8 million as set out in Appendix A, Table 2, line 21, col. (l).

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<sup>8</sup> See notes 6 and 7.

<sup>9</sup> Determined using the production forecast used to determine the Weighted Average Payment Amounts ("WAPA") in the EB-2016-0152 Payment Amounts Order, Appendix I, Table 2, line 3, cols. (d) to (f).

<sup>10</sup> Determined using the production forecast used to determine WAPA in the EB-2016-0152 Payment Amounts Order, Appendix I, Table 2, line 6, cols. (d) to (f).

6. The Independent Electricity System Operator (“IESO”) shall make payments to OPG in accordance with this Order as of January 1, 2019.
  
7. OPG shall continue the following deferral and variance accounts approved in EB-2016-0152 and EB-2018-0002 in accordance with Appendix B:
  - Hydroelectric Water Conditions Variance Account
  - Ancillary Services Net Revenue Variance Account – Hydroelectric and Nuclear Sub-Accounts
  - Hydroelectric Incentive Mechanism Variance Account
  - Hydroelectric Surplus Baseload Generation Variance Account
  - Income and Other Taxes Variance Account
  - Capacity Refurbishment Variance Account
  - Pension and OPEB Cost Variance Account
  - Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
  - Gross Revenue Charge Variance Account
  - Pension & OPEB Cash Payment Variance Account
  - Pension & OPEB Cash Versus Accrual Differential Deferral Account
  - Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account
  - Nuclear Liability Deferral Account
  - Nuclear Development Variance Account
  - Bruce Lease Net Revenues Variance Account – Derivative and Non-Derivative Sub-Accounts
  - Nuclear Deferral and Variance Over/Under Recovery Variance Account
  - Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account
  - Rate Smoothing Deferral Account
  - Fitness for Duty Deferral Account
  - SR&ED ITC Variance Account
  - Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account.
  - Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account (established pursuant to the Report of the OEB – Regulatory Treatment of Pensions and Other Post-employment Benefits (OPEBs) Costs issued in EB-2015-0040 on September 14, 2017 (the “EB-2015-0040 Report”) with the following sub-accounts:
    - Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential;

- Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Contra Account; and
  - Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges.
8. OPG shall file an accounting order application with the OEB and provide notice to intervenors of record in EB-2016-0152 if:
- i. OPG proposes an accounting change impacting the calculation of its nuclear liabilities, other than as a result of an Ontario Nuclear Funds Agreement Reference Plan update, which results in a material revenue requirement impact for the prescribed facilities; or
  - ii. OPG proposes to change the end-of-life dates of its prescribed nuclear facilities for depreciation and amortization purposes that results in a material non-asset retirement cost revenue requirement impact.

An accounting order application shall only be required if the revenue requirement impact is neither reflected in current or proposed payment amounts nor recorded in an authorized deferral or variance account and the annualized revenue requirement impact for the prescribed facilities is \$10M or greater.



**APPENDICES TO  
PAYMENT AMOUNTS ORDER ONTARIO POWER GENERATION INC.  
EB-2018-0243**

## **EB-2018-0234 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 Payment Rider C”)

Table 2 Calculation of Deferral and Variance Account Recovery Payment Rider – Nuclear (“Nuclear Payment Rider C”)

Table 3 Annualized Residential Customer Impact

Table 4a Annualized Bill Impact for Typical Alectra Large/Medium Business and Large Industrial Customers

Table 4b Annualized Bill Impact for Typical Hydro One Large/Medium Business and Large Industrial Customers

Table 4c Annualized Bill Impact for Typical Toronto Hydro Large/Medium Business and Large Industrial Customers

Table 5 Calculation of OPG’s Weighted Average Payment Amounts and Total Payments

#### **APPENDIX B: DEFERRAL AND VARIANCE ACCOUNTS**

#### **APPENDIX C: EX. M1-1-1 SETTLEMENT PROPOSAL**

**APPENDIX A**

**CALCULATION OF RIDERS, AMORTIZATION  
AND IMPACTS**

Table 1  
 Calculation of Deferral and Variance Account Recovery Payment Rider - Regulated Hydroelectric (\$M)

Line No.	Account	Note	Audited Year End Balance 2017	OEB-Approved Amortization	(a)-(b) 2017 Balance Less Approved Amortization	Amounts Deferred to Future Applications	(c) - (d) Amounts Settled in Current Application	Settled Amounts Recoverable in Next Rebasing Application	(e)-(f) Settled Amounts Recoverable in Current Application	Recovery Period (months)	Amortization Jan - Dec 2019	Amortization Jan - Dec 2020	Amortization Jan - Dec 2021	(j)+(k)+(l) Amortization	(c)-(l) Unamortized Balance
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
			Note 1	Note 2											
1	Hydroelectric Water Conditions Variance		(150.2)	(17.3)	(132.9)	0.0	(132.9)	0.0	(132.9)	36	(32.3)	(35.5)	(65.1)	(132.9)	0.0
2	Ancillary Services Net Revenue Variance - Hydroelectric		(45.0)	(13.2)	(31.8)	0.0	(31.8)	0.0	(31.8)	36	(7.7)	(8.5)	(15.6)	(31.8)	0.0
3	Hydroelectric Incentive Mechanism Variance		(0.1)	(0.1)	(0.0)	0.0	(0.0)	0.0	(0.0)	36	(0.0)	(0.0)	(0.0)	(0.0)	0.0
4	Hydroelectric Surplus Baseload Generation Variance		360.5	82.5	278.0	0.0	278.0	0.0	278.0	36	67.5	74.4	136.1	278.0	0.0
5	Income and Other Taxes Variance - Hydroelectric		0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0
6	Capacity Refurbishment Variance - Hydroelectric		9.0	3.3	5.7	5.7	0.0	0.0	0.0		0.0	0.0	0.0	0.0	5.7
7	Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account		5.8	0.0	5.8	0.0	5.8	0.0	5.8	36	1.4	1.5	2.8	5.8	0.0
8	Pension and OPEB Cost Variance - Hydroelectric - Future	3	8.4	2.1	6.3	0.0	6.3	0.0	6.3	72	0.8	0.8	1.5	3.2	3.2
9	Pension and OPEB Cost Variance - Hydroelectric - Post 2012 Additions	4	26.6	11.8	14.8	0.0	14.8	0.0	14.8	30	3.6	4.0	7.2	14.8	0.0
10	Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric - Registered Pension Plan (RPP)		41.3	0.0	41.3	0.0	41.3	41.3	0.0		0.0	0.0	0.0	0.0	41.3
11	Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric - Non RPP	6	41.9	0.0	41.9	0.0	41.9	0.0	41.9	72	7.0	7.0	7.0	20.9	20.9
12	Pension & OPEB Cash Payment Variance - Hydroelectric		(25.9)	4.3	(30.1)	0.0	(30.1)	0.0	(30.1)	36	(7.3)	(8.1)	(14.8)	(30.1)	0.0
13	Hydroelectric Deferral and Variance Over/Under Recovery Variance		25.7	13.5	12.2	0.0	12.2	0.0	12.2	36	3.0	3.3	6.0	12.2	0.0
14	Total		297.9	86.8	211.1	5.7	205.4	41.3	164.1		35.9	38.8	65.3	140.0	71.1
15	Tax on Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric - RPP	7			13.7	0.0	13.7	13.7	0.0		0.0	0.0	0.0	0.0	13.7
16	Tax on Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric - Non RPP	6, 8			14.0	0.0	14.0	0.0	14.0	72	2.3	2.3	2.3	7.0	7.0
17	Total Recoverable Amount				238.8	5.7	233.1	55.1	178.0		38.2	41.2	67.6	147.0	91.8
18	Forecast Production (TWh)	5									33.0	33.0	33.0		
19	Regulated Hydroelectric Payment Rider (\$/MWh) (line 17 / line 18)										1.16	1.25	2.05		

- Notes:
- From Ex. H1-1-1 Table 1, col (b).
  - From EB-2016-0152 PAO, App. D, Table 1, col. (h).
  - Amortized over the period to December 31, 2024 as previously approved by the OEB (EB-2016-0152 PAO, Appendix G, p. 11).
  - Amortized over the period to June 30, 2021 as previously approved by the OEB (EB-2016-0152 PAO, Appendix G, p. 11).
  - From EB-2016-0152 PAO App. I, Table 2, line 3.
  - Amortized over the 72 month period from January 1, 2019 to December 31, 2024.
  - Calculated as: line 10 \* tax rate / (1 - tax rate) = line 10 \* (0.25 / 0.75).
  - Calculated as: line 11 \* tax rate / (1 - tax rate) = line 11 \* (0.25 / 0.75).

