

700 University Avenue, Toronto, Ontario M5G 1X6

Tel: 416-592-3326 Fax: 416-592-8519
colin.anderson@opg.com

April 1, 2013

VIA EMAIL, COURIER AND RESS

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

Dear Ms. Walli:

**Re: EB-2012-0002 – Draft Order for Payment Amount Riders for the Period
January 1, 2013 to December 31, 2014**

Attached is a draft order and supporting schedules for payment amount riders for Ontario Power Generation's (OPG's) prescribed facilities. I am providing two (2) paper copies. OPG submitted the document on the Regulatory Electronic Submission System ("RESS") today.

The draft order reflects the Board's March 25, 2013 decision in the EB-2012-0002 proceeding. The payment amount riders are effective January 1, 2013 and will be implemented by the Independent Electricity System Operator (IESO) following receipt of the final OEB Order. The IESO has confirmed that it will ensure retroactive recovery back to the March 1 implementation date.

Sincerely,

[Original signed by]

Colin Anderson
Director, Ontario Regulatory Affairs

Attach

cc: Charles Keizer (Torys)
Carlton D. Mathias
EB-2012-0002 Intervenors

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Ontario Power Generation Inc. for an order or orders related to deferral and variance accounts and the adoption of USGAAP for regulatory accounting purposes.

BEFORE: Marika Hare
Presiding Member

Paula Conboy
Member

Ellen Fry
Member

DRAFT PAYMENT AMOUNTS ORDER

April 1, 2013

Ontario Power Generation Inc. ("OPG") filed an application dated September 24, 2012 with the Ontario Energy Board (the "Board") under section 78.1 of the *Ontario Energy Board Act*, S.O. 1998, c. 15, Schedule B (the "Act") for an order or orders approving the disposition of balances, as of December 31, 2012, in certain of its deferral and variance accounts and an order approving the adoption by OPG of the Generally Accepted Accounting Principles of the United States ("USGAAP") for regulatory purposes. The Board assigned file number EB-2012-0002 to the application.

In its application, OPG requested that the EB-2010-0008 nuclear payment amount rider be continued on an interim basis as of January 1, 2013, and that OPG be authorized to continue posting entries to the Pension and OPEB Cost Variance Account on an interim basis after December 31, 2012 until a decision was issued by the Board on OPG's

request to extend this account. On November 6, 2012, the Board issued an Order granting OPG's request and declaring interim, effective January 1, 2013, the current nuclear payment amount rider and granting OPG interim authority to continue posting entries into the Pension and OPEB Cost Variance Account after December 31, 2012.

On February 8, OPG filed an update to the application to reflect audited 2012 year-end balances.

In accordance with the Board's Procedural Order 2, a Settlement Conference between OPG and the Intervenors to the application was held, beginning on February 11, 2013. A comprehensive agreement on all issues in the proceeding was achieved. The Settlement Agreement was filed with the Board on March 14, 2013.

In an oral hearing on March 25, 2013 the Settlement Agreement was presented to the Board. The Board issued an oral decision on March 25, 2013 in which the Board approved the Settlement Agreement as filed on March 14, 2013 and resulting payment amount riders effective January 1, 2013. The Board directed OPG to file a draft Payment Amounts Order by April 1, 2013.

THE BOARD THEREFORE ORDERS THAT:

1. The deferral and variance account amounts approved for recovery in the period from January 1, 2013 to December 31, 2013 are \$60.3M for the prescribed hydroelectric facilities, as set out in Appendix B, Table B-1. The deferral and variance account amounts approved for recovery in the period from January 1, 2013 to December 31, 2013 are \$319.5M for the regulated nuclear facilities, as set out in Appendix B, Table B-2.
2. The deferral and variance account amounts approved for recovery in the period from January 1, 2014 to December 31, 2014 are \$40.2M for the prescribed hydroelectric facilities, as set out in Appendix B, Table B-1. The deferral and variance account amounts approved for recovery in the period from January 1, 2014 to December 31, 2014 are \$213.0M for the prescribed nuclear facilities, as set out in Appendix B, Table B-2.
3. Effective from January 1, 2013 to December 31, 2013, for the production from the prescribed hydroelectric facilities, the regulated hydroelectric payment amount rider for the recovery of the approved variance and deferral account balances (Hydroelectric Rider A) is \$3.04/MWh, as set out in Appendix A, Table 1.
4. Effective from March 1, 2013 to December 31, 2013, for the production from the prescribed hydroelectric facilities, the regulated hydroelectric Interim Period Shortfall Rider (Hydroelectric Rider B) is \$0.58/MWh, as set out in Appendix A,

Table 3. Hydroelectric Rider B provides for the recovery of the Hydroelectric Rider A for the period from January 1, 2013 to February 28, 2013.

