



## Deferral & Variance Account Application – Settlement Agreement

### Roadmap

March 25, 2013

# OPG's Deferral and Variance Account Application

This document is intended to provide a high level roadmap to the Settlement Agreement.

Construction of this document:

- A. Roadmap to Rider Calculations (including 60/40 split)
- B. Roadmap to key Elements of the Agreement

This document was prepared by OPG solely as an aid to the presentation of the Settlement Agreement. In many instances it paraphrases (at a high level) the language included within the Settlement Agreement. If there are any differences between the language in this document and that of the Settlement Agreement, the Settlement Agreement shall prevail.

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## Rider Calculations:

- Attachment 1 (Tables 16 & 17) – OPG's Application materials (prefiled evidence) that show the calculation of the originally proposed Hydroelectric and Nuclear Riders
- Attachment 1 (Tables 16A & 17A) – Settlement Agreement materials that show the calculation of the agreed upon Hydroelectric and Nuclear Riders. Key elements are:
  - Columns b) and d) – show reductions and other adjustments as per the Settlement
  - Column e) – shows balances in accounts for recovery pursuant to the Settlement
  - Column f) – shows agreed to recovery periods
  - Column i) – shows amounts to be recovered during 2013 and 2014 pursuant to the Settlement
  - Row 11a) – shows the amortization amounts, split 60/40 over 2013/2014 (see below for details)
  - Row 13 – shows the Payment Riders
- Attachment 1 (Table 17B) – shows the actual amortization amounts, on a 60/40 basis, by account in 2013 and 2014
- Attachment 1 (Table 23A) – shows the calculation of the Interim Period Shortfall Riders (assuming either a March 1 or April 1 implementation)
- Attachment 4 (Tables 21 and 22) shows the typical consumer bill impact

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## B. Key Elements of the Settlement Agreement:

1. Pension and OPEB
2. Bruce Lease
3. Nuclear Liabilities
4. USGAAP
5. Nuclear Development

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## 1. Pension & OPEB Settlement Details:

- The account will continue without a prescribed end date.
- Separation of the account into "Historic" and "Future" components. Historic (2/12ths of year-end 2012 balance) will be recovered over 2 years, including interest. Future (10/12ths of year-end 2012 balance) will be recovered based on current EARSL (12 years).
- No interest to be charged on the Future component, nor on new entries to the account post December 31, 2012, during the 2013/2014 period.
- Amortization term and methodology for the recovery or refund of amounts posted to the account after December 31, 2012 will be addressed in OPG's next payment amounts application.

## Notes on Specific Table Entries:

- None

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## 2. Bruce Lease Settlement Details:

- Separation of account into “non-derivative” and “derivative” sub-accounts.
- Non-derivative sub-account balance will be recovered on a straight-line basis over 4 years.
- The intention with the derivative sub-account is that the amount recovered from ratepayers in any year will be equal to the amount expected to be paid as a rent rebate for that year (i.e. rebate payment made by OPG to Bruce Power). To account for the fact that amounts recovered to date exceed rent rebates incurred to date, an adjustment to the amount to be cleared in 2013 is included.
- Interest was removed from both the derivative and non-derivative sub-account balances as at December 31, 2012. The Parties also agree that OPG will not record interest charges on the balances of these sub-accounts during 2013 or 2014.

## Notes on Specific Table Entries:

- Attachment 2 sets out the split between “derivative” and “non-derivative” sub-accounts.
  - Table 14 shows a Summary of Account Transactions, by sub-account for 2011/2012
  - Table 14a) shows a comparison of revenues with line 6, 19 and 20 split into “derivative” and “non-derivative” portions.
  - Table 14c) shows a calculation of the balance for recovery as at December 31, 2012.

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## 3. Nuclear Liabilities Settlement Details:

- Interest was removed from the account balance as at December 31, 2012. The account will not attract interest, going forward.
- Account balance as at December 31, 2012 will be recovered on a straight-line basis over 2 years.
- As part of the Settlement Agreement, OPG agreed to advance a credit to ratepayers for a 2013 revenue requirement decrease which will result from the accounting changes for nuclear station service lives.
- Amount of revenue requirement impact (after tax) of reduced depreciation costs (i.e. not captured by Nuclear Liability Deferral Account) resulting from the changes of Pickering service lives has been used to offset account balances to be recovered in 2013 and 2014. This is accomplished through establishment of a new account effective January 1, 2013, into which OPG will book an entry of \$47M per year to ratepayers' credit until nuclear base rates are reset after a COS proceeding.
- If, other than through an ONFA Reference Plan update process, OPG proposes to effect an accounting change impacting the calculation of the Nuclear Liabilities and resulting in a revenue requirement impact for the prescribed facilities > \$10M, then OPG shall seek an accounting order from the OEB.

## Notes on Specific Table Entries:

- Attachment 1 (Table 17A) key elements are:
  - Columns b) and d) – lines 2 and 10a show interest reduction and other adjustments regarding station service lives respectively
- Attachment 3 (Tables 1 and 2) – provides calculations of revenue requirement impacts of accounting changes to nuclear station service lives

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## 4. USGAAP Settlement Details:

- The Parties agree that OPG's adoption of USGAAP for regulatory accounting, reporting and rate-making purposes effective January 1, 2012 is appropriate.
- The Parties agree that the account will be cleared as proposed by OPG.
- The Parties agree that no further amounts will be recorded in the Impact for USGAAP Deferral Account after December 31, 2012, with the exception of interest and amortization.

## Notes on Specific Table Entries:

- None



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## 5. Nuclear Development Settlement Details:

➤ Consideration of the clearance of the balance in this account is deferred until OPG's next cost of service payment amounts proceeding applicable to the nuclear prescribed facilities, in order to allow the amount and prudence of all amounts accumulated in the account to that time to be considered by the Board together.

### Notes on Specific Table Entries:

➤ None