Numbers may not add due to rounding.

Table 2  
 Calculation of Deferral and Variance Account Recovery Payment Rider - Nuclear (\$M)

Line No.	Account	Note	Audited Year End Balance 2017	OEB-Approved Amortization	(a)-(b) 2017 Balance Less Approved Amortization	Amounts Deferred to Future Applications	(c) - (d) Amounts Settled in Current Application	Settled Amounts Recoverable in Next Rebasement Application	(e)-(f) Settled Amounts Recoverable in Current Application	Recovery Period (months)	Amortization Jan - Dec 2019	Amortization Jan - Dec 2020	Amortization Jan - Dec 2021	(i)+(j)+(k) Amortization	(c)-(l) Unamortized Balance
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
			Note 1	Note 2											
1	Nuclear Liability Deferral		18.6	0.0	18.6	0.0	18.6	0.0	18.6	36	6.2	6.2	6.2	18.6	0.0
2	Impact Resulting from Changes in Station End-of-Life Dates (Dec 31, 2015) Deferral		(103.4)	0.0	(103.4)	0.0	(103.4)	0.0	(103.4)	36	(11.1)	(10.9)	(81.4)	(103.4)	0.0
3	Nuclear Development Variance		1.9	1.7	0.2	0.0	0.2	0.0	0.2	36	0.0	0.0	0.2	0.2	0.0
4	Ancillary Services Net Revenue Variance - Nuclear		3.4	1.0	2.4	0.0	2.4	0.0	2.4	36	0.3	0.3	1.9	2.4	0.0
5	Capacity Refurbishment Variance - Nuclear - Capital Portion		(28.0)	(37.6)	9.5	9.5	0.0	0.0	0.0		0.0	0.0	0.0	0.0	9.5
6	Capacity Refurbishment Variance - Nuclear - Non-Capital Portion		(58.1)	(31.6)	(26.5)	(26.5)	0.0	0.0	0.0		0.0	0.0	0.0	0.0	(26.5)
7	Bruce Lease Net Revenues Variance - Derivative Sub-Account		(69.4)	(68.6)	(0.8)	0.0	(0.8)	0.0	(0.8)	36	(0.1)	(0.1)	(0.6)	(0.8)	0.0
8	Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account	6	189.0	20.6	168.4	0.0	168.4	0.0	168.4	96	6.8	6.7	49.7	63.2	105.3
9	Income and Other Taxes Variance - Nuclear		(10.1)	(4.3)	(5.7)	0.0	(5.7)	0.0	(5.7)	36	(0.6)	(0.6)	(4.5)	(5.7)	0.0
10	Pension and OPEB Cost Variance - Nuclear - Future	3	171.7	42.9	128.8	0.0	128.8	0.0	128.8	72	6.9	6.8	50.7	64.4	64.4
11	Pension and OPEB Cost Variance - Nuclear - Post 2012 Additions	4	508.9	226.2	282.7	0.0	282.7	0.0	282.7	30	30.4	29.8	222.6	282.7	0.0
12	Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear - Registered Pension Plan (RPP)		266.0	0.0	266.0	0.0	266.0	266.0	0.0		0.0	0.0	0.0	0.0	266.0
13	Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear - Non RPP	7	264.5	0.0	264.5	0.0	264.5	0.0	264.5	72	44.1	44.1	44.1	132.2	132.2
14	Pension & OPEB Cash Payment Variance - Nuclear		(114.0)	23.4	(137.4)	0.0	(137.4)	0.0	(137.4)	36	(14.8)	(14.5)	(108.1)	(137.4)	0.0
15	Nuclear Deferral and Variance Over/Under Recovery Variance		74.7	44.1	30.6	0.0	30.6	0.0	30.6	36	3.3	3.2	24.1	30.6	0.0
16	Fitness for Duty Deferral		0.1	0.0	0.1	0.1	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.1
17	SR&ED ITC Variance		(3.4)	0.0	(3.4)	0.0	(3.4)	0.0	(3.4)	36	(0.4)	(0.4)	(2.6)	(3.4)	0.0
18	Total		1,112.6	217.9	894.7	(16.9)	911.6	266.0	645.6		71.0	70.6	202.1	343.7	551.1
19	Tax on Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear - RPP	8			88.6	0.0	88.6	88.6	0.0		0	0	0	0	88.6
20	Tax on Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear - Non RPP	7, 9			88.2	0.0	88.2	0.0	88.2	72	15	15	15	44	44.1
21	Total Recoverable Amount				1,071.5	(16.9)	1,088.4	354.6	733.7		85.7	85.3	216.8	387.8	683.8
22	Forecast Production (TWh)	5									39.0	37.4	35.4		
23	Nuclear Payment Rider (\$/MWh) (line 21 / line 22)										2.20	2.28	6.13		

- Notes:
- From Ex. H1-1-1 Table 1, col (b)
  - From EB-2016-0152 PAO, App. E, Table 1, col. (h).
  - Amortized over the period to December 31, 2024 as previously approved by the OEB (EB-2016-0152 PAO, Appendix G, p. 11).
  - Amortized over the period to June 30, 2021 as previously approved by the OEB (EB-2016-0152 PAO, Appendix G, p. 11).
  - From EB-2016-0152 PAO App. C, Table 1, line 2.
  - Amortized over the 96 month period from January 1, 2019 to December 31, 2026.
  - Amortized over the 72 month period from January 1, 2019 to December 31, 2024.
  - Calculated as: line 12 \* tax rate / (1 - tax rate) = line 12 \* (0.25 / 0.75).
  - Calculated as: line 13 \* tax rate / (1 - tax rate) = line 13 \* (0.25 / 0.75).

Numbers may not add due to rounding.

Table 3  
 Annualized Residential Consumer Impact

Line No.	Description	Note	2019	2020	2021	Average
			(a)	(b)	(c)	(d)
1	Typical Consumption (kWh/Month)	1	789	789	789	
2	Typical Usage of OPG Generation (kWh/Month) (line 1 x line 10)		424	414	403	
3	Typical Bill (\$/Month)	1	112.84	112.84	112.84	
4	Incremental Bill Impact (\$/month) (line 2 x line 7 / 1000)		0.75	0.05	0.97	0.59
5	Incremental Bill Impact (%) (line 4 / line 3)		0.7%	0.0%	0.9%	0.52%
6	Incremental Weighted Average Total Payments (\$/MWh)	2	1.76	1.88	4.28	
7	Year-Over-Year Change in Incremental Weighted Average Total Payments (\$/MWh)		1.76	0.11	2.41	
8	Total OPG Regulated Production (TWh)	3	72.0	70.3	68.4	
9	Forecast of 2017 Provincial Demand (TWh)	4	134.0	134.0	134.0	
10	OPG Proportion of Consumer Usage (line 8 / line 9)		53.7%	52.5%	51.0%	

Notes:

- 1 Typical monthly consumption (750 kWh) and typical monthly bill are based on the OEB "Bill Calculator" for estimating monthly electricity bills (using Time of Use pricing), available at: <https://www.oeb.ca/consumer-protection/energy-contracts/bill-calculator> - accessed in May 2018  
 Typical Consumption includes line losses (Assumed loss factor of 1.052).
- 2 Per App. A, Table 5, line 13.
- 3 Per EB-2016-0152 PAO App. I, Table 2, line 3 plus line 6.
- 4 Based on forecast demand for 2019 (134.0 TWh) from Table 3.1 of IESO 18-Month Outlook Update for July 2018 to December 2019, published June 20, 2018.