5. Effective January 1, 2014, Hydroelectric Rider A is \$2.02/MWh, as set out in Appendix A, Table 1. The payment amount rider is in effect until December 31, 2014.
6. Effective from January 1, 2013 to December 31, 2013, for the production from the prescribed nuclear facilities, the nuclear payment amount rider for the recovery of the approved variance and deferral account balances (Nuclear Rider A) is \$6.27/MWh, as set out in Appendix A, Table 2.
7. Effective from March 1, 2013 to December 31, 2013, for production from the prescribed nuclear facilities, the nuclear Interim Period Shortfall Rider (Nuclear Rider B) is \$0.41/MWh, as set out in Appendix A, Table 3. Nuclear Rider B provides for the recovery of the difference between Nuclear Rider A and the interim nuclear payment amount rider of \$4.33/MWh for the period from January 1, 2013 to February 28, 2013.
8. Effective January 1, 2014, Nuclear Rider A is \$4.18/MWh, as set out in Appendix A, Table 3. The payment amount rider is in effect until December 31, 2014.
9. Amortization of the approved variance and deferral account balances for 2013 and 2014 shall be as shown at Appendix A, Table 4, columns (d) and (e), respectively.
10. The Independent Electricity System Operator (“IESO”) shall make payments to OPG in accordance with this Order as of March 1, 2013.
11. OPG shall recover the approved balances shown in Appendix A, Tables 1 and 2, Column (c), in the following deferral and variance accounts in accordance with Appendix B, effective January 1, 2013:
 - Hydroelectric Water Conditions Variance Account
 - Ancillary Services Net Revenue Variance Account – Hydroelectric
 - Income and Other Taxes Variance Account
 - Tax Loss Variance Account
 - Capacity Refurbishment Variance Account
 - Pension and OPEB Cost Variance Account
 - Impact for USGAAP Deferral Account
 - Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
 - Nuclear Liability Deferral Account
 - Ancillary Services Net Revenue Variance Account – Nuclear
 - Bruce Lease Net Revenues Variance Account
 - Nuclear Deferral and Variance Over/Under Recovery Variance Account

- Pickering Life Extension Depreciation Variance Account
12. OPG shall continue making entries in the following variance and deferral accounts in accordance with Appendix B, effective January 1, 2013:
- Hydroelectric Water Conditions Variance Account
 - Ancillary Services Net Revenue Variance Account – Hydroelectric
 - Hydroelectric Incentive Mechanism Variance Account
 - Hydroelectric Surplus Baseload Generation Variance Account
 - Income and Other Taxes Variance Account
 - Capacity Refurbishment Variance Account
 - Pension and OPEB Cost Variance Account
 - Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
 - Nuclear Liability Deferral Account
 - Nuclear Development Variance Account
 - Ancillary Services Net Revenue Variance Account – Nuclear
 - Bruce Lease Net Revenues Variance Account
 - Pickering Life Extension Plant Depreciation Account
 - Nuclear Deferral and Variance Over/Under Recovery Variance Account
13. OPG shall continue the following variance and deferral accounts only for entries of amortization and interest in accordance with Appendix B, effective January 1, 2013:
- Tax Loss Variance Account
 - Impact for USGAAP Deferral Account
14. OPG shall establish the following variance account in accordance with Appendix B, effective January 1, 2013:
- Pickering Life Extension Depreciation Variance Account
15. OPG shall file an accounting order application with the Board and provide notice to intervenors of record in EB-2012-0002 if, other than as a result of an ONFA Reference Plan update, OPG proposes to effect an accounting change impacting the calculation of its Nuclear Liabilities that results in a revenue requirement impact for the prescribed facilities that is neither reflected in the current or proposed payment amounts nor recorded in the Nuclear Liability Deferral Account (including, without limitation, any change in the useful lives of any asset for depreciation or amortization purposes). OPG shall not be required to apply for such accounting orders if the impact on the annualized revenue requirement impact for the prescribed facilities is less than \$10M.

DATED at Toronto _____, 2013

ONTARIO ENERGY BOARD

Kirsten Walli
Board Secretary

APPENDICIES
TO
PAYMENT AMOUNTS ORDER
ONTARIO POWER GENERATION INC.
EB-2012-0002

EB-2012-0002 PAYMENT AMOUNTS ORDER – APPENDICIES

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APPENDIX B: DEFERRAL AND VARIANCE ACCOUNTS

APPENDIX A

CALCULATION OF RIDERS, AMORTIZATION AND IMPACTS

Numbers may not add due to rounding.

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

Line No.	Account	Audited Balance at Dec 31 2012 ¹	Negotiated Reductions	(a) + (b) Settlement Balance Dec 31 2012	Deferrals Advancements and Adjustments	(c) + (d) Settlement Balance For Recovery	Recovery Period (Months)	2013 Amortization / Rider ²	2014 Amortization / Rider ²	(g) + (h) 2013-2014 Amortization / Blended Rider	(c) - (i) ⁷ Balance Remaining at Dec 31, 2014 Including Adjustments
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	Hydroelectric Water Conditions Variance	17.1	-	17.1	-	17.1	24	8.6	8.6	17.1	0.0
2	Ancillary Services Net Revenue Variance - Hydroelectric	34.0	-	34.0	-	34.0	24	17.0	17.0	34.0	0.0
3	Hydroelectric Incentive Mechanism Variance ³	(2.4)	-	(2.4)	2.4	0.0	N/A	0.0	0.0	0.0	(2.4)
4	Hydroelectric Surplus Baseload Generation Variance ³	4.1	-	4.1	(4.1)	0.0	N/A	0.0	0.0	0.0	4.1
5	Income and Other Taxes Variance - Hydroelectric	(2.5)	-	(2.5)	-	(2.5)	24	(1.3)	(1.3)	(2.5)	0.0
6	Tax Loss Variance - Hydroelectric	48.2	-	48.2	-	48.2	24	24.1	24.1	48.2	0.0
7	Capacity Refurbishment Variance - Hydroelectric ³	1.1	-	1.1	(1.1)	0.0	N/A	0.0	0.0	0.0	1.1
8	Pension and OPEB Cost Variance - Hydroelectric ⁴	15.1	-	15.1	0.04	15.2	See note 6	2.3	2.3	4.7	10.5
9	Impact for USGAAP Deferral - Hydroelectric	2.8	-	2.8	-	2.8	24	1.4	1.4	2.8	0.0
10	Hydroelectric Deferral and Variance Over/Under Recovery Variance	(3.9)	-	(3.9)	-	(3.9)	24	(1.9)	(1.9)	(3.9)	0.0
11	Total (lines 1 through 10)	113.8	-	113.8	(2.9)	111.0		50.2	50.2	100.4	13.4
	60 / 40 Split 2013/2014 (col. (g) = col. (i) x 60%; col. (h) = col. (i) x 40%)							60.3	40.2	100.4	
12	Total Approved 2011-2012 Production⁵ (TWh)							19.9	19.9	39.7	
13	Regulated Hydroelectric Payment Amount Rider (\$/MWh) (line 11 / line 12)							3.04	2.02	2.53	

