OVERVIEW OF DEFERRAL AND VARIANCE ACCOUNTS

1.0 PURPOSE

This evidence summarizes the existing variance and deferral accounts for OPG's regulated assets. These accounts were established pursuant to the OEB's decisions in EB-2007-0905, EB-2009-0038 and EB-2009-0174.

2.0 PROPOSED CLEARANCE OF ACCOUNTS

OPG is seeking approval to clear the projected December 31, 2010 balances in its existing variance and deferral accounts as discussed in Ex. H1-T2-S1. The balances in the accounts are shown in Ex. H1-T1-S1 Table 1. These balances would be cleared through payment amount riders as calculated in Ex. H1-T2-S1 Table 1 and Table 2.

3.0 OVERVIEW

The OEB approved 12 variance and deferral accounts in EB-2007-0905 (December 2008), a Tax Loss Variance Account in EB-2009-0038 (May 2009), and two additional accounts in EB-2009-0174 (October 2009).

The entries recorded in these accounts in 2008 and 2009 were calculated in accordance with the methodology approved by the OEB in EB-2007-0905. The projected additions to these accounts for 2010 (see Ex. H1-T1-S1 Table 1d) are determined in accordance with the methodology approved in the OEB's decision on OPG's Accounting Order Application (EB-2009-0174). The entries in the Tax Loss Variance Account are made in accordance with the OEB's direction in EB-2009-0038. OPG has applied interest to the monthly opening balances of these accounts at the interest rates set by the OEB from time to time pursuant to the OEB's interest rate policy for variance and deferral accounts.

OPG proposes to clear the balances in its variance and deferral accounts as at December 31, 2010 as described in Ex. H1-T2-S1.

3.1 Development of Accounts since EB-2007-0905

The OEB's Decision in EB-2007-0905 approved the following variance and deferral accounts effective April 1, 2008:

- Hydroelectric Water Conditions Variance Account
- Ancillary Service Net Revenue Variance Account – Hydroelectric and Nuclear Sub Accounts
- Pickering A Return to Service Deferral Account
- Nuclear Liability Deferral Account
- Nuclear Development Variance Account
- Capacity Refurbishment Variance Account
- Nuclear Fuel Cost Variance Account
- Income and Other Taxes Variance Account
- Bruce Lease Net Revenues Variance Account
- Hydroelectric Interim Period Shortfall (rider D) Variance Account
- Nuclear Interim Period Shortfall (rider B) Variance Account

In response to a Motion by OPG, the OEB ordered OPG to establish a Tax Loss Variance Account effective April 1, 2008 (EB-2009-0038). In addition, in response to an Accounting Order Application (EB-2009-0174) by OPG, the OEB approved the methodologies for making entries, after December 31, 2009, in the variance and deferral accounts approved in EB-2007-0905. In that same decision, it also ordered OPG to establish the following two additional accounts:

- Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
- Nuclear Deferral and Variance Over/Under Recovery Variance Account

In addition, the EB-2009-0174 Decision and Order approved the continuation of nuclear payment rider A beyond December 31, 2009, and the continued amortization and recovery of the approved December 31, 2007 balances in the following accounts:

- Ancillary Services Net Revenue Variance Account – Nuclear Sub Account
- Transmission Outages and Restrictions Variance Account
- Pickering A Return to Service Deferral Account

- Nuclear Liability Deferral Account
- Nuclear Development Deferral Account, Transition

Ex. H1-T1-S1 Table 1 shows the year-end balances in each account for 2007, 2008 and 2009 and projected balances for 2010. Exhibit H1-T1-S1 Tables 1a through 1d are continuity tables which show the opening balance for each account, variances recorded during the period (labelled "Transactions"), amortization subtracted for the period, interest added for the period and the closing balance for each account. In Tables 1 and 1a, the starting point for each account is the year-end 2007 balance. The 2007 year-end balances are as approved by the OEB in the EB-2007-0905 Payment Order with the exception of four accounts; the Hydroelectric Water Conditions, Ancillary Services Net Revenue – Hydroelectric, Transmission Outages and Restrictions and Ancillary Services Net Revenue – Nuclear variance accounts. The individual balances provided for these four accounts by OPG in EB-2007-0905 were not correct, but the total balance for all four accounts is correct. OPG is proposing to correct the individual account balances as part of this Application. There is no financial impact of making this correction as the errors in the individual accounts are offsetting.