Numbers may not add due to rounding.

Filed: 2019-01-29  
 EB-2018-0243  
 Draft Payment Amounts Order  
 Appendix A  
 Table 4a

Table 4a  
 Annualized Bill Impact for Typical Alectra (PowerStream) Consumers

Line No.	Description	Note	2019		2020		2021	
			Medium/Large Business	Large Industrial	Medium/Large Business	Large Industrial	Medium/Large Business	Large Industrial
			(a)	(b)	(c)	(d)	(e)	(f)
1	Typical Consumer Usage (kWh/Month)	1	82,760	2,896,600	82,760	2,896,600	82,760	2,896,600
2	Total Forecast Production (TWh)	2	72.0	72.0	70.3	70.3	68.4	68.4
3	OPG Portion of Consumer Usage	3	53.7%	53.7%	52.5%	52.5%	51.0%	51.0%
4	Consumer Usage of OPG Generation (kWh/Month) (line 1 x line 3)		44,470	1,556,434	43,438	1,520,317	42,220	1,477,695
5	Typical Monthly Consumer Bill (\$)	1	14,157	467,845	14,157	467,845	14,157	467,845
6	Year-Over-Year Change in Incremental Weighted Average Total Payments (\$/MWh)	4	1.76	1.76	0.11	0.11	2.41	2.41
7	Percentage Increase in Consumer Bills (line 6 x (line 4/1000) / line 5)		0.55%	0.59%	0.04%	0.04%	0.72%	0.76%
8	Dollar Increase in Consumer Bills (\$) (line 5 x line 7)		78.31	2,740.86	4.99	174.76	101.67	3,558.42

Notes:

- 1 Current Approved Rates and Usage (adjusted for line losses) are taken from the Powerstream EB-2015-0003 Draft Rate Order.  
 Medium/Large Business (EB-2015-0003 Draft Rate Order, Schedule B, Page 4): GS > 50 customer, consumption 80,000 kWh, loss factor 3.45%.  
 Large Industrial (EB-2015-0003 Draft Rate Order, Schedule B, Page 5): Large User customer, consumption 2,800,000 kWh, loss factor 3.45%.
- 2 Per App. A, Table 5, line 5 plus line 10.
- 3 Per App. A, Table 3, line 10.
- 4 Per App. A, Table 3, line 7.

Numbers may not add due to rounding.

Filed: 2019-01-29  
 EB-2018-0243  
 Draft Payment Amounts Order  
 Appendix A  
 Table 4b

Table 4b  
 Annualized Bill Impact for Typical Hydro One Networks Consumers

Line No.	Description	Note	2019		2020		2021	
			Medium/Large Business	Large Industrial	Medium/Large Business	Large Industrial	Medium/Large Business	Large Industrial
			(a)	(b)	(c)	(d)	(e)	(f)
1	Typical Consumer Usage (kWh/Month)	1	37,135	517,000	37,135	517,000	37,135	517,000
2	Total Forecast Production (TWh)	2	72.0	72.0	70.3	70.3	68.4	68.4
3	OPG Portion of Consumer Usage	3	53.7%	53.7%	52.5%	52.5%	51.0%	51.0%
4	Consumer Usage of OPG Generation (kWh/Month) (line 1 x line 3)		19,954	277,800	19,491	271,354	18,944	263,746
5	Typical Monthly Consumer Bill (\$)	1	7,556	77,516	7,556	77,516	7,556	77,516
6	Year-Over-Year Change in Incremental Weighted Average Total Payments (\$/MWh)	4	1.76	1.76	0.11	0.11	2.41	2.41
7	Percentage Increase in Consumer Bills (line 6 x (line 4/1000) / line 5)		0.47%	0.63%	0.03%	0.04%	0.60%	0.82%
8	Dollar Increase in Consumer Bills (\$) (line 5 x line 7)		35.14	489.20	2.24	31.19	45.62	635.13

Notes:

- 1 Current Approved Rates and Usage (adjusted for line losses) are based on 2017 bill impacts per Hydro One's EB-2016-0081 Draft Rate Order.  
 Medium/Large Business (EB-2016-0081 Draft Rate Order, Exhibit 6.0): GSd customer, consumption 35,000 kWh, loss factor 6.1%.  
 Large Industrial (EB-2016-0081 Draft Rate Order, Exhibit 6.0): ST customer, consumption 500,000 kWh, loss factor 3.4%.
- 2 Per App. A, Table 5, line 5 plus line 10.
- 3 Per App. A, Table 3, line 10.
- 4 Per App. A, Table 3, line 7.



Numbers may not add due to rounding.

Filed: 2019-01-29  
 EB-2018-0243  
 Draft Payment Amounts Order  
 Appendix A  
 Table 4c

Table 4c  
 Annualized Bill Impact for Typical Toronto Hydro Consumers

Line No.	Description	Note	2019		2020		2021	
			Medium/Large Business	Large Industrial	Medium/Large Business	Large Industrial	Medium/Large Business	Large Industrial
			(a)	(b)	(c)	(d)	(e)	(f)
1	Typical Consumer Usage (kWh/Month)	1	155,640	4,584,150	155,640	4,584,150	155,640	4,584,150
2	Total Forecast Production (TWh)	2	72.0	72.0	70.3	70.3	68.4	68.4
3	OPG Portion of Consumer Usage	3	53.7%	53.7%	52.5%	52.5%	51.0%	51.0%
4	Consumer Usage of OPG Generation (kWh/Month) (line 1 x line 3)		83,630	2,463,208	81,690	2,406,049	79,399	2,338,595
5	Typical Monthly Consumer Bill (\$)	1	27,003	771,057	27,003	771,057	27,003	771,057
6	Year-Over-Year Change in Incremental Weighted Average Total Payments (\$/MWh)	4	1.76	1.76	0.11	0.11	2.41	2.41
7	Percentage Increase in Consumer Bills (line 6 x (line 4/1000) / line 5)		0.55%	0.56%	0.03%	0.04%	0.71%	0.73%
8	Dollar Increase in Consumer Bills (\$) (line 5 x line 7)		147.27	4,337.68	9.39	276.57	191.20	5,631.55

Notes:

- 1 Current Approved Rates and Usage (adjusted for line losses) are taken from the THESL EB-2014-0116 Draft Rate Order  
 Medium/Large Business (EB-2014-0116 Draft Rate Order, Schedule 9, Page 7): GS 50-999 customer, consumption 150,000 kWh, loss factor 3.76%  
 Large Industrial (EB-2014-0116 Draft Rate Order, Schedule 9, Page 9): Large Use customer, consumption 4,500,000 kWh, loss factor 1.87%
- 2 Per App. A, Table 5, line 5 plus line 10.
- 3 Per App. A, Table 3, line 10.
- 4 Per App. A, Table 3, line 7.

Numbers may not add due to rounding.