Notes:

- From Ex. H1-1-2 Table 1.
- Col. (e) amount x 12 months / recovery period in col. (f), except line 8. See note 6.
- Deferred per original application.
- Col. (d) adds interest on the 2/12 amount per Ex. M1-1 Section B3.
- From EB-2010-0008 Payment Amounts Order, Appendix A, Table 3, line 1.
- Amortization calculated as described in Ex. M1-1 Section B3.
- Except for row 8, where col. (j) = col. (e) - col. (i).

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

Line No.	Account	Audited Balance at 31-Dec 2012 ¹	Negotiated Reductions	(a) + (b) Settlement Balance 31-Dec 2012	Deferrals, Advancements and Adjustments	(c) + (d) Settlement Balance For Recovery	Recovery Period (Months)	2013 Amortization / Rider ²	2014 Amortization / Rider ²	(g)+(h) 2013-2014 Amortization / Blended Rider	(c)-(i) ¹² Balance Remaining at Dec 31, 2014 Including Adjustments
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	Nuclear Liability Deferral ³	208.0	(1.8)	206.2	(81.4)	124.8	24	62.4	62.4	124.8	81.4
2	Nuclear Development Variance ⁴	30.2	-	30.2	(30.2)	0.0	24	0.0	0.0	0.0	30.2
3	Ancillary Services Net Revenue Variance - Nuclear	1.7	-	1.7	-	1.7	24	0.8	0.8	1.7	0.0
4	Capacity Refurbishment Variance - Nuclear ⁵	13.1	-	13.1	(1.3)	11.8	24	5.9	5.9	11.8	1.3
5	Bruce Lease Net Revenues Variance - Derivative Portion	230.3	-	230.3	-	230.3	See note 6	5.3	62.2	67.5	162.8
5a	Bruce Lease Net Revenues Variance - Non-derivative Portion ⁷	80.2	(5.5)	74.8	-	74.8	48	18.7	18.7	37.4	37.4
6	Income and Other Taxes Variance - Nuclear	(32.5)	-	(32.5)	-	(32.5)	24	(16.3)	(16.3)	(32.5)	0.0
7	Tax Loss Variance - Nuclear	253.3	-	253.3	-	253.3	24	126.7	126.7	253.3	0.0
8	Pension and OPEB Cost Variance - Nuclear ⁸	309.1	-	309.1	0.8	309.9	See note 9	47.6	47.6	95.2	214.7
9	Impact for USGAAP Deferral - Nuclear	60.3	-	60.3	-	60.3	24	30.1	30.1	60.3	0.0
10	Nuclear Deferral and Variance Over/Under Recovery Variance	6.9	-	6.9	-	6.9	24	3.5	3.5	6.9	0.0
10a	Pickering Life Extension Depreciation Account ¹⁰	N/A	N/A	N/A	(93.8)	(93.8)	See note 10	(46.9)	(46.9)	(93.8)	0.0
11	Total (lines 1 through 10a)	1,160.6	(7.3)	1,153.3	(206.0)	947.3		237.8	294.7	532.5	527.8
11a	60 / 40 Split 2013/2014 (col. (g) = col. (i) x 60%; col. (h) = col. (i) x 40%)							319.5	213.0	532.5	
12	Total Approved 2011-2012 Production¹¹ (TWh)							51.0	51.0	101.9	
13	Nuclear Payment Amount Rider (\$/MWh) (line 11a / line 12)							6.27	4.18	5.23	

Notes:

- Ex. H1-1-2 Table 1, except lines 5 and 5a. Line 5 is the sum of the amounts on line 8 of Ex. M1-1, Attachment 2, Table 14. Line 5a is the sum of the amounts on line 9 of Ex. M1-1, Attachment 2, Table 14 plus interest on the total balance in the Bruce Lease Net Revenues Variance Account, from Ex. H1-1-2 Tables 1a, 1b and 1c, line 20.
- Col. (e) amount x 12 months / recovery period in col. (f), except line 5. See Note 6.
- Adjustment in col. (b) is \$1.8M in foregone interest as described in Ex. M1-1 Section B1. Adjustment in col. (d) is \$81.4M credit for accounting changes for station service lives as described in Ex. M1-1 Section B3 and shown at Ex. M1-1, Attachment 3, Table 1, line 17b.
- Balance in account to be held over for disposition in a future proceeding.
- Portion deferred per original application.
- Amortization calculated as described in Ex. M1-1 Section B3, and shown in cols. (g) and (h) is from Ex. M1-1, Attachment 2, Table 14c, lines 15 and 16, respectively.
- Col. (b) removes interest on the total balance in the Bruce Lease Net Revenues Variance Account, from Ex. H1-1-2 Tables 1a, 1b and 1c, line 20.
- Col. (d) adds interest on the 2/12 amount per Ex. M1-1 Section B3.
- Amortization calculated as described in Ex. M1-1 Section B3.
- As described in Ex. M1-1 Section D. The \$46.9M / year adjustment is shown at Ex. M1-1, Attachment 3, Table 1, line 17a.
- From EB-2010-0008 Payment Amounts Order, Appendix A, Table 3, line 1.
- Except for rows 8 and 10a, where col. (j) = col. (e) - col. (i).