4.0 EXISTING DEFERRAL AND VARIANCE ACCOUNTS COMMON TO HYDROELECTRIC AND NUCLEAR

4.1 Ancillary Service Net Revenue Variance Account – Hydroelectric and Nuclear Sub Accounts

Exhibit H1-T1-S1 Table 1 provides these sub-account balances for 2007, 2008, and 2009 and the projected balances for 2010. Derivation of the hydroelectric sub-account variance is shown in Ex. H1-T1-S1 Table 3. Derivation of the nuclear sub-account variance is shown in Ex. H1-T1-S1 Table 7.

These accounts track variances from actual ancillary services net revenue to the 2008 - 2009 test period forecast as reflected in the revenue requirement approved by the OEB. Ancillary services include operating reserve, reactive support/voltage control service, automatic generation control and black start capability. OPG has recorded differences between actual

ancillary services net revenue for 2008 and 2009 and the forecast amounts approved in EB-2007-0905 for those years in these accounts. The forecast additions for 2010 are consistent with the EB-2009-0174 Decision and Order which requires OPG to compare 2010 revenues to a forecast derived from the 2008 and 2009 values approved in OPG's last rate application.

For a full discussion of hydroelectric ancillary service revenues see Ex. G1-T1-S1. For a full discussion of nuclear ancillary service revenues see Ex. G2-T1-S1.

The EB-2009-0174 Decision and Order approved the continued amortization and recovery of the approved December 31, 2007 balance through the continuation of nuclear payment rider A.

4.2 Income and Other Taxes Variance Account

Exhibit H1-T1-S1 Table 1 provides the account balances for 2008 and 2009, and the projected balance for 2010. The derivation of entries in the Income and Other Taxes Variance Account is shown in Ex. H1-T1-S1 Table 13.

This account records the financial impact on the regulated hydroelectric and nuclear revenue requirement due to variations in municipal property taxes, payments in lieu of capital taxes, and income taxes resulting from changes in tax rates or rules, new assessing or administrative practices of tax authorities, tax re-assessments for past periods, and court decisions for other taxpayers that affect OPG's tax position.

The OEB directed OPG to calculate a benchmark income tax expense for OPG's regulated operations in accordance with the EB-2007-0905 Decision, and before the consideration of any tax loss carry forwards for 2008 and 2009. This benchmark income tax expense is used to calculate variations in income taxes that are recorded in this account. See Ex. F4-T2-S1 Table 9 for the derivation of the benchmark income tax expense**.** The benchmark income tax expense for the 21 month period April 1, 2008 to December 31, 2009 is $66M. OPG also calculated a benchmark tax expense for 2010, which will be used as the basis for determining variances that will be recorded in this account during 2010. The 2010

benchmark income tax expense is equal to the annualized 2008 - 2009 benchmark income tax expense, that is, 12/21 of the tax provision from the 21 month 2008 - 2009 test period. This approach is consistent with the methodology approved in the Accounting Order Decision (EB-2009-0174) for the determination of "reference plan" numbers for 2010.

OPG has recorded three[1] entries in this account, consisting of (i) an entry based on the results of a tax audit received in mid-2008; (ii) a reduction in income tax rates effective January 1, 2010; and (iii) a reduction in the capital tax rate effective January 1, 2010. The entries are described below and are presented in Ex. H1-T1-S1 Table 13.

The entry related to the results of the tax audit is a credit back to ratepayers for Investment Tax Credits based on expenditures that qualify as Scientific Research and Experimental Development ("SR&ED") activities. See Ex. F4-T2-S1 section 7.1.

OPG has recorded a regulatory liability pertaining to these credits for the period April 1, 2008 to December 31, 2009 because the OM&A and capital expenditures that gave rise to these tax credits were included in OPG's revenue requirement for this period. OPG expects to record an additional liability for 2010 in accordance with the EB-2009-0174 Decision and Order. The Investment Tax Credit reduces income tax expense in the year the expenditures are incurred, and is taxable the following year. Therefore, in the following year, the regulatory liability is reduced by the amount of taxes payable. The derivation of this account balance is shown in Ex. H1-T1-S1 Table 13.

There is a reduction in income tax rates (Federal and Provincial) starting in January 2010 from 31.21 per cent (the weighted average for the 21 month period April 2008 to December 2009) to 29 per cent (annualized rate based on the effective dates for these reductions). OPG has recorded a credit back to ratepayers in this account for this reduction in income tax rates.