Table 5  
Computation of OPG Weighted Average Payment Amount and Total Payments

Line No.	Description	Note	2018 (a)	2019 (b)	2020 (c)	2021 (d)
1	<b>Hydroelectric Payment Amount (\$/MWh)</b>	1	42.05	42.51	42.98	43.45
2	<b>Hydroelectric Payment Rider A (\$/MWh)</b>	2	0.52	1.44	1.01	0.00
3	<b>Hydroelectric Payment Rider B (\$/MWh)</b> (Hydroelectric Interim Period Shortfall Recovery Rider)	3	0.13	0.35	0.24	0.00
4	<b>Hydroelectric Payment Rider C (\$/MWh)</b>	4	0.00	1.16	1.25	2.05
5	<b>Hydroelectric Production Forecast (TWh)</b>	5	33.0	33.0	33.0	33.0
6	<b>Nuclear Payment Amount (NPA) (\$/MWh)</b>	6	78.64	77.00	85.00	89.70
7	<b>Nuclear Payment Rider A (NPR) (\$/MWh)</b>	7	1.05	2.79	2.04	0.00
8	<b>Nuclear Payment Rider B (\$/MWh)</b> (Nuclear Interim Period Shortfall Recovery Rider)	8	2.88	7.71	5.64	0.00
9	<b>Nuclear Payment Rider C (\$/MWh)</b>	9	0.00	2.20	2.28	6.13
10	<b>Nuclear Production Forecast (TWh)</b>	10	38.5	39.0	37.4	35.4
11	<b>Weighted Average Total Payments (\$/MWh)</b> ((Sum lines 1 to 4) x line 5) + (Sum lines 6 to 9) x line 10) / (line 5 + line 10)		64.16	69.44	71.76	71.55
12	<b>EB-2016-0152 Weighted Average Total Payments (\$/MWh)</b>	11	64.16	67.68	69.88	67.27
13	<b>Incremental Weighted Average Total Payments (\$/MWh)</b> (line 11 - line 12)		0.00	1.76	1.88	4.28
14	<b>Percentage Change in Weighted Average Payment Amount (Year over Year)</b>	12	5.0%	8.2%	3.3%	-0.3%

Notes

- 1 Col. (a) is the OEB approved 2018 hydroelectric payment amount per EB-2016-0152 PAO, App. B, Table 1, line 6.  
 Col. (b) is the 2019 hydroelectric payment amount approved in this application (EB-2018-0243 Decision and Payment Amounts Order dated December 13, 2018).  
 Cols. (c) and (d) are illustrative hydroelectric payment amounts calculated using an annual adjustment to the hydroelectric rate of 1.1%.
- 2 Cols. (a) to (c) are EB-2016-0152 approved hydroelectric riders per EB-2016-0152 PAO App. D, Table 1, line 14.
- 3 Regulated Hydroelectric interim period shortfall recovery rider per EB-2016-0152 PAO App. F, Table 1, lines 17 to 19.
- 4 Cols. (b) to (d) per App. A, Table 1, cols. (i), (j) and (k), line 19.
- 5 Regulated Hydroelectric production is the 2014 and 2015 average OEB approved hydroelectric production per EB-2013-0321 Decision and Order P. 9, and EB-2016-0152 PAO, App. I, Table 2, line 3.
- 6 Cols. (a) to (d) are the OEB-approved nuclear payment amounts per EB-2016-0152 PAO, App. C, Table 1.
- 7 Cols. (a) to (c) are EB-2016-0152 approved nuclear riders per EB-2016-0152 PAO App. E, Table 1, line 18.
- 8 Nuclear interim period shortfall recovery rider per EB-2016-0152 PAO App. F, Table 2, lines 12 to 14.
- 9 Cols. (b) to (d) per App. A, Table 2, cols. (i), (j) and (k), line 23.
- 10 Cols. (a) to (d) are production amounts approved in EB-2016-0152, per EB-2016-0152 PAO App. C, Table 1, line 2.
- 11 Per EB-2016-0152 PAO App. I, Table 2, line 11.
- 12 Col. (a) per EB-2016-0152 PAO App. I, Table 2, col. (c), line 12.

**APPENDIX B**

**DEFERRAL AND VARIANCE ACCOUNTS**

## **Appendix B: Deferral and Variance Accounts**

### **CONTINUING DEFERRAL AND VARIANCE ACCOUNTS**

Unless otherwise stated in this Order, effective January 1, 2018, OPG shall continue to record entries into the deferral and variance accounts authorized by O. Reg. 53/05, the EB-2018-0002 Decision and Order, the EB-2016-0152 Payment Amounts Order and the EB-2015-0040 Report, pursuant to the methodologies established by O. Reg. 53/05 and such decisions, orders and reports, as set out below.

All references to the “regulated hydroelectric facilities” or “prescribed hydroelectric facilities” shall mean the 54 OPG hydroelectric generation stations subject to OEB rate regulation, as specified in O. Reg. 53/05. These facilities consist of five generation stations in OPG’s Niagara Operations (Sir Adam Beck I and Sir Adam Beck II GS, Sir Adam Beck Pump GS and DeCew Falls I and DeCew Falls II GS) and the R.H. Saunders GS, all of which have been subject to rate regulation by the OEB since 2008 (“previously regulated hydroelectric facilities”), and the 48 hydroelectric generation stations that became subject to OEB rate regulation effective July 1, 2014 (“newly regulated hydroelectric facilities”).

Where applicable, account descriptions have been modified from the EB-2016-0152 Payments Amounts Order to reflect the approved 2019 HPA and remove references to 2017 values for all accounts where the December 31, 2017 balance has been approved for recovery in this Order. Additionally, where appropriate, instructions on termination of certain accounts or sub-accounts that are expected to be fully or nearly fully amortized by the end of 2021 have been added, as well as requirements for separate tracking of certain components of balances approved for recovery in this proceeding over periods extending beyond December 31, 2021.

#### Hydroelectric Water Conditions Variance Account

The Hydroelectric Water Conditions Variance Account was originally established by O. Reg. 53/05 and was approved in EB-2007-0905 and all subsequent OPG applications. This account shall continue to record the financial impact of changes in water conditions for the regulated hydroelectric facilities.

This account records the financial impact of differences, including changes in gross revenue

charge (“GRC”) costs, between actual production values for the regulated hydroelectric facilities and the reference production values, arising from changes in actual water conditions.

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 continue to 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.

For the newly regulated hydroelectric facilities, 21 of 48 newly regulated hydroelectric facilities listed in EB-2016-0152 Ex. H1-1-1, Attachment 3 use computer models to forecast production. The models convert forecast water availability to monthly energy production forecasts using historical median monthly flows. Similar to the previously regulated hydroelectric facilities, for these 21 facilities, OPG shall continue to compute deviations of actual monthly flows from historical median monthly flows in order to determine the production variance. In calculating deviations from forecast for January 1 to June 30 of each year, OPG shall use the corresponding monthly production forecasts for 2015 underpinning the EB-2013-0321 payment amounts. In calculating such deviations for July 1 to December 31 of each year, OPG shall use the average of the corresponding monthly production forecasts for 2014 and 2015 underpinning the EB-2013-0321 payment amounts.

The revenue impact of the production variance recorded in the account will continue to be determined by multiplying the deviation from forecast, as described above, by the approved hydroelectric payment amount in effect during the relevant time period for these facilities. The approved hydroelectric payment amount is \$42.05 effective January 1, 2018 to December 31, 2018,<sup>11</sup> and \$42.51/MWh effective January 1, 2019 to December 31, 2019<sup>12</sup>. The approved hydroelectric payment amount subsequent to December 31, 2019 will be determined by the OEB in future applications.

OPG shall also record in this account changes in the GRC costs by multiplying the production

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<sup>11</sup> EB-2016-0152 Payment Amounts Order, Appendix B, Table 1, line 6, col. (b).