Numbers may not add due to rounding.

Table 3
Calculation of Interim Period Shortfall Riders
("Hydroelectric Rider B" and "Nuclear Rider B")

Line No.	Account	March 1, 2013 Implementation	
		Regulated Hydroelectric	Nuclear
		(a)	(b)
1	Approved Rider (\$/MWh) ¹	3.04	6.27
2	Interim Rider (\$/MWh) ²	0.0	4.33
3	2011/2012 Average January Production Forecast (TWh) ³	1.6	4.8
4	2011/2012 Average February Production Forecast (TWh) ³	1.5	4.2
5	Interim Period Production Forecast (TWh) (line 3 + line 4)	3.2	9.0
6	Production Forecast Used to Set Proposed Rider (TWh) ⁴	19.9	51.0
7	Interim Period Shortfall Rider (\$/MWh) (((line 1 - line 2) x line 5) / (line 6 - line 5))	0.58	0.41

Notes:

- 1 2013 rider proposed for approval in this Settlement Agreement.
 Regulated Hydroelectric from EB-2012-0002 Payment Amounts Order, Appendix A, Table 1, line 13.
 Nuclear from EB-2012-0002 Payment Amounts Order, Appendix A, Table 2, line 13.
- 2 Per EB-2012-0002 Procedural Order No. 1.
- 3 Based on average of 2011 and 2012 production for the given month, from monthly production figures provided in L-2-1 Staff-16, Attachment 1, Table 2 (Regulated Hydroelectric) and Table 3 (Nuclear).
- 4 Regulated Hydroelectric from EB-2012-0002 Payment Amounts Order, Appendix A, Table 1, line 12.
 Nuclear from EB-2012-0002 Payment Amounts Order, Appendix A, Table 2, line 12.

Numbers may not add due to rounding.

Table 4
Calculation of 2013 and 2014 Amortization Pattern Resulting from 60 / 40 Weighting

Line No.	Account	Unadjusted Amortization Pattern from M1-1 Attachment 1 Tables 16A and 17A, Columns (g) and (h)			Amortization Pattern Adjusted for Weighting 60% 2013 / 40% 2014		
		2013 Amortization	2014 Amortization	(a)+(b) 2013-2014 Amortization	(c) x 60% 2013 Amortization	(c) x 40% 2014 Amortization	(d) + (e) 2013-2014 Amortization
		(a)	(b)	(c)	(d)	(e)	(f)
	Regulated Hydroelectric Accounts						
1	Hydroelectric Water Conditions Variance	8.6	8.6	17.1	10.3	6.8	17.1
2	Ancillary Services Net Revenue Variance - Hydroelectric	17.0	17.0	34.0	20.4	13.6	34.0
3	Hydroelectric Incentive Mechanism Variance	0.0	0.0	0.0	0.0	0.0	0.0
4	Hydroelectric Surplus Baseload Generation Variance	0.0	0.0	0.0	0.0	0.0	0.0
5	Income and Other Taxes Variance - Hydroelectric	(1.3)	(1.3)	(2.5)	(1.5)	(1.0)	(2.5)
6	Tax Loss Variance - Hydroelectric	24.1	24.1	48.2	28.9	19.3	48.2
7	Capacity Refurbishment Variance - Hydroelectric	0.0	0.0	0.0	0.0	0.0	0.0
8	Pension and OPEB Cost Variance - Hydroelectric	2.3	2.3	4.7	2.8	1.9	4.7
9	Impact for USGAAP Deferral - Hydroelectric	1.4	1.4	2.8	1.7	1.1	2.8
10	Hydroelectric Deferral and Variance Over/Under Recovery Variance	(1.9)	(1.9)	(3.9)	(2.3)	(1.5)	(3.9)
11	Sub Total - Regulated Hydroelectric (lines 1 through 10)	50.2	50.2	100.4	60.3	40.2	100.4
	Nuclear Accounts						
12	Nuclear Liability Deferral	62.4	62.4	124.8	74.9	49.9	124.8
13	Nuclear Development Variance	0.0	0.0	0.0	0.0	0.0	0.0
14	Ancillary Services Net Revenue Variance - Nuclear	0.8	0.8	1.7	1.0	0.7	1.7
15	Capacity Refurbishment Variance - Nuclear	5.9	5.9	11.8	7.1	4.7	11.8
16	Bruce Lease Net Revenues Variance - Derivative Portion	5.3	62.2	67.5	40.5	27.0	67.5
17	Bruce Lease Net Revenues Variance - Non-derivative Portion	18.7	18.7	37.4	22.4	15.0	37.4
18	Income and Other Taxes Variance - Nuclear	(16.3)	(16.3)	(32.5)	(19.5)	(13.0)	(32.5)
19	Tax Loss Variance - Nuclear	126.7	126.7	253.3	152.0	101.3	253.3
20	Pension and OPEB Cost Variance - Nuclear	47.6	47.6	95.2	57.1	38.1	95.2
21	Impact for USGAAP Deferral - Nuclear	30.1	30.1	60.3	36.2	24.1	60.3
22	Nuclear Deferral and Variance Over/Under Recovery Variance	3.5	3.5	6.9	4.2	2.8	6.9
23	Pickering Life Extension Plant Depreciation Account	(46.9)	(46.9)	(93.8)	(56.3)	(37.5)	(93.8)
24	Sub Total - Nuclear (lines 12 through 23)	237.8	294.7	532.5	319.5	213.0	532.5
25	Total (line 11 + line 24)	288.0	344.9	632.9	379.8	253.2	632.9

Numbers may not add due to rounding.