[1] A fourth entry relating to an unburned nuclear fuel expense adjustment is identified in Ex H1-T1-S2, page 4, line 23 and Ex H1-T1-S2, Table 6.

There was also a reduction in the capital tax rate effective January 1, 2010 from 0.225 per cent to 0.150 per cent and a further reduction effective July 1, 2010 to nil. OPG has recorded a credit back to ratepayers in the Income and Other Taxes Variance Account for this reduction in capital tax rates.

4.3 Tax Loss Variance Account

Exhibit H1-T1-S1 Table 1 summarizes the account balances for 2008 and 2009, and the projected balance for 2010. The projected balance as at December 31, 2010 is $491.4 M. The derivation of the entries in the Tax Loss Variance Account is shown in Ex. H1-T1-S1 Table 4. Details regarding the calculation of tax losses for these years are presented in Ex. F4-T2-S1 Table 7. Amounts in this account are allocated to Hydroelectric and Nuclear based on the proportion of revenue requirement reduction incorporated into the EB-2007-0905 Payment Order for each business.

On January 28, 2009, OPG filed a Notice of Motion for a review and variance of the OEB's Decision with Reasons in EB-2007-0905. In the May 11, 2009 Decision and Order on this motion (EB-2009-0038), the OEB agreed that the evidentiary record established and supported a link between OPG's regulatory tax losses and the revenue requirement reduction incorporated in the 2008 - 2009 approved payment amounts. In linking the revenue requirement reduction to regulatory tax losses, the OEB ordered the establishment of a Tax Loss Variance Account effective as of April 1, 2008. This account records any variance between the tax loss amount which underpins the EB-2007-0905 Order, and the tax loss amount resulting from the re-analysis of prior period tax returns based on the OEB's directions in the EB-2009-0038 Decision as to the recalculation of those tax losses.

The OEB's Decision and subsequent Payment Amounts Order in EB-2007-0905 included directions that resulted in a revenue requirement reduction of $341.2M for the period April 1, 2008 to December 31, 2009. The directed reduction consists of $168.7M, which represents 22 per cent of OPG's revenue deficiency in EB-2007-0905; and, $172.5M for the elimination of any tax provision for this period (see the EB-2007-0905 Payment Amounts Order Appendix A Tables 1 and 2, line 23).

The calculation of the $341.2M reduction is presented below:

Revenue requirement reduction of 22 per cent of deficiency required by the OEB (reference EB-2007-0905; Payment Amounts Order Appendix A, Table 3, note 3)	$168.7 million
Foregone tax expense on revenue requirement reflected in approved payment amounts or the "benchmark tax expense" discussed in Ex. F4-T2-S1 section 5 (reference Ex. F4-T2-S1 Table 9, line 21)	$66.0 million
Total before gross-up for tax on additional revenue	$234.7 million
Tax on $234.7M plus gross-up = ($234.7 x tax rate/ (1-tax rate)) where the weighted average tax rate for the period April 1, 2008 – December 31, 2009 is 31.21 per cent	$106.5 million
Total	$341.2 million

OPG has recalculated its tax losses for the period April 1, 2005 to March 31, 2008 to be $110.9M. This value can be found in Ex. F4-T2-S1 Table 7, line 24. This amount of tax losses translates to a revenue requirement reduction of $50.3M as shown in Ex. H1-T1-S1 Table 4, line 2. This amount was calculated as follows:

Revenue requirement reduction = $110.9M x tax rate / (1 – tax rate)
= $110.9M x 0.3121 / (1- 0.3121)
= $50.3M

The difference between the $341.2M incorporated in the current approved payment amounts for April 1, 2008 to December 31, 2009 and the revenue requirement reduction of $50.3M available based on the recalculated tax losses is $290.9M and is the amount of the entry in the Tax Loss Variance Account for the period April 1, 2008 – December 31, 2009 as presented in Ex. H1-T1-S1 Table 4 line 3.

As a result of the re-calculated tax loss amount plus interest, OPG has a balance of $294.3M in the Tax Loss Variance Account as at December 31, 2009 as presented in Ex. H1-T1-S1 Table 1, line 4 and line 17.