<sup>12</sup> EB-2018-0243 Decision and Payment Amounts Order dated December 13, 2018.

deviation as described above by the applicable GRC rates. 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 as well as any variances from the amounts payable to the Government of Quebec for water rentals that were reflected in the revenue requirement approved by the OEB in EB-2013-0321.

#### Ancillary Services Net Revenue Variance Account

The Ancillary Services Net Revenue Variance Account was originally approved in EB-2007-0905 pursuant to O. Reg. 53/05 and has been approved in all subsequent OPG applications. The account is divided into the Ancillary Services Net Revenue Variance Account – Hydroelectric, and Ancillary Services Net Revenue Variance Account – Nuclear sub-accounts.

Ancillary services from regulated hydroelectric facilities include black start capability, operating reserve, regulation service, and reactive support/voltage control service. Ancillary services from nuclear facilities include reactive support/voltage control service.

To determine additions in this account for the regulated hydroelectric facilities, OPG shall compare actual regulated hydroelectric ancillary services net revenue to the forecast amount reflected in the revenue requirement approved by the OEB (the “reference amount”). The monthly reference amount shall be 1/12 of the average annual 2014 and 2015 forecast underpinning the revenue requirement approved by the OEB in EB-2013-0321. The resulting monthly reference amount shall be \$4.62M.<sup>13</sup> The difference shall be recorded in the Ancillary Services Net Revenue Variance Account – Hydroelectric sub-account.

To determine additions to this account for the nuclear facilities, OPG shall compare actual nuclear ancillary services net revenue to the forecast amount reflected in the revenue requirement approved by the OEB. The monthly reference amount shall be 1/12 of the corresponding annual forecast revenue requirement approved by the OEB in EB-2016-0152. Such annual amounts are \$1.8M for 2018, \$1.9M for 2019, \$1.9M for 2020 and \$2.0M for 2021.<sup>14</sup> The resulting monthly reference amounts shall be \$0.15M for 2018, \$0.16M for 2019, \$0.16M for 2020 and \$0.17M for 2021. The difference shall be recorded in the Ancillary Services Net Revenue Variance Account – Nuclear sub-account.

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<sup>13</sup> 1/12 of the sum of EB-2016-0152 Ex. H1-1-1. Table 3, lines 1 and 4.

<sup>14</sup> EB-2016-0152 Ex. G2-1-1 Table 1, line 8.

### Hydroelectric Incentive Mechanism Variance Account

The Hydroelectric Incentive Mechanism Variance Account was originally approved in EB-2010-0008 and has been approved in all subsequent OPG applications. This account records a credit to ratepayers equal to 50% of its total regulated hydroelectric incentive mechanism net revenues above the annual threshold of \$54.5M. This threshold reflects the average of the 2014 annual threshold of \$51M and the 2015 threshold of \$58M approved in EB-2013-0321.

### Hydroelectric Surplus Baseload Generation Variance Account

The Hydroelectric Surplus Baseload Generation Variance Account was originally approved in EB-2010-0008 and has been approved in all subsequent OPG applications.

This account records the financial impact of foregone production at the previously regulated hydroelectric facilities and the 21 newly regulated hydroelectric facilities listed in EB-2016-0152 Ex. H1-1-1 Attachment 3 due to surplus baseload generation (“SBG”) conditions.

OPG shall determine the revenue impact of SBG conditions by multiplying the foregone production volume by the approved regulated hydroelectric payment amount in effect. The approved hydroelectric payment amount is \$42.05 effective January 1, 2018 to December 31, 2018<sup>15</sup> and \$42.51/MWh effective January 1, 2019 to December 31, 2019.<sup>16</sup> The approved hydroelectric payment amount subsequent to December 31, 2019 will be determined by the OEB in future applications. The amount recorded in the account shall be net of the avoided GRC costs calculated by multiplying the foregone production volume by the applicable GRC rates.

As described in EB-2013-0321, Ex. E1-2-1, section 3.2, OPG shall continue to calculate foregone production due to SBG conditions by starting with the total volume of spill at the regulated hydroelectric stations and subtracting the volume of spill due to factors such as:

- water conveyance constraints (i.e., Sir Adam Beck GS tunnel capacity constraints);
- production capability constraints (i.e., unit outages, operating regulatory requirements);
- market constraints (i.e., IESO dispatch constraints); and
- contractual obligations (i.e., regulation service).

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<sup>15</sup> EB-2016-0152 Payment Amounts Order Appendix B, Table 1, line 6, col (b).

<sup>16</sup> EB-2018-0243, Payment Amounts Order, paragraph 1, p. 4.

The remaining spill volume is identified as potential SBG spill. From this volume, OPG excludes spill that occurs when the Ontario market price is above the level of the GRC. The volume of spill remaining after this adjustment is the foregone production due to SBG conditions that is used to record entries in this account.

OPG shall also record in this account any variations, as a result of forgone production due to SBG conditions, in the amounts payable to the St. Lawrence Seaway Management Corporation for the conveyance of water in the Welland Ship Canal as well as any variances from the amounts payable to the Government of Quebec for water rentals reflected in the revenue requirement approved by the OEB in EB-2013-0321.

#### Income and Other Taxes Variance Account

The Income and Other Taxes Variance Account was originally approved in EB-2007-0905 and has been approved in all subsequent OPG applications. This account shall continue to record the financial impact on the revenue requirement approved by the OEB of the following, with the exception of the impact of any of the following as it relates to the Scientific Research and Experimental Development investment tax credits (“SR&ED ITCs”) and the income tax payable thereon, which will be recorded in the SR&ED ITC Variance Account as described in the accounting order in the EB-2016-0152 Payment Amounts Order, Appendix H:

- 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; and
- 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 and the underlying inputs reflected in the revenue requirement approved by the OEB shall be used to calculate any variances in income taxes recorded in the Income and Other Taxes Variance Account (the “reference amount”). The reference amounts to be used in determining variances for the regulated hydroelectric facilities are those reflected in the average 2014 and 2015 income tax provision approved by the OEB in EB-2013-0321 and shown in the Payment Amounts Order Appendix A, Table 7 and Table 8 of that proceeding, as adjusted for the removal of the application of the nuclear facilities’ tax loss to the regulated hydroelectric facilities in 2015. The resulting monthly reference amount for the regulated hydroelectric facilities shall be \$6.52M, or 1/24 of the adjusted total income tax provision for 2014 and 2015 of \$156.4M.<sup>17</sup>

The reference amount to be used in determining variances for the nuclear facilities shall be the corresponding annual income tax provision reflected in the nuclear revenue requirement approved by the OEB in EB-2016-0152, as calculated in the EB-2016-0152 Payment Amounts Order Appendix A, Tables 17-20, col. (c), line 26. The monthly reference amount for the nuclear facilities shall be (\$1.53M) for each year from 2018 to 2021, being 1/12 of the annual amount of (\$18.4M) reflected in the approved revenue requirements for 2018-2021.

#### Capacity Refurbishment Variance Account

The Capacity Refurbishment Variance Account (“CRVA”) was originally approved in EB-2007-0905 and has been approved in all subsequent OPG applications. This account records the financial impact of 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 s. 2 and those forecast costs and firm financial commitments for projects reflected in the revenue requirement approved by the OEB (the “reference amount”). This account includes assessment costs and pre-engineering costs and commitments as required by O. Reg. 53/05 s. 6(2)4. In 2015, O. Reg. 53/05 was amended to affirm that the scope of this account includes the capital and non-capital costs and firm financial commitments incurred in respect of the Darlington Refurbishment Program (“DRP”).