Table 5
Computation of Percent Change in Payment Amounts

Line No.	Description	Notes	EB-2010-0008 Board Approved Payment Amounts	EB-2012-0002 Proposed Payment Amounts	Percent Change in Payment Amounts
			(a)	(b)	(c)
	<u>PERCENT CHANGE IN PAYMENT AMOUNTS</u>				
	AVERAGE RATE:				
1	Regulated Hydroelectric Rate Including Rider (\$/MWh)	1	34.13	38.31	12.2%
2	Nuclear Rate Including Rider (\$/MWh)	2	55.85	56.75	1.6%
3	Approved 2011-12 Regulated Hydroelectric Production (TWh)	3	39.7	39.7	
4	Approved 2011-12 Nuclear Production (TWh)	3	101.9	101.9	
5	Total Approved 2011-12 Production (TWh) (line 3 + line 4)		141.6	141.6	
6	Regulated Hydroelectric Portion of Production-Weighted Average Rate (\$/MWh) (line 1 x line 3 / line 5)		9.57	10.74	
7	Nuclear Portion of Production-Weighted Average Rate (\$/MWh) (line 2 x line 4 / line 5)		40.19	40.84	
8	Total Production-Weighted Average Rate (\$/MWh) (line 6 + line 7)		49.77	51.58	
9	OVERALL CHANGE IN PAYMENT AMOUNTS FROM EB-2010-0008 TO EB-2012-0002 (((line 8 col. (b) - line 8 col. (a)) / line 8 col. (a))/100)				3.6%

Notes:

- 1 EB-2010-0008 amount from EB-2010-0008 Payment Amounts Order, Appendix B, Table 1, line 3 plus line 5.
EB-2012-0002 amount is Board approved 2011-2012 payment amount from EB-2010-0008 Payment Amounts Order, Appendix B, Table 1, line 3 plus proposed rider from EB-2012-0002 Payment Amounts Order, Appendix A, Table 1, line 13, col. (g).
- 2 EB-2010-0008 amount from EB-2010-0008 Payment Amounts Order, Appendix C, Table 1, line 3 plus line 5.
EB-2012-0002 amount is Board approved 2011-2012 payment amount from EB-2010-0008 Payment Amounts Order, Appendix C, Table 1, line 3 plus proposed rider from EB-2012-0002 Payment Amounts Order, Appendix A, Table 2, line 13, col. (g).
- 3 From EB-2010-0008 Payment Amounts Order, Appendix A, Table 3, line 1.

Table 6
Annualized Residential Consumer Impact Assessment

Line No.	Description	Residential
1	Typical Consumption¹ (kWh/Month)	842
2	Typical Usage of OPG Generation (kWh/Month) (line 1 x line 12)	409
3	Typical Bill¹ (\$/Month)	116.30
4	Typical Bill Impact (\$/Month) (line 2 x line 8 /1000)	0.74
5	Typical Bill Impact (%) (line 4 / line 3)	0.6%
6	Current OPG weighted average Hydro & Nuclear Rate (\$/MWh)	49.77
7	Proposed OPG weighted average Hydro & Nuclear Rate (\$/MWh)	51.58
8	Change in OPG weighted average Hydro & Nuclear Rate (\$/MWh) (line 7 - line 6)	1.81
9	Change in OPG weighted average Hydro & Nuclear Rate (%) (line 8 / line 6)	4%
10	Total Forecast 2013-14 Regulated Production ² (TWh)	138.8
11	Forecast of Provincial Demand ³ (TWh)	285.6
12	OPG Proportion of Consumer Usage (line 10 / line 11)	48.6%

Notes:

- 1 For Residential consumers, average monthly consumption (800 kWh) and average monthly bill are based on the OEB "Bill Calculator" for estimating monthly electricity bills. Typical Consumption includes line losses.
- 2 See L-3-5 EP-02
- 3 Based on IESO June 2012 18 Month Outlook. As the 18 Month Outlook did not provide a demand forecast for 2014, OPG used the IESO Energy demand forecast for 2013 (142.8 TWh) and assumed the 2014 forecast to be equal to the 2013 forecast (142.8 TWh + 142.8 TWh = 285.6 TWh).

APPENDIX B

DEFERRAL AND VARIANCE ACCOUNTS

Appendix B: Deferral and Variance Accounts

CLEARANCE OF EXISTING DEFERRAL AND VARIANCE ACCOUNTS

With respect to the variance and deferral accounts established by O. Reg. 53/05 and the Board's decisions and orders in EB-2007-0905, EB-2009-0038, EB-2009-0174, EB-2010-0008, EB-2011-0090 and EB-2011-0432 as well as the Pickering Life Extension Depreciation Variance Account established by the decision in this proceeding, the Board approves December 31, 2012 balances in these accounts, as provided in column (c) of Tables 1 and 2 of Appendix A and as provided in column (a) of Tables B-1 and B-2, below. The Board approves the recovery, effective January 1, 2013, of the balances in these accounts, as provided in column (b) of Tables B-1 and B-2, below. The Board also approves the amortization amounts for these balances for the periods from January 1, 2013 to December 31, 2013 and from January 1, 2014 to December 31, 2014, as calculated at Appendix A, Table 4, columns (d) and (e), respectively, and set out in columns (c) and (d), respectively of Tables B-1 and B-2, below.