Since the 2008 - 2009 payment amounts continue in 2010, OPG is forecasting to record an addition of $195.0M in 2010, which is equal to the annualized value (i.e.,12/21) of the $341.2M revenue requirement reduction incorporated in the payment amounts for the 21-month test period from April 1, 2008 – December 31, 2009.

5.0 EXISTING HYDROELECTRIC VARIANCE AND DEFERRAL ACCOUNTS

5.1 Hydroelectric Water Conditions Variance Account

Exhibit H1-T1-S1 Table 1 presents the balances in this account. Exhibit H1-T1-S1 Table 2 shows derivation of the entries to this account.

The Hydroelectric Water Conditions Variance Account captures the financial impact of differences between forecast and actual water conditions on OPG's regulated hydroelectric production. The regulated hydroelectric rate is based on a forecast of the total production and the total costs for the regulated hydroelectric facilities in the test period. The production forecast in turn is based on a forecast of water availability. Water availability is affected by a numbers of factors (e.g., local and total basin inflows, temperature, precipitation, humidity, and wind). These variables are entered into the hydroelectric production model to determine the forecast energy production. Details of the production forecast methodology are described in Ex. E1-T1-S1.

In order to determine the production impact of changes in water conditions, the actual flow values for 2008 and 2009 were entered into the hydroelectric production model, holding all other variables constant. The resulting production based on actual flows is then compared to the original energy production based on forecast flows to determine the deviations from forecast. The revenue impact of the production variance is determined by multiplying the deviation from forecast, as described above, by the approved hydroelectric payment amount per EB-2007-0905.

OPG pays gross revenue charges ("GRC") to the Ontario Electricity Financial Corporation ("OEFC"), the Niagara Parks Commission, and the Minister of Finance. These payments are based on production. As such, changes to energy production (as described above) also change OPG's GRC payments. Changes in GRC are also recorded in this account. For a full discussion of gross revenue charges see Ex. F1-T4-S1.

The basis for recording entries to this variance account in 2010 is consistent with the method approved by the OEB in the EB-2009-0174 Decision and Order. The 2010 forecast for this variance account is based on the difference between forecast production in OPG's 2010 business plan and production based on the monthly reference values approved by the OEB in the EB-2009-0174 Decision and Order. The monthly reference values are derived from the 2009 forecast values for January, February, and March, and an average of 2008 and 2009 forecast values from April through December.

The revenue impact is determined by multiplying the deviation from forecast by the hydroelectric payment amount approved in EB-2009-0905 Decision. The GRC impact is calculated by multiplying the production deviation by the GRC rate. Exhibit H1-T1-S1 Table 1 provides a summary of the account balances for 2007, 2008, and 2009 and the projected balance for 2010.

5.2 Interim Period Shortfall (Rider D) Variance Account

Exhibit H1-T1-S1 Table 1 presents the account balances for 2008, 2009 and the projected balance for 2010. The derivation of annual transactions in this account is shown in Ex. H1-T1-S1 Table 11.

This account records the difference between the regulated hydroelectric revenue shortfall amount for the period from April 1, 2008 to November 30, 2008, and the regulated hydroelectric payment rider D amounts recovered in the period from December 1, 2008 to December 31, 2009, based on actual regulated hydroelectric production.

5.3 Hydroelectric Deferral and Variance Over/Under Recovery Variance Account

The derivation of this account balance is shown in Ex. H1-T1-S1 Table 11.

The EB-2009-0174 Decision and Order directed OPG to establish this account on January 1, 2010 to record the over collection of regulated hydroelectric variance account balances that are recovered through the regulated hydroelectric payment amount.

6.0 EXISTING NUCLEAR VARIANCE AND DEFERRAL ACCOUNTS

6.1 Pickering A Return to Service ("PARTS") Deferral Account

Exhibit H1-T1-S1 Table 1 presents the account balances for 2007, 2008, and 2009 and the projected balance for 2010. The derivation of amortization amounts for this account is shown in Ex. H1-T1-S1 Table 5.

This account was established by O. Reg. 53/05 and the approved balance, net of accumulated amortization, from the EB-2007-0905 Decision is $183.8M with a recovery period ending December 31, 2011. With the exception of interest, there were no additions to the PARTS deferral account after 2007. For the first quarter of 2008, OPG amortized the balance in the PARTS deferral account based on costs that were being recovered through the regulated rates approved by the Province, which were in effect until March 31, 2008. Beginning April 1, 2008 the December 31, 2007 balance was amortized on a straight-line basis over 45 months as approved by the OEB in EB-2007-0905. Therefore, the approved December 31, 2007 balance will be fully amortized by December 31, 2011. The EB-2009-0174 Decision and Order approved the continued amortization and recovery of the approved December 31, 2007 balance in this account through the continuation of nuclear payment rider A.