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<sup>17</sup> Calculated as the sum of: 2014 Income Taxes for Previously and Newly Regulated Hydroelectric Facilities of \$47.4M and \$21.4 respectively (EB-2013-0321 Payment Amounts Order, Appendix A line 23 col. (c) of Tables 1 and 2 respectively) and 2015 Income Taxes of \$53.2M and \$34.4M for Previously and Newly Regulated Hydroelectric Facilities respectively (EB-2016-0152 Ex. I1-2-1 Table 2a, col (a) and (b), line 14).

For the regulated hydroelectric facilities, beginning June 1, 2017, the CRVA will record entries relative to the annual reference amount of \$0.9M reflected in the revenue requirement for 2014 and 2015 approved by the OEB in EB-2013-0321.<sup>18</sup> Commencing on June 1, 2017, OPG shall be entitled to recover amounts recorded in the account in relation to the regulated hydroelectric facilities to the extent that OPG's total capital in-service additions for these facilities exceed the funding available for capital expenditures calculated as set out in EB-2016-0152 Ex. H1-1-2 Table 3, col. (a). The annual CRVA capital funding implicit in the approved hydroelectric payment amounts shall be \$143.3M (the "funding amount"), being the annual average of the depreciation expense for the regulated hydroelectric facilities reflected in the revenue requirement approved by the OEB for 2014 and 2015 in EB-2013-0321.<sup>19</sup> Both the reference amount and the funding amount will be escalated annually by the approved price cap index applied to increase hydroelectric payment amounts approved by the OEB. With respect to the hydroelectric facilities, the monthly reference amount shall be \$0.076M<sup>20</sup> commencing June 1, 2017 to December 31, 2017, \$0.077M<sup>21</sup> in 2018 and \$0.078M<sup>22</sup> in 2019. The monthly funding amount shall be \$12.11M<sup>23</sup> commencing June 1, 2017 to December 31, 2017, \$12.22M<sup>24</sup> in 2018 and 12.35M<sup>25</sup> in 2019. The monthly reference amounts and the monthly funding amounts for 2020 and 2021 shall be determined using the approved price cap index applied to increase hydroelectric payment amounts approved by the OEB in a future proceeding.

For the nuclear facilities, this account shall continue to record entries relative to the reference amounts reflected in the annual revenue requirement approved by the OEB in EB-2016-0152 for each year from 2017 to 2021. With respect to the nuclear facilities, the monthly reference amount shall be 1/12 of \$107.5M, \$94.9M, \$107.2M, \$604.6M, and \$521.6M for each respective year from 2017 to 2021, as reflected in the nuclear revenue requirement approved by the OEB in EB-2016-0152.<sup>26</sup> The resulting monthly reference amount shall be \$9.0M commencing on June 1,

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<sup>18</sup> For 2017 the reference amount shall be the proportion of the annual reference amount of \$0.9M from the June 1, 2017 to December 31, 2017.

<sup>19</sup> For 2017 the funding amount shall be the proportion of the annual funding amount of \$143.3M from June 1, 2017 to December 31, 2017.

<sup>20</sup> \$0.9M \* 1.4% hydroelectric payment amount index for 2017 / 12 months = \$0.076M.

<sup>21</sup> \$0.9M \* 1.4% hydroelectric payment amount index for 2017 \* 0.9% hydroelectric payment amount index for 2018 / 12 months = \$0.077M.

<sup>22</sup> \$0.9M \* 1.4% hydroelectric payment amount index for 2017 \* 0.9% hydroelectric payment amount index for 2018 \* 1.1% hydroelectric payment amount index for 2019 / 12 months = \$0.078M.

<sup>23</sup> \$143.3M \* 1.4% hydroelectric payment amount index for 2017 / 12 months = \$12.11M.

<sup>24</sup> \$143.3M \* 1.4% hydroelectric payment amount index for 2017 \* 0.9% hydroelectric payment amount index for 2018 / 12 months = \$12.22M.

<sup>25</sup> \$143.3M \* 1.4% hydroelectric payment amount index for 2017 \* 0.9% hydroelectric payment amount index for 2018 \* 1.1% hydroelectric payment amount index for 2019 / 12 months = \$12.35M.

<sup>26</sup> The non-capital component of the reference amount is the sum of the "Total OM&A Costs" line in the chart at EB-

2017 to December 31, 2017, \$7.9M in 2018, \$8.9M in 2019, \$50.4M in 2020 and \$43.5M in 2021.

#### Pension and OPEB Cost Variance Account

The Pension and OPEB Cost Variance Account was originally approved in EB-2011-0090 and was continued in subsequent proceedings. This account records the difference between (i) the pension and OPEB costs, plus related income tax PILs, reflected in the revenue requirement approved by the OEB (the “reference amount”), and (ii) OPG’s actual pension and OPEB costs, and associated income tax impacts, for the prescribed generation facilities. Actual pension and OPEB costs used in the calculation of the difference are calculated on an accrual basis using the same accounting standards as those used to derive the reference amount.

There are two approved components to this account:

- 1) Future Recovery Component: The Future Recovery component (for both regulated hydroelectric and nuclear facilities) was previously authorized by the OEB to be recovered over the period to December 31, 2024; and
- 2) Post-2012 Additions: The Post-2012 Additions component was previously authorized by the OEB to be recovered over a period of 72 months commencing July 1, 2015 to June 30, 2021. Any remaining balance of the Post-2012 Additions component at December 31, 2021 shall be transferred to the Hydroelectric Deferral and Variance Over/Under Recovery Variance Account or the Nuclear Deferral and Variance Over/Under Recovery Variance Account as applicable

OPG shall not record any interest on the balance of this account as ordered by the OEB in EB-2013-0321, EB-2014-0370, and EB-2016-0152.

#### 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 and has been approved in all subsequent OPG applications.

This account records the differences between the amounts approved for recovery in the hydroelectric deferral and variance accounts and the actual amounts recovered based on actual

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2016-0152, Ex. L-4.1-1 Staff-024, p. 2, and Darlington Refurbishment OM&A at EB-2016-0152, Ex. F2-1-1, Table 1, line 5. The capital component is determined by calculating the revenue requirement impact of DN X-750 Space Retrieval CMFA capital at EB-2016-0152, Ex. D2-1-3, Table 2e, line 66 (identified as Darlington Spacer Retrieval Tooling Project at EB-2016-0152, Ex. L4.1-1 Staff-024), and Darlington Refurbishment Program capital per the EB-2016-0152 Payment Amounts Order Appendix A, Table 9, col. (f) minus the EB-2016-0152 Payment Amounts Order Appendix A, Table 10, col. (e).

regulated hydroelectric production and approved riders. The account shall also include the transfer of the regulated hydroelectric balances in accounts as they expire from time to time.

#### Gross Revenue Charge Variance Account

The Gross Revenue Charge Variance Account was approved in EB-2013-0321 and continued in EB-2014-0370. The account records 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, if any, shall be determined by applying the approved reduction to the forecast gross revenue charge costs included in the hydroelectric revenue requirement for 2014 and 2015 approved by the OEB in EB-2013-0321, averaged as applicable, 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 was approved in EB-2013-0321 and continued in EB-2014-0370 and EB-2016-0152. The account will continue to record the difference between OPG's actual RPP contributions and OPEB 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 OEB (the "reference amount").

With respect to the regulated hydroelectric facilities, the monthly reference amount for OPG's RPP contributions will be 1/12 of the average annual forecast of \$45.1M<sup>27</sup> reflected in the revenue requirement for 2014 and 2015 approved by the OEB in EB-2013-0321. The resulting monthly reference amount shall be \$3.76M. For OPG's OPEB payments, the monthly reference amount for the regulated hydroelectric facilities will be 1/12 of the annual average forecast of \$12.8M<sup>28</sup> reflected in the revenue requirement for 2014 and 2015 approved by the OEB in EB-2013-0321. The resulting monthly reference amount shall be \$1.07M.