Table B - 1
Regulated Hydroelectric Accounts

Account	Settlement Balance Dec 31, 2012	Settlement Balance For Recovery	Jan 1 - Dec 31 2013 Amortization	Jan 1 - Dec 31 2014 Amortization
	(\$M)	(\$M)	(\$M)	(\$M)
	(a)	(b)	(c)	(d)
Hydroelectric Water Conditions Variance	17.1	17.1	10.3	6.8
Ancillary Services Net Revenue Variance - Hydroelectric	34.0	34.0	20.4	13.6
Income and Other Taxes Variance - Hydroelectric	(2.5)	(2.5)	(1.5)	(1.0)
Tax Loss Variance - Hydroelectric	48.2	48.2	28.9	19.3
Pension and OPEB Cost Variance - Hydroelectric	15.1	15.2	2.8	1.9
Impact for USGAAP Deferral - Hydroelectric	2.8	2.8	1.7	1.1
Hydroelectric Deferral and Variance Over/Under Recovery Variance	(3.9)	(3.9)	(2.3)	(1.5)
Total	110.9	111.0	60.3	40.2

Table B - 2
Nuclear Accounts

Account	Settlement Balance Dec 31, 2012	Settlement Balance For Recovery	Jan 1 - Dec 31 2013 Amortization	Jan 1 - Dec 31 2014 Amortization
	(\$M)	(\$M)	(\$M)	(\$M)
	(a)	(b)	(c)	(d)
Nuclear Liability Deferral	206.2	124.8	74.9	49.9
Ancillary Services Net Revenue Variance - Nuclear	1.7	1.7	1.0	0.7
Capacity Refurbishment Variance - Nuclear	13.1	11.8	7.1	4.7
Bruce Lease Net Revenues Variance - Derivative Portion	230.3	230.3	40.5	27.0
Bruce Lease Net Revenues Variance - Non-derivative Portion	74.8	74.8	22.4	15.0
Income and Other Taxes Variance - Nuclear	(32.5)	(32.5)	(19.5)	(13.0)
Tax Loss Variance - Nuclear	253.3	253.3	152.0	101.3
Pension and OPEB Cost Variance - Nuclear	309.1	309.9	57.1	38.1
Impact for USGAAP Deferral - Nuclear	60.3	60.3	36.2	24.1
Nuclear Deferral and Variance Over/Under Recovery Variance	6.9	6.9	4.2	2.8
Pickering Life Extension Depreciation	N/A	(93.8)	(56.3)	(37.5)
	1,123.1	947.3	319.5	213.0

The Board approves amortization of the balances for recovery in all of the above accounts over a 24 month period commencing January 1, 2013, with the following exceptions. The balance in the Future Recovery portion¹ of the Pension and OPEB Cost Variance Account is to be recovered over 144 months, commencing January 1, 2013. The balance in the non-derivative portion of the Bruce Lease Net Revenues Variance Account² is to be recovered over 48 months, commencing January 1, 2013. Amortization amounts for the derivative portion of the Bruce Lease Net Revenues Variance Account for 2013 and 2014 are calculated as described in Ex. M1-1, Section B3 and shall commence on January 1, 2013.

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

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

The Board approves amortization amounts for 2013 and 2014 as shown in columns (c) and (d), respectively of Tables B1 and B2, above and as calculated at columns (d) and (e), respectively of Appendix A, Table 4.

CONTINUING VARIANCE AND DEFERRAL ACCOUNTS

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

¹ The Future Recovery portion of the Pension and OPEB Variance Account is defined at Ex. M1-1, p 14.

² The non-derivative portion of the Bruce Lease Net Revenues Variance Account is defined at Ex. M1-1, p 16.

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

Hydroelectric Water Conditions Variance Account

The Hydroelectric Water Conditions Variance Account shall continue to record the financial impact of differences between forecast and actual water conditions. OPG shall determine the production impact of changes in water conditions by entering the actual flow values into the same production forecast model used to calculate the Board-approved production forecast, holding all other variables constant. OPG shall determine the deviations from forecast as the difference between the resulting production from the production forecast model based on actual flows and the energy production forecast approved by the Board. OPG shall use the average of the monthly forecasts for 2011 and 2012 underpinning the EB-2010-0008 payment amounts as the reference values against which to measure production variances due to changes in water conditions arising for the corresponding months after December 31, 2012. For each month, OPG shall determine energy production based on actual flows by entering actual water flow values into the 2011 and 2012 forecast models and computing an average of the resulting imputed monthly energy values from the two models. OPG shall determine the revenue impact of the production variance by multiplying the deviation from forecast, as described above, by the EB-2010-0008 approved regulated hydroelectric payment amount of \$35.78/MWh. The resulting amount shall be recorded in the Hydroelectric Water Conditions Variance Account.

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

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

Ancillary Services Net Revenue Variance Account – Hydroelectric

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

Income and Other Taxes Variance Account

The Income and Other Taxes Variance Account shall continue to record the financial impact on the EB-2010-008 revenue requirement approved by the Board (the “reference amount”) of:

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

The income tax provision reflected in the revenue requirement approved by the Board shall be used to calculate any variances in income taxes recorded in the Income and Other Taxes Variance Account. The income tax provision reflected in the revenue requirement approved by the Board is calculated in the EB-2010-0008 Payment Amounts Order, Appendix A, Tables 6 and 7. The monthly reference amounts shall be 1/24 of the total forecast amount of \$152.0M for 2011 and 2012 underpinning the two-year revenue requirement approved in EB-2010-0008.

Tax Loss Variance Account

OPG shall continue to record only interest and amortization in the Tax Loss Variance Account. The balances remaining for the regulated hydroelectric and nuclear portions of this account as at December 31, 2014 shall be transferred to the Hydroelectric Deferral and Variance Over/Under Recovery Variance Account and Nuclear Deferral and Variance Over/Under Recovery Variance Account, respectively. Following this transfer, the Tax Loss Variance Account shall be terminated on December 31, 2014.