6.2 Nuclear Liability Deferral Account

Exhibit H1-T1-S1 Table 1 presents the account balances for 2007, 2008, and 2009 and the projected balance for 2010. The entries in this account over this period are shown in Ex. H1-T1-S1 Tables 1b, 1c and 1d.

OPG will incur costs associated with decommissioning its nuclear facilities and managing used fuel and intermediate level waste. These costs are recognized as expenses over the life of the nuclear stations and are included in payment amounts because they are part of the cost of operating the nuclear stations. The nuclear liability deferral account was established in 2007 in accordance with section 5.2(1) of O. Reg. 53/05 to capture the revenue requirement impact of any change in OPG's nuclear decommissioning liability arising from an approved reference plan under the Ontario Nuclear Funds Agreement ("ONFA").

In EB-2009-0905, the OEB approved the recovery of the balance in this account as at December 31, 2007 over a period of 33 months, beginning April 1, 2008. The EB-2009-0174 Decision and Order approved the continued amortization and recovery of the approved December 31, 2007 balance in this account through the continuation of nuclear payment rider A. From January 1, 2010, entries to this account will only be required if there is a new approved reference plan after December 31, 2009. OPG's accounting and regulatory treatment of nuclear liabilities is discussed in Ex. C2-T1-S1.

6.3 Nuclear Development Variance Account

Exhibit H1-T1-S1 Table 1 presents the account balances for 2007, 2008, and 2009 and the projected balance for 2010. The derivation of transactions for this account is shown in Ex. H1-T1-S1 Table 6**.**

OPG established a Nuclear Development Variance Account in accordance with section 5.4 of the Regulation. The purpose of this account is to ensure that OPG recovers differences between actual non-capital costs incurred and firm financial commitments made for planning and preparation for the development of proposed new nuclear generation facilities and the amount included in payment amounts for these activities. OPG's nuclear development activities are described more fully in Ex. D2-T2-S1.

The EB-2009-0174 Decision and Order approved the continued amortization and recovery of the approved December 31, 2007 balance in this account in 2010. The 2010 entry was developed using the method approved in the EB-2009-0174 decision. The projected balance

for 2010 is based on the difference between the forecast expenditures for nuclear development for 2010 in OPG's 2010 - 2014 Business Plan compared to the forecast amounts included in the payment amounts in EB-2007-0905.

OPG also established a Nuclear Development Deferral Account, Transition in accordance with section 5.3 of the Regulation. The OEB approved recovery of the balance in this account as at December 31, 2007 in EB-2007-0905. The OEB also directed that the balance in the Nuclear Development Deferral Account, Transition as at April 1, 2008 be transferred into the Nuclear Development Variance Account.

6.4 Transmission Outages and Restrictions Variance Account

Exhibit H1-T1-S1 Table 1 presents the account balances for 2007, 2008, 2009, and the projected balance for 2010.

The OEB approved the recovery of the balance in this variance account as at December 31, 2007 over a period of three years in EB-2007-0905. The OEB also accepted OPG's proposal to stop recording additional transactions in this account effective April 1, 2008. Therefore, the only transactions in this account from 2008 to 2010 are the application of interest and the recording of amortization expense. After the account balance is fully amortized the account will end.

6.5 Capacity Refurbishment Variance Account

Exhibit H1-T1-S1 Table 1 presents the account balances for 2007, 2008, and 2009 and the projected balance for 2010. The derivation of these balances is shown in Ex. H1-T1-S1 Table 8.

This account was established pursuant to O. Reg.53/05, section 6(2)3, to 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 and the amounts for these purposes included in the approved payment amounts. Entries in this account include:

- Expenditures for Pickering B Refurbishment undertaken pursuant to a directive that OPG received from the Province on June 16, 2009 as discussed in Ex. F2-T2-S3.
- Expenditures for Darlington Refurbishment undertaken pursuant to a directive that OPG received from the Province on June 16, 2009 as discussed in Ex. D2-T2-S1.
- Expenditures for the Pickering B Continued Operations and Fuel Channel Life Cycle Management projects, which increase the output of the station as discussed in Ex. F2-T2-S3.