With respect to the nuclear facilities, the monthly reference amount for OPG's RPP contributions

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<sup>27</sup> EB-2016-0152 Ex. H1-1-1, Table 8, col. (a), line 1.

<sup>28</sup> EB-2016-0152 Ex. H1-1-1, Table 8, col. (a), line 2.

will be 1/12 of \$202.9M, \$243.5M, \$247.9M, and \$250.6M<sup>29</sup> for each respective year from 2018 to 2021, as reflected in the nuclear revenue requirement approved by the OEB in EB-2016-0152. The resulting monthly reference amount shall be \$16.91M for 2018, \$20.29M for 2019, \$20.66M for 2020 and \$20.88M for 2021. The monthly reference amount for OPG's OPEB plan payments shall be 1/12 of \$95.7M, \$99.9M, \$104.3M, and \$108.5M<sup>30</sup> for each respective year from 2018 to 2021, as reflected in the nuclear revenue requirement approved by the OEB in EB-2016-0152. The resulting monthly reference amount shall be \$7.98M for 2018, \$8.33M for 2019, \$8.69M for 2020 and \$9.04M for 2021.

OPG shall continue to separately track amounts recorded in this variance account for the regulated hydroelectric and nuclear prescribed assets.

#### Pension & OPEB Cash Versus Accrual Differential Deferral Account

The Pension & OPEB Cash Versus Accrual Differential Deferral Account was approved in EB-2013-0321 and continued in EB-2014-0370 and EB-2016-0152. This account will continue to 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 RPP contributions and OPEB plan payments (including the long-term disability benefit plan) attributed to OPG's prescribed generating facilities.

The December 31, 2017 balance in the account represents approved amounts for the period November 1, 2014 to December 31, 2017. The December 31, 2017 balance shall be split into the RPP and Non-RPP components. The Non-RPP component shall be recovered over a 72-month period January 1, 2019 to December 31, 2024. The recovery of the RPP component shall be deferred to OPG's next payment amounts application.

OPG shall continue to separately track amounts recorded in the deferral account for the regulated hydroelectric and nuclear prescribed assets. OPG shall also continue to separately track the RPP and Non-RPP components of the approved December 31, 2017 account balance.

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<sup>29</sup> EB-2016-0152 Payment Amounts Order, Appendix A, Tables 17 to 20, col. (c), line 15 for 2018 to 2021 respectively.

<sup>30</sup> EB-2016-0152 Payment Amounts Order, Appendix A, Tables 17 to 20, col (c), line 16 for 2018 to 2021 respectively.

No interest shall be recorded on the balance of this account, consistent with the EB-2013-0321, EB-2014-0370 and EB-2016-0152 Payment Amounts Orders.

#### Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account

The Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account was approved in EB-2014-0369, effective November 1, 2014. The account shall continue to record the difference between the annual revenue requirement impact of the Niagara Tunnel Project rate base addition disallowance of \$28.0 million ordered in EB-2013-0321 and the varied disallowance of \$6.4 million determined in EB-2014-0369. The payment amounts for the regulated hydroelectric facilities approved in this proceeding reflect the EB-2013-0321 disallowance and do not reflect the impact of the varied disallowance.

#### Nuclear Liability Deferral Account

The Nuclear Liability Deferral Account was originally approved in EB-2007-0905 pursuant to O. Reg. 53/05 and has been approved in all subsequent OPG applications. This account records the revenue requirement impact on the prescribed facilities of any change in OPG's nuclear decommissioning and used fuel and waste management liabilities ("nuclear liabilities") arising from an approved reference plan under the Ontario Nuclear Funds Agreement measured against the forecast impact reflected in the revenue requirement approved by the OEB. OPG shall not record the revenue requirement impact of a change in its nuclear liabilities 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 4.95%.<sup>31</sup>

Ontario Regulation 53/05 defines the "nuclear decommissioning liability" 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

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<sup>31</sup> EB-2016-0152 Payment Amounts Order Appendix A, Tables 12 to 15, line 7, col. (c).

The Nuclear Development Variance Account was originally approved in EB-2007-0905 pursuant to O. Reg. 53/05 and has been approved in all subsequent OPG applications. This account records 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 OEB (the “reference amount”). The monthly reference amount shall be \$0.12M for 2018, \$0.14M for 2019, \$0.15M for 2020 and \$0.15M for 2021, being 1/12 of the corresponding annual amounts of \$1.4M, \$1.7M, \$1.8M and \$1.8M reflected in the approved revenue requirement for 2018-2021.<sup>32</sup>

#### Bruce Lease Net Revenues Variance Account

The Bruce Lease Net Revenues Variance Account was originally approved in EB-2007-0905 in order to ensure that the actual difference between OPG’s revenues and costs for the Bruce facilities is ultimately reflected in the payment amounts and riders and that OPG recovers its actual costs associated with the Bruce facilities and has been approved in all subsequent OPG applications.

This account records differences between (i) the forecast revenues and costs related to the Bruce lease that are factored into the nuclear revenue requirement approved by the OEB, and (ii) OPG’s actual revenues and costs in respect of the Bruce facilities.

This account will continue to have two sub-accounts, the general operation of which is discussed in the sub-account descriptions that follow.

#### Derivative Sub-Account

The derivative sub-account balance relates to the previously existing 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.

Pursuant to the 2015 amendment to the Bruce lease agreement, the provision for a conditional

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<sup>32</sup> EB-2016-0152 Ex. F2-1-1 Table 1, line 6, plus amounts provided in Note 1 to that table.

supplemental rent rebate was removed effective December 4, 2015 and the derivative liability has been eliminated. The remaining balance in the account is a credit balance that largely represents the amount that the OEB authorized prior to the 2015 amendment to the agreement, to be recovered for the Bruce Derivative for the post-December 3, 2015 period through the EB-2014-0370 rate riders. As a result of the 2015 amendment to the agreement, this recovery is no longer required and will be refunded to ratepayers. As a result, no further derivative related amounts will be recorded and this sub-account shall only record interest and amortization. This sub-account shall be terminated effective December 31, 2021, with any remaining balance transferred to the Nuclear Deferral and Variance Over/Under Recovery Variance Account.

#### Non-Derivative Sub-Account

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

Variances recorded in the non-derivative sub-account shall be determined by comparing (i) the quotient of the annual forecast amount of (\$7.3M), (\$20.6M), (\$20.1) and (\$40.4M) reflected in the revenue requirement approved by the OEB for each respective year from 2018 to 2021<sup>33</sup> and the approved nuclear production forecast for the corresponding year of 38.5 TWh, 39.0 TWh, 37.4 TWh and 35.4 TWh for each respective year from 2018 to 2021<sup>34</sup> ("rate of recovery") multiplied by OPG's actual nuclear production from 2018 to 2021, and (ii) OPG's actual revenues and costs in respect of the Bruce facilities. The rate of recovery shall be (\$0.19)/MWh in 2018, (\$0.528)/MWh in 2019, (\$0.537)/MWh in 2020, and (\$1.141)/MWh in 2021.

#### 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 and has been approved in all subsequent OPG applications. This account records 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 other variance and deferral accounts as they expire from time to time.

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<sup>33</sup> EB-2016-0152 PAO, Appendix A, Tables 2 to 5 line 20, col. (c) for 2018 to 2021 respectively.

<sup>34</sup> EB-2016-0152 PAO, Appendix I, Table 2, line 6.