Impact for USGAAP Deferral Account

This account captured the financial impacts of OPG's transition to and implementation of USGAAP. OPG shall record only interest and amortization in the Impact for USGAAP Account. The balances remaining for the hydroelectric and nuclear portions of this account as at December 31, 2014 shall be transferred to the Hydroelectric Deferral and Variance Over/Under Recovery Variance Account and Nuclear Deferral and Variance Over/Under Recovery Variance Account, respectively. Following this transfer, the Impact for USGAAP Deferral Account shall be terminated on December 31, 2014.

Pension and OPEB Cost Variance Account

The Pension and OPEB Cost Variance Account will continue to record the difference between:

- (i) the pension and OPEB costs, plus related income tax PILs, reflected in the current revenue requirement approved by the Board (the "reference amount"), and
- (ii) OPG's actual pension and OPEB costs, and associated tax impacts, for the prescribed generation facilities.

The monthly reference amounts shall be 1/24 of the forecast amounts underpinning the two-year revenue requirement approved in EB-2010-0008 for 2011 and 2012. The differences between reference amounts and actual amounts will continue to be calculated and recorded in a manner consistent with that underpinning the approved account balance as at December 31, 2012. Actual pension and OPEB costs used in the calculation of the difference shall be calculated using the same accounting standards as those used to derive the reference amounts.

The balance in this account as at December 31, 2012, including interest accrued to that date, shall be split into Historic Recovery and Future Recovery components. The Historic Recovery component of the account balance shall be 2/12ths of the total balance in the account as at December 31, 2012. The Future Recovery component of the account balance shall be 10/12ths of the total balance in the account as at December 31, 2012.

The Historic Recovery component of the account balance, together with interest projected to accrue on this component during the period from January 1, 2013 to December 31, 2014, shall be recovered over two years commencing January 1, 2013. The Future Recovery component shall be recovered over a period of 12 years commencing January 1, 2013.

OPG shall not record any interest on the Future Recovery component during the period from January 1, 2013 to December 31, 2014.

To the extent the actual interest amounts during the period from January 1, 2013 to December 31, 2014 related to the Historic Recovery component are different from those used in establishing amortization amounts in this order, OPG shall record such differences in the Hydroelectric and Nuclear Deferral/Variance Over/Under Recovery Variance Accounts.

Hydroelectric Surplus Baseload Generation Variance Account

Clearance of this account is deferred to the next payment amounts proceeding.

The Hydroelectric Surplus Baseload Generation Variance Account shall continue to record the financial impact of foregone production at the prescribed hydroelectric facilities due to

surplus baseload generation (“SBG”) conditions in accordance with the Board’s Order in EB-2010-0008.

Hydroelectric Incentive Mechanism Variance Account

Clearance of this account is deferred to the next payment amounts proceeding.

The Hydroelectric Incentive Mechanism (“HIM”) Variance Account will record 50 per cent of HIM net revenues above \$13M per calendar year after December 31, 2012 as a credit to ratepayers, derived as described below.

The HIM Variance Account was established in EB-2010-0008 to record 50 per cent of HIM net revenues above \$10M in 2011 and above \$14M in 2012 as a credit to ratepayers. For 2011, the \$10M is associated with the ten months beginning March 1, 2011, which is the effective date of the EB-2010-0008 approved payment amounts. Annualizing this figure produces a full-year 2011 amount of \$12M. The \$13M annual threshold for the recording of amounts into the account after December 31, 2012 represents the average of the annualized 2011 threshold of \$12M and the full-year 2012 threshold of \$14M.

Hydroelectric Deferral and Variance Over/Under Recovery Variance Account

The Hydroelectric Deferral and Variance Over/Under Recovery Variance Account shall continue to record the differences between the amounts approved for recovery in the hydroelectric variance and deferral accounts and the actual amounts recovered based on actual regulated hydroelectric production and approved riders. The account shall also include the transfer of the hydroelectric portion of the balances remaining in the Tax Loss Variance Account and Impact for USGAAP Deferral Account as at December 31, 2014.

To the extent the actual interest amounts during 2013 and 2014 related to the hydroelectric portion of the Historic Recovery component of the Pension and OPEB Cost Variance Account are different from those used in establishing amortization amounts for that account in this proceeding, OPG shall record such differences in the Hydroelectric Deferral and Variance Over/Under Recovery Variance Account.

Nuclear Liability Deferral Account

The Nuclear Liability Deferral Account shall continue to record the revenue requirement impact of any change in OPG's nuclear decommissioning liability arising from an approved reference plan measured against the forecast impact reflected in the revenue requirement approved by the Board in EB-2010-0008. OPG shall not record the revenue requirement impact of a change in its nuclear decommissioning liability associated with its nuclear obligations related to the Bruce facilities in this account. Effective January 1, 2013, OPG shall record the return on rate base in the account using the weighted average accretion rate on OPG's nuclear liabilities of 5.37%.

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

Effective January 1, 2013, OPG shall not record any interest on the balance of the Nuclear Liability Deferral Account.

Nuclear Development Variance Account

Clearance of this account is deferred to the next payment amounts proceeding.

The Nuclear Development Variance Account shall continue to record variances between the actual non-capital costs incurred and firm financial commitments made in the course of planning and preparation for the development of proposed new nuclear generation facilities and those forecast costs and firm financial commitments reflected in the revenue requirement approved by the Board (the "reference amount"). The monthly reference amounts shall be 1/24 of the total forecast amount underpinning the two-year revenue requirement approved in EB-2010-0008 for 2011 and 2012.