The EB-2009-0174 Decision and Order approved the continued accumulation of entries to this account by comparing 2010 actual expenditures to a forecast derived from 2008 and 2009 forecast values.

6.6 Nuclear Fuel Cost Variance Account

Exhibit H1-T1-S1 Table 1 presents the account balances for 2008, 2009 and the projected balance for 2010. The derivation of the balances in this account is shown in Ex. H1-T1-S1 Table 9.

This account records the difference between forecast and actual nuclear fuel expenses. The variances in 2008 and 2009 were determined in accordance with the OEB-approved methodology which involves comparing the nuclear fuel cost rate ($/MWh), as reflected in the OEB-approved revenue requirement and production forecast, against the actual nuclear fuel cost rate ($/MWh) applied to the actual nuclear production. The variance was determined by multiplying the difference in the nuclear fuel cost rate by the actual production in each month.

The EB-2009-0174 Decision and Order approved OPG's proposal to measure monthly variances in 2010 by taking the monthly difference of actual costs or revenues and the OEB-approved forecasts for the period April 1, 2008 to December 31, 2009. The monthly forecasts will be derived from the 2009 forecast values for January, February and March, and an average of 2008 and 2009 forecast values from April through December. See Ex. E2-T1-S1 for additional details on the nuclear production forecast and methodology and Ex. E2-T1-S2 for period-over-period comparisons of the nuclear production forecast.

6.7 Bruce Lease Net Revenues Variance Account

Exhibit H1-T1-S1, Table 1 presents the variance account balances for 2008, 2009 and the projected balance for 2010. The derivation of the balances in this account is shown in Ex. H1-T1-S1 Table 10. See Ex. G2-T2-S1 for details regarding the actual Bruce revenues and costs for 2008, 2009, and the projected amounts for 2010.

The Bruce Lease Net Revenues Variance Account was established by the OEB in EB-2007-0905 and became effective April 1, 2008. This account captures differences between the forecast costs and revenues related to the Bruce lease that are factored into the nuclear revenue requirement, and OPG's actual revenues and costs in respect of Bruce facilities. The projected balance for 2010 was determined in accordance with the methodology approved in the EB-2009-0174 Decision and Order.

In 2008 and 2009, OPG compared actual Bruce lease net revenues credited to customers for the month through current payment amounts to the actual net revenues realized by OPG for that month based on Generally Accepted Accounting Principles ("GAAP") as required by the EB-2007-0905 Decision. The difference was recorded in the Bruce Lease Net Revenues Variance Account. The net lease revenue included in the 2008 to 2009 revenue requirement was approved as part of the EB-2007-0905 Payment Order. This net revenue is divided by the forecast nuclear production to determine a rate that reflects the portion of the regulated nuclear rate that relates to the Bruce facilities. This rate was multiplied by actual monthly production in 2008 and 2009, and represents the amount of Bruce lease revenue credited to customers in the month. This amount was compared to actual net revenue realized by OPG in each month and the difference was recorded in the Bruce Lease Net Revenue Variance Account.

6.8 Interim Period Shortfall (Rider B) Variance Account

The derivation of the balances in this account is shown in Ex H1-T1-S1 Table 12.

This account records the differences between the nuclear revenue shortfall amount for the period April 1, 2008 to November 30, 2008 and the nuclear payment rider B amounts recovered in the period from December 1, 2008 to December 31, 2009 based on actual

nuclear production. Exhibit H1-T1-S1 Table 1 summarizes the account balances for 2008, and 2009 and projected balances for 2010.

6.9 Nuclear Deferral and Variance Over/Under Recovery Variance Account

Exhibit H1-T1-S1 Table 1 summarizes the account balances for 2008, and 2009 and projected balances for 2010. As described in Ex H1-T2-S1, the amount proposed for recovery is the projected 2010 year end balance adjusted to recognize the over collection of revenue forecast to result from continuation of Nuclear Rider A during January and February, 2011.

The EB-2009-0174 Decision and Order approves the establishment of this account, effective April 1, 2008, to capture the difference between forecast and actual production during the test period relating to nuclear payment rider A and rider C. The derivation of the balances in this account is shown in Ex H1-T1-S1 Table 12.