### Impact Resulting from Changes in Station End-of-Life Dates (December 31 2015) Deferral Account

The Impact Resulting from Changes in Station End-of-Life Dates (December 31 2015) Deferral Account was approved in EB-2015-0374. This account records the revenue requirement impact arising from changes to nuclear liabilities and depreciation and amortization expense resulting from changes to station end-of-life dates for Bruce, Pickering and Darlington nuclear generating stations that became effective December 31, 2015.<sup>35</sup>

Pursuant to the EB-2015-0374 Decision and Order, the additions were to continue until the effective date of the EB-2016-0152 Payment Amounts Order. The EB-2016-0152 Payment Amount Order is effective June 1, 2017. As such, no further additions were recorded in the account on or after June 1, 2017. Only amortization of the approved December 31, 2017 balance will be recorded in this account effective January 1, 2019. This account shall be terminated effective December 31, 2021, with any remaining balances transferred to the nuclear Deferral and Variance Over/Under Recovery Variance Account.

### Rate Smoothing Deferral Account

In accordance with section 5.5 of O. Reg. 53/05 and the EB-2016-0152 Payment Amounts Order, this account shall record, for each respective year, the difference between: (i) the total annual revenue requirement for the prescribed nuclear facilities approved by the OEB; and, (ii) the portion of that revenue requirement in (i) that is used in connection with setting the approved nuclear payment amounts in each year (“the annual deferral amount”). There will be no Rate Smoothing Deferral Account additions for 2017, 2018 and 2021. The annual deferral amount shall be \$102.2M in 2019 and \$390.6M in 2020 to be recorded monthly on a straight-line basis<sup>36</sup>.

Per O. Reg. 53/05, s. 5.5 (2), the deferral account shall record interest on the balance at the following OEB-approved long-term debt rates reflecting OPG’s cost of long-term borrowing, compounded annually: 4.52% for 2019, 4.49% for 2020, and 4.48% for 2021.<sup>37</sup>

O. Reg. 53/05 requires recovery of the account balance on a straight line basis, beginning upon

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<sup>35</sup> This account records the revenue requirement impact on the prescribed facilities, as the impact on Bruce facilities is captured in the Bruce Lease Net Revenues Variance Account.

<sup>36</sup> EB-2016-0152 Payment Amounts Order, Appendix C, Table 1, line 5.

<sup>37</sup> EB-2016-0152 Payment Amounts Order, Appendix A, Tables 11 through 15, col (c), line 2.

the end of the Darlington Refurbishment Project, over a period of 10 years or less.

#### Fitness for Duty Deferral Account

The Fitness for Duty Deferral Account was approved in EB-2016-0152. This account records the costs related to implementing the Canadian Nuclear Safety Commission (“CNSC”) Fitness for Duty program. The Fitness for Duty program is a drug, alcohol, psychological and physical testing program for employees in nuclear facilities, anticipated to be a license requirement of the CNSC.

#### SR&ED ITC Variance Account

The SR&ED Variance Account was approved in the EB-2016-0152 Decision and Order. This account records the difference between actual SR&ED ITCs (attributed to the nuclear facilities) as determined after any tax audits and the forecast SR&ED ITCs included in the nuclear revenue requirement approved by the OEB, including the tax on the difference. The forecast SR&ED ITCs included in the approved revenue requirements for the 2018-2021 period are \$18.4M per year or \$1.53M per month.

#### Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account

The Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral Account was approved in the EB-2018-0002 Decision and Order. This account records, effective January 1, 2018, the revenue requirement impact arising from changes to nuclear liabilities and depreciation and amortization expense resulting from changes to station end-of-life dates for the Pickering prescribed nuclear facilities that are effective December 31, 2017.

Specifically, OPG shall record the impact on nuclear liabilities costs resulting from the changes in end-of-life dates on Asset Retirement Cost (“ARC”) depreciation, the associated impacts on the return on rate base and variable used fuel and waste management expenses, and the tax impact of the settlement with customers of the net amount. OPG shall also record the impact of the change in nuclear station lives on non-ARC depreciation expense, the associated impact on the return on net rate base through the change in accumulated depreciation, and the tax impact of the settlement with customers of the net amount.

The account entries will continue until the effective date of the next payment amounts order incorporating the corresponding changes to the Pickering station end-of-life dates in nuclear

payment amounts.

OPG shall not record interest on the balance of this account.

Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account

The Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account was established on a generic basis in the EB-2015-0040 Report.

The EB-2015-0040 Report determined that the account will track the differences between the forecast accrual amounts recovered in rates and the actual cash payments made for both pension and OPEBs in one account, on a go-forward basis from the date the account is established. The Report also determined that, for utilities for which the OEB previously established accounts to capture the difference between cash and accrual methods as an interim measure pending the outcome of the EB-2015-0040 consultation, the Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account shall also record amounts collected relating to these previously approved accounts.

The Interim Account approved for OPG captures the difference between the actual accrual amounts and the actual cash payments made for both pension and OPEBs. The hydroelectric and nuclear payment riders approved in this Order include recovery of amounts recorded in the Interim Account. The Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account shall record, on a monthly basis<sup>38</sup>, amounts recovered from the Interim Account through nuclear and hydroelectric payment riders.<sup>39</sup>

As OPG's payment amounts established in EB-2016-0152 (subject to annual hydroelectric payment amount adjustments) continue to reflect cash payments for both pension and OPEBs in rates (with differences between accrual amounts and cash payments continuing to be recorded in the Interim Account), OPG shall not record any other additions to this account until such time as payment amounts reflecting accrual amounts are established in a future proceeding.

This account will have three sub-accounts, the general operation of which are discussed in the sub-account descriptions that follow. OPG shall track separately amounts recorded in these sub-accounts for the regulated hydroelectric and nuclear prescribed facilities:

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<sup>38</sup> EB-2015-0040 Report, Appendix, p. 21.

<sup>39</sup> EB-2015-0040 Report, Appendix C, pp. 21-22.

Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential (“Primary Sub-Account”)

The Primary Sub-account shall track the differences between the forecast accrual amounts recovered in rates and the actual cash payments made for both pension and OPEBs. The sub-account shall also track amounts recovered from the Interim Account. As it is a tacking account, the Primary Sub-Account is not subject to disposition.

When the cumulative accrual amount (including amounts recovered from the Interim Account) exceeds the cumulative actual<sup>40</sup> cash payments, the Primary Sub-Account will hold a credit balance. When the cumulative actual cash payments exceed the cumulative accrual amount (including amounts recovered from the Interim Account), the Primary Sub-Account will hold a debit balance. The Primary Sub-Account will only accrue carrying charges to be returned to ratepayers, when the cumulative opening monthly balance of the Primary Sub-Account is in a credit position.

Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Contra Account (“Contra-Sub-Account”)

The Contra Sub-Account shall record off-setting entries with the Primary Sub-Account to enable book-keeping with offsetting entries. As it is a tacking account, the Contra Sub-Account is not subject to disposition. Carrying charges shall not apply to this sub-account.

Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges (“Carrying Charges Sub-Account”)

The Carrying Charges Sub-Account shall record carrying charges accrued on the Primary Sub-Account when the Primary Sub-Account is in a credit position.

Carrying charges shall be calculated using simple interest applied to the monthly opening balances in the Primary Sub-Account. The interest rate shall be the Construction Work In Progress rate set by the OEB from time to time pursuant to the OEB’s interest rate policy.

The Carrying Charges Sub-Account will be subject to disposition and, other than recording

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<sup>40</sup> EB-2015-0040 Report, Appendix C, p. 20.

carrying charges on the Primary Sub-Account balance as described above, will not be subject to carrying charges

### **INTEREST**

Except where otherwise stated, as of January 1, 2018, OPG shall record interest on the balances in all deferral and variance accounts using the interest rates set by the OEB from time to time pursuant to the OEB's interest rate policy. Unless stated otherwise, OPG shall apply simple interest to the opening monthly balance of the accounts until the balances are fully recovered or refunded.