Ancillary Services Net Revenue Variance Account - Nuclear

OPG shall compare actual nuclear ancillary services net revenue to the forecast amount reflected in the revenue requirement approved by the Board (the “reference amount”). The monthly reference amounts shall be 1/24 of the forecast amounts underpinning the two-year revenue requirement approved in EB-2010-0008. The difference shall continue to be recorded in this variance account. The ancillary services for nuclear operations include operating reserve and reactive support/voltage control service.

Capacity Refurbishment Variance Account

Clearance of portions of the December 31, 2012 balance in this account as set out at Appendix A, Tables 1 and 2, column (d) is deferred to the next payment amounts proceeding.

The Capacity Refurbishment Variance Account shall continue 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 referred to in O. Reg. 53/05 section 2 and those forecast costs and firm financial commitments reflected in the revenue requirement approved by the Board (the “reference amount”). The monthly reference amounts shall be 1/24 of the total forecast amount underpinning the two-year revenue requirement approved in EB-2010-0008 for 2011 and 2012. This account shall continue to include assessment costs and pre-engineering costs and commitments.

Bruce Lease Net Revenues Variance Account

The Bruce Lease Net Revenues Variance Account shall continue to capture differences between (i) the forecast revenues and costs related to the Bruce lease that are factored into the nuclear revenue requirement approved by the Board, and (ii) OPG’s actual revenues and costs in respect of the Bruce facilities. The monthly reference amounts shall be 1/24 of the total forecast amounts underpinning the two-year revenue requirement approved in EB-2010-0008 for 2011 and 2012.

The variance recorded in this account shall continue to be measured by comparing the Bruce lease revenues net of costs credited to customers monthly through the EB-2010-0008 approved nuclear payment amount of \$51.52/MWh to the actual monthly Bruce lease

revenues net of costs realized by OPG. The monthly Bruce lease revenues net of costs credited to customers shall continue to be equal to the rate of recovery reflected in the nuclear revenue requirement approved by the Board multiplied by OPG's actual nuclear production. The rate of recovery shall continue to be calculated by dividing the 24-month forecast Bruce lease net revenues approved in EB-2010-0008 for 2011 and 2012 by the approved 24-month forecast nuclear production approved in EB-2010-0008 for 2011 and 2012.

Effective January 1, 2013, this account will be divided into two sub-accounts as follows:

1. Derivative Sub-Account: The balance in the account relating to the derivative liability for the conditional supplemental rent rebate provision of the Bruce lease (including associated income tax impacts on Bruce lease net revenues calculated in accordance with generally accepted accounting principles for unregulated entities) and the rent rebates associated with supplemental rent revenue , and
2. Non-Derivative Sub-Account: The balance in the account relating to the non-derivative aspects of the account.

The balance in the account as at December 31, 2012 of \$305.0M is split \$74.8M and \$230.3M for the non-derivative and derivative sub-accounts, respectively.

The cost impact of any changes in OPG's liability for decommissioning the Bruce nuclear generating facilities and the management of nuclear waste and nuclear fuel related to the Bruce stations shall also continue to be recorded in this account and shall be reflected in the Non-Derivative Sub-Account

Recovery amounts for 2013 and 2014 for the derivative portion of this account are based on forecasts of supplemental rent rebate amounts payable to Bruce Power as set out in Ex. M1-1, Attachment 2, Table 14c. To the extent that the actual supplemental rent rebate amounts paid to Bruce Power differ from the above referenced forecast amounts, such differences shall be entered into the Derivative Sub-Account in order to be carried forward to adjust amortization amounts the next time the account balance is cleared.

OPG shall not record any interest on either sub-account balance during the period from January 1, 2013 to December 31, 2014.

Nuclear Deferral and Variance Over/Under Recovery Variance Account

The Nuclear Deferral and Variance Over/Under Recovery Variance Account shall continue to record the differences between the amounts approved for recovery in the nuclear variance and deferral accounts and the actual amounts recovered based on actual nuclear production and approved riders. The account shall also include the transfer of the nuclear portion of the balances remaining in the Tax Loss Variance Account and Impact for USGAAP Deferral Account as at December 31, 2014.

To the extent the actual interest amounts during 2013 and 2014 related to the nuclear portion of the Historic Recovery component of the Pension and OPEB Cost Variance Account are different from those used in establishing amortization amounts for that account in this proceeding, OPG shall record such differences in the Nuclear Deferral and Variance Over/Under Recovery Variance Account.

NEW VARIANCE ACCOUNT

Pickering Life Extension Depreciation Variance Account

Effective January 1, 2013, OPG shall establish a Pickering Life Extension Depreciation Variance Account. OPG shall record a credit amount of \$46.9M over the course of a year at approximately \$3.9M per month, for the period from January 1, 2013 until the effective date of new nuclear payment amounts (excluding riders), reflecting the revised service lives, for depreciation purposes, of the Pickering stations. No interest shall be recorded on the balance in this account.

INTEREST

Except where otherwise stated, effective January 1, 2013, OPG shall record interest on the balances in all variance and deferral accounts using the interest rates set by the Board from time to time pursuant to the Board's interest rate policy. OPG shall apply simple interest to the opening monthly balance of the accounts until the balances are fully recovered. Effective January 1, 2013, OPG shall record interest on the balances of the Nuclear Liability Deferral

Account, the Pension and OPEB Cost Variance Account, the Bruce Lease Net Revenues Variance Account and the Pickering Life Extension Variance Account as set out in the preceding section of this Appendix B.