

OVERVIEW OF DEFERRAL AND VARIANCE ACCOUNTS

1.0 PURPOSE

This evidence provides an overview of OPG's deferral and variance accounts and presents the amounts projected to be recorded in the accounts for 2013. These accounts were established pursuant to O. Reg. 53/05 and the OEB's decisions in EB-2007-0905, EB-2009-0038, EB-2009-0174, EB-2010-0008, EB-2011-0090, EB-2011-0432 and EB-2012-0002.

2.0 OVERVIEW

The balances in all accounts, including projected additions to accounts during 2013, are shown in Ex. H1-1-1 Table 1. The projected total year-end 2013 debit balance is \$256.0M for the previously regulated hydroelectric facilities and \$1457.1M for the nuclear facilities.

In this proceeding, OPG proposes to clear balances as at December 31, 2013 for only the accounts that were deferred in EB-2012-0002 to the next payment amounts proceeding. These are: 1) the Hydroelectric Incentive Mechanism ("HIM") Variance Account, 2) the Hydroelectric Surplus Baseload Generation ("SBG") Variance Account, 3) portions of the Capacity Refurbishment Variance Account, and 4) the Nuclear Development Variance Account (collectively, the "brought forward accounts"). The projected total year-end 2013 debit balance in these four accounts is \$120.1M for the previously regulated hydroelectric facilities and \$73.1M for the nuclear facilities. Details regarding proposed account clearance and riders are presented in Ex. H1-2-1.

OPG plans to seek clearance of the December 31, 2014 balances in all its deferral and variance account balances through a separate application to be filed in 2014.

3.0 LISTING OF ACCOUNTS

The OEB has authorized variance and deferral accounts for OPG as listed below. Projected entries into these accounts for 2013 have been calculated in accordance with the applicable OEB decisions and orders. The December 31, 2012 balances in all authorized accounts

were approved by the OEB in EB-2012-0002, with the exception of the four brought forward accounts.

- 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
- 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
- Nuclear Development Variance Account
- Bruce Lease Net Revenues Variance Account – Derivative and Non-Derivative Sub-Accounts
- Pickering Life Extension Depreciation Variance Account
- Nuclear Deferral and Variance Over/Under Recovery Variance Account

Exhibit H1-1-1, Table 1 is a 2013 continuity table which, for each account, shows the audited 2012 closing balance, negotiated reductions to the 2012 closing balance approved in EB-2012-0002, the 2012 closing/approved balance after reductions, projected 2013 additions (labelled “Transactions”), amortization subtracted and interest added for 2013, any transfers between accounts during the period, and the projected 2013 closing balance. Exhibit H1-1-1, Tables 2 through 14 provide supporting calculations showing the derivation of projected additions into these accounts during 2013. For the brought forward accounts, the tables also present supporting calculations for the 2011 and 2012 account additions previously presented in EB-2012-0002.

Where applicable, projected additions for 2013 have been calculated with reference to amounts underpinning the payment amounts approved in EB-2010-0008, in accordance with the methodologies approved in EB-2012-0002.

Except as noted below, interest is being applied to the monthly opening balance of the accounts at the OEB-prescribed rates. The projected 2013 year-end balances reflect the current prescribed rate of 1.47 per cent per annum in effect until December 31, 2013. The amortization presented for 2013 is as per Appendix B of the EB-2012-0002 Payment Amounts Order.

4.0 ACCOUNTS DESCRIPTIONS AND ENTRIES

This section provides brief descriptions of OPG's deferral and variance accounts and summarizes the reasons for the projected additions to the accounts during 2013. Additions in 2011 and 2012 for the brought forward accounts are also discussed. Complete descriptions of the accounts and the methods for making entries for periods after December 31, 2012 can be found in the EB-2012-0002 Payment Amounts Order.

4.1 Hydroelectric Water Conditions Variance Account

This account records the financial impact (including changes in gross revenue charges costs) of differences between forecast and actual water conditions. Due to unfavourable water supply conditions (i.e., precipitation) affecting the Niagara and St. Lawrence Rivers in 2013, the projected calculated hydroelectric production is expected to be less than the reference forecast production by 1,485 GWh. This variance is expected to result in a projected net debit addition of \$35.4M to the account during 2013. The derivation of the variance is shown in Ex. H1-1-1 Table 2.

4.2 Ancillary Services Net Revenue Variance Account – Hydroelectric and Nuclear Sub Accounts

These sub accounts record differences between actual hydroelectric and nuclear ancillary services net revenues and forecast amounts reflected in the approved revenue requirement. Hydroelectric and nuclear ancillary services net revenues are projected to be lower in 2013

than the amounts underpinning the EB-2010-0008 payment amounts, resulting in debit additions of \$21.1M and \$1.1M to the Hydroelectric and Nuclear Ancillary Services Net Revenue Variance Sub Accounts, respectively. The derivation of the entries into the account for 2013 is shown in Ex. H1-1-1 Table 3. Hydroelectric ancillary services net revenue is projected to be lower in 2013 primarily due to lower operating reserve and regulation service (formerly known as automatic generation control) revenues, as discussed in Ex. G1-1-2.

4.3 Hydroelectric Incentive Mechanism Variance Account

Effective March 1, 2011, this account records a credit to ratepayers for 50 per cent of HIM net revenues above a threshold amount. In EB-2010-0008, the threshold was established at \$10M for 2011 and \$14M for 2012. In EB-2012-0002, the threshold was established at \$13M per calendar year after December 31, 2012. In EB-2012-0002, the OEB approved the deferral of the clearance of this account to the next payment amounts proceeding. Therefore, OPG is proposing to clear the audited December 31, 2013 balance in this account as part of this application.

The derivation of additions to the account for 2011 and 2012 (actual) and 2013 (projected) is shown in Ex. H1-1-1 Table 4. The actual 2011 and 2012 and projected 2013 HIM net revenues of \$12.9M, \$15.8M and \$8.7M, respectively, are presented in Ex. E1-2-1.

4.4 Hydroelectric Surplus Baseload Generation Variance Account

This account was established effective March 1, 2011. It records the financial impact (including changes in gross revenue charges costs) of foregone production at OPG's prescribed hydroelectric facilities due to surplus baseload generation ("SBG") conditions in accordance with the Payment Amounts Orders in EB-2010-0008 and EB-2012-0002. In EB-2012-0002, the OEB approved the deferral of the clearance of this account to the next payment amounts proceeding. Therefore, OPG is proposing to clear the audited December 31, 2013 balance in the account as part of this application.

The derivation of additions to the account for 2011 and 2012 (actual) and 2013 (projected) is shown in Ex. H1-1-1 Table 5. Ex. E1-2-1 discusses the methodology for determining the

foregone production due to SBG conditions and presents the 2011 and 2012 actual and 2013 projected foregone production of 76.5 GWh, 116.9 GWh and 178.0 GWh, respectively, due to SBG conditions.

4.5 Income and Other Taxes Variance Account

This account records the financial impact on the regulated hydroelectric and nuclear revenue requirement of variations in payments in lieu of corporate income and capital taxes for OPG's prescribed assets resulting from changes to the tax rates or rules, assessments or re-assessments, new tax policies, and court decisions. The account also records variations in municipal property taxes and payments in lieu of property tax for the prescribed assets resulting from legislative or regulatory changes, including changes in municipal property tax rates or rules.

For 2013, OPG expects to record three entries into this account as follows:

1. A ratepayer credit related to an increase in the recognition of Scientific Research and Experimental Development ("SR&ED") investment tax credits ("ITCs") from 50 per cent to 75 per cent based on the completion of the 2002-2005 income tax audit in 2011;
2. a recovery from ratepayers related to a decrease in SR&ED ITCs due to a reduction from 100 per cent to 80 per cent of the amount of payments to contractors qualifying for ITCs, effective 2013; and
3. A debit entry related to the portion of nuclear waste management expenditures deemed to be capital for tax purposes following the resolution of a prior year tax audit.

As shown in Ex. H1-1-1, Table 6, the impact of these entries for 2013 is projected to be a net credit to ratepayers of \$1.3M.

Entries (1) and (3) are being recorded during 2013 using the same methodology as similar entries in 2011 and 2012, which were reflected in the December 31, 2012 balance in this

1 account and discussed and approved in EB-2012-0002.¹ Entry (2) results from changes to
2 the SR&ED ITC rules in the 2012 federal budget effective in 2013. The three entries are also
3 discussed in Ex. F4-2-1, sections 3.3.3 and 3.5.

4 5 **4.6 Tax Loss Variance Account**

6 The Tax Loss Variance Account was established effective April 1, 2008 in EB-2009-0038 to
7 record the variance between the tax loss amount underpinning the EB-2007-0905 payment
8 amounts and the tax loss amount resulting from the re-analysis of OPG's prior period tax
9 returns based on the OEB's directions in the EB-2009-0038 Decision and Order. This
10 account only records interest and amortization effective March 1, 2011 and, pursuant to the
11 EB-2012-0002 Payment Amounts Order, will be terminated at the end of the approved
12 recovery period on December 31, 2014. Interest of \$3.1M is projected to be recorded in the
13 account during 2013.

14 15 **4.7 Capacity Refurbishment Variance Account**

16 This account was established pursuant to section 6(2)4 of O. Reg. 53/05 to record variances
17 between the actual capital and non-capital costs and firm financial commitments incurred to
18 increase the output of, refurbish or add operating capacity to a prescribed generation facility
19 referred to in section 2 of O. Reg. 53/05 and those forecast costs and firm financial
20 commitments reflected in the revenue requirement approved by the OEB.

21
22 In EB-2012-0002, the OEB approved the deferral of the clearance of portions of this account
23 to the next payment amounts proceeding. Therefore, OPG is proposing to clear the deferred
24 portions of the audited December 31, 2013 account balance as part of this application. The
25 deferred portions comprised variances recorded in 2011 and 2012 for capital and non-capital
26 costs for the regulated hydroelectric facilities related primarily to the Niagara Tunnel project
27 ("NTP") and additions recorded in 2012 related to Darlington Refurbishment capital cost
28 variances.

29

¹ EB-2012-0002 Ex. H1-1-1, section 4.2

1 The derivation of the regulated hydroelectric account additions for 2011 and 2012 (actual)
2 and 2013 (projected) is shown in Ex. H1-1-1 Table 7. The derivation of 2011 and 2012
3 (actual) and 2013 (projected) capital cost account additions for the nuclear facilities is shown
4 in Ex. H1-1-1 Tables 12 and 12a. Table 12 also presents the projected 2013 nuclear non-
5 capital cost account additions, which OPG is not seeking to clear in this application.

6
7 The December 31, 2013 regulated hydroelectric balance in the account is projected to be a
8 debit of \$114.4M, as shown in Ex. H1-1-1 Table 1. As also shown in that table, the capital
9 cost portion of the December 31, 2013 nuclear account balance is forecast to be a debit of
10 \$3.7M. The regulated hydroelectric balance relates largely to the NTP. The entire nuclear
11 capital cost balance relates to Darlington Refurbishment projects.

12
13 All account additions for January and February 2011 have been calculated with reference to
14 amounts underpinning the payment amounts approved in EB-2007-0905 in accordance with
15 the methodology approved in EB-2009-0174 and used to derive the OEB-approved account
16 balance as at December 31, 2010. All additions since March 1, 2011 are calculated with
17 reference to amounts underpinning the EB-2010-0008 payment amounts.

18
19 The regulated hydroelectric portion of the account includes a projected debit addition of
20 \$115.1M in 2013 (Ex. H1-1-1 Table 7, line 10) reflecting the placement in-service and
21 addition to rate base of the NTP during 2013, as shown in Ex. B2-3-1 Table 2. Until a
22 hydroelectric payment amount reflecting the addition of the NTP to rate base becomes
23 effective, OPG is recording in the account the resulting depreciation expense, foregone cost
24 of capital at the EB-2010-0008 approved rates, and the associated income tax impact.

25
26 The NTP-related account additions in 2012 relate to, and in 2013 include, the income tax
27 impact of variances between actual/projected CCA deductions related to the NTP and such
28 forecast deductions underpinning approved payment amounts. These additions include the
29 impact of CCA variances starting on April 1, 2008, the effective date of the variance

1 account.² These variances were reflected in the account subsequent to the approval of the
2 December 31, 2010 balance. The derivation of CCA variances and other components of the
3 capital cost additions for the NTP is presented in Ex. H1-1-1 Table 7.

4
5 As shown in Ex. H1-1-1 Table 7, line 11, the hydroelectric portion of the account also reflects
6 a debit addition in 2012 of \$0.2M for NTP-related non-capital removal costs. The NTP is
7 discussed in detail in Ex. D1-2-1.

8
9 The projected regulated hydroelectric account balance as at December 31, 2013 also
10 includes a net ratepayer credit of \$2.4M (Ex. H1-1-1 Table 7, line 13) related to the capital
11 cost variance associated with the Sir Adam Beck I Generating Station Unit 7 Frequency
12 Conversion project ("G7 Project"), for the period from April 1, 2008 to December 31, 2013.
13 OPG previously identified this capital project as subject to the Capacity Refurbishment
14 Variance Account in EB-2007-0905 and EB-2010-0008.³ The variances for 2008 - 2010 were
15 reflected in the account subsequent to the approval of the December 31, 2010 balance.

16
17 The account addition for the G7 Project is calculated using the same methodology as the
18 capital cost addition for the NTP and includes the same components. The ratepayer credit
19 results primarily from a lower-than-forecast rate base amount during the 2008 - 2009 period
20 due to a later-than-forecast in-service date for the majority of the capital spending on the
21 project.

22
23 For the nuclear capital cost portion of the account, additions in 2012 (actual) and 2013
24 (projected) reflect the placement in-service of amounts for the Darlington Energy Complex
25 and Water and Sewer projects related to Darlington Refurbishment. The additions are
26 calculated using the same methodology as the capital cost addition for the NTP and include
27 the same components. The additions include the impact of CCA variances associated with

² As previously noted in the EB-2010-0008 interrogatory response L-1-020 b), OPG elected to claim early CCA related to the NTP available under the *Income Tax Act* (Canada). Therefore, since April 1, 2008, the approved payment amounts have reflected a forecast tax benefit to ratepayers associated with this election.

³ Refer to EB-2007-0905 undertaking J2.6 and EB-2010-0008 interrogatory response L-1-4.

capital expenditures on Darlington Refurbishment.⁴ Darlington Refurbishment, including the above two projects, is discussed in Ex. D2-2-1. The nuclear capital cost additions are shown in Ex. H1-1-1 Table 12, line 13 and are calculated in Ex. H1-1-1 Table 12a.

Projected nuclear non-capital cost 2013 additions are a net debit of \$20.6M and, as in 2011 and 2012, relate to Darlington Refurbishment, the Fuel Channel Life Management ("FCLM") project and Pickering Continued Operations. These additions are shown in Ex. H1-1-1, Table 12, lines 9 to 11. The FCLM project and Pickering Continued Operations are discussed in Ex. F2-2-3. Darlington Refurbishment OM&A costs are discussed in Ex. F2-7-1.

4.8 Pension and OPEB Cost Variance Account

As reflected in the approved Settlement Agreement in EB-2012-0002, this account continues to record the difference between:

- (1) the pension and OPEB costs, plus related income tax PILs, reflected in the current revenue requirement approved by the OEB, and
- (2) OPG's actual pension and OPEB costs, and associated tax impacts, for the prescribed generation facilities.

As required by the EB-2012-0002 Payment Amounts Order, projected 2013 pension and OPEB costs used in the calculation of the 2013 account additions are determined in accordance with Canadian GAAP, as the forecast pension and OPEB costs underpinning the approved EB-2010-0008 revenue requirement were also determined on that basis. Account additions for 2013 are calculated and recorded in a manner consistent with that reflected in the December 31, 2012 account balance approved in EB-2012-0002.

As ordered by the OEB in EB-2012-0002, the balance in this account as at December 31, 2012, including interest accrued to that date, was split into the Historic Recovery and Future Recovery components. The approved Historic Recovery component was set at 2/12^{ths} of the total account balance as at December 31, 2012. The approved Future Recovery component

⁴ OPG has elected to claim early CCA with respect to Darlington Refurbishment expenditures, in the same manner as for the NTP (see note 5).

1 was set at 10/12^{ths} of the total balance as at December 31, 2012. In order to facilitate the
2 presentation of entries into the account OPG has shown, as a separate component, the
3 projected account additions for 2013 ("2013 Additions"). The three components are shown
4 separately in Ex. H1-1-1 Table 1 for each of previously regulated hydroelectric and nuclear
5 facilities.

6
7 The derivation of projected 2013 debit account additions totalling \$397.3M (\$21.5M for
8 previously regulated hydroelectric and \$375.9M for nuclear)⁵ is shown in Ex. H1-1-1 Tables 8
9 and 8a. Ex. F4-3-1, Section 6 discusses pension and OPEB costs, including reasons for the
10 projected variance in 2013, and presents a supporting report from an independent actuary
11 (Ex. F4-3-1 Attachment 2).

12
13 The total projected December 31, 2013 debit balance in the account is \$662.0M, with \$33.8M
14 attributable to previously regulated hydroelectric and \$628.2M to nuclear, as shown in Ex.
15 H1-1-1 Table 1. The projected 2013 balance consists of \$21.5M (\$1.0M for previously
16 regulated and \$20.5M for nuclear) for the Historic Recovery component, \$243.2M (\$11.3M
17 for previously regulated hydroelectric and \$231.8M for nuclear) for the Future Recovery
18 component and \$397.3M (\$21.5M for previously regulated hydroelectric and \$375.9M for
19 nuclear) related to the 2013 additions.² The Historic Recovery component is expected to be
20 fully amortized by December 31, 2014 through the payment riders established in EB-2012-
21 0002. The outstanding balance of the Future Recovery component at December 31, 2014 is
22 expected to be \$225.2M (\$10.5M for previously regulated hydroelectric and \$214.7M for
23 nuclear). (Ex., H1-2-1 Tables 1 and 2.)

24
25 As ordered in EB-2012-0002, for the period from January 1, 2013 to December 31, 2014,
26 OPG is not recording interest on the Future Recovery component of the variance account.
27 Interest is also not being recorded, up to December 31, 2014, on additions made during this
28 period.

29 30 **4.9 Impact for USGAAP Deferral Account**

⁵ Amounts do not add due to rounding

Established in EB-2011-0432, this account captured the financial impacts on the prescribed facilities of OPG's transition to and implementation of USGAAP for the period from January 1, 2012 to December 31, 2012. This account records only interest and amortization effective January 1, 2013 and, pursuant to the EB-2012-0002 Payment Amounts Order, will be terminated at the end of the approved recovery period on December 31, 2014. Interest of \$0.7M is projected to be recorded in the account during 2013.

4.10 Hydroelectric Deferral and Variance Over/Under Recovery Variance Account

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 the actual regulated hydroelectric production and approved riders. Pursuant to OEB's orders, the account also captures the transfer of the hydroelectric portions of the balances remaining in other accounts as they expire from time to time. The derivation of the projected \$5.9M debit addition to the account for 2013 is shown in Ex. H1-1-1 Table 9. There are no transfers from expiring accounts forecast in 2013.

4.11 Nuclear Liability Deferral Account

In accordance with section 5.2(1) of O. Reg. 53/05, 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 arising from an approved reference plan under the Ontario Nuclear Funds Agreement ("ONFA").

The forecast account addition of \$122.7M for 2013 relates to changes in the above liabilities arising from the current approved ONFA Reference Plan effective January 1, 2012. The derivation of this addition is shown at Ex. H1-1-1 Table 10. The impact of the current approved ONFA Reference Plan on the prescribed facilities is discussed in Ex. C2-1-1.

In EB-2012-0002, \$81.4M of the OEB-approved December 31, 2012 account balance was deferred for future recovery and, as such, is expected to continue to be reflected in the account balance during 2013 and 2014, in addition to the 2013 additions.⁶

⁶ EB-2012-0002 Payment Amounts Order, App. A, Table 2, line 1, col. (d)

As ordered in EB-2012-0002, OPG is not recording any interest on the balance in this account effective January 1, 2013.

4.12 Nuclear Development Variance Account

The Nuclear Development Variance Account was established in accordance with section 5.4 of O. Reg. 53/05. 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.

In EB-2012-0002, the OEB approved the deferral of the clearance of this account to the next payment amounts proceeding. Therefore, OPG is proposing to clear the audited December 31, 2013 balance in this account as part of this application.

The derivation of additions to the account for 2011 and 2012 (actual) and 2013 (projected) is shown in Ex. H1-1-1 Table 11.⁷ Actual 2011 and 2012 and projected 2013 nuclear development costs are discussed in Ex. F2-8-1. The December 31, 2013 balance in this account is projected to be a debit of \$69.4M, as shown in Ex. H1-1-1 Table 1.

As described in EB-2012-0002, account additions for January and February 2011 have been calculated with reference to amounts underpinning the payment amounts approved in EB-2007-0905 in accordance with the methodology approved in EB-2009-0174 and used to derive the OEB-approved account balance as at December 31, 2010. Additions since March 1, 2011 are calculated with reference to amounts underpinning the EB-2010-0008 payment amounts. As no such forecast amounts were reflected in the EB-2010-0008 approved revenue requirement, variances since March 1, 2011 are calculated relative to \$0.

4.13 Bruce Lease Net Revenues Variance Account

⁷ The derivation of 2011 and 2012 additions was also previously presented in EB-2012-0002 Ex. H1-1-1, Table 10

1 This account continues to record differences between (i) the forecast revenues and costs
2 related to the Bruce lease that are factored into the nuclear revenue requirement approved
3 by the OEB, and (ii) OPG's actual revenues and costs in respect of the Bruce facilities. A
4 detailed discussion of these revenues and costs can be found in Ex. G2-2-1.

5
6 Pursuant to the EB-2012-0002 Payment Amounts Order, this account was divided into two
7 sub-accounts as follows:

8
9 Derivative Sub-Account: The Derivative Sub-Account captures impacts related to the
10 derivative liability for the conditional supplemental rent rebate provision of the Bruce lease
11 (including associated income tax impacts on Bruce lease net revenues calculated in
12 accordance with generally accepted accounting principles for unregulated entities) and the
13 rent rebates associated with supplemental rent revenue.

14
15 Non-Derivative Sub-Account: The Non-Derivative Sub-Account captures variances in non-
16 derivative elements of the Bruce lease net revenues, including the cost impact of any
17 changes in OPG's liability for decommissioning the Bruce nuclear generating facilities and
18 the management of nuclear waste and nuclear fuel related to the Bruce stations.

19
20 Pursuant to the EB-2012-0002 Payment Amounts Order, variances recorded in the account
21 are measured against the amount of Bruce lease revenues net of costs credited to
22 customers, determined by multiplying the rate of recovery reflected in the EB-2010-0008
23 nuclear revenue requirement by OPG's actual nuclear production. The rate of recovery of
24 \$2.66/MWh used in deriving the projected 2013 additions to the account is the same as that
25 used to calculate additions reflected in the approved December 31, 2012 balance of the
26 account and is calculated as shown in Ex. H1-1-1 Table 13.

27
28 As shown in Ex. H1-1-1 Table 1, there are no projected additions to the Derivative Sub-
29 Account in 2013. As discussed in Ex. G2-2-1, section 4.1.2, OPG has not forecast a change
30 in the fair value of the derivative for the 2013 - 2015 period.

1 The derivation of the projected 2013 debit additions of \$87.0M to the Non-Derivative Sub-
2 Account is shown in Ex. H1-1-1 Table 13. The additions relate primarily to the impacts of the
3 current approved ONFA Reference Plan effective January 1, 2012. As discussed in Ex. G2-
4 2-1, section 6, the projected impact of the reference plan on the 2013 Bruce Lease net
5 revenues is a reduction of approximately \$110M.

6
7 Pursuant to the EB-2012-0002 Payment Amounts Order, the amount of the Derivative Sub-
8 Account cleared each year, starting in 2013, is to be equal to the supplemental rent rebate
9 forecast to be payable to Bruce Power by OPG for that year (and associated income tax
10 impacts). The recovery for the derivative portion in 2013 was reduced by the amount by
11 which prior recoveries from ratepayers for this portion exceeded the amount of the actual
12 rent rebates and associated income taxes incurred by OPG for the period from April 1, 2008
13 to December 31, 2012.⁸ OPG calculated this reduction to be \$54.9M (EB-2012-0002 Ex. M-
14 1-1, page 17).

15
16 As noted in OPG's letter to the OEB dated September 26, 2013, in preparing this application,
17 OPG identified an error made in the calculation of the \$54.9M reduction to the 2013 recovery
18 amount. The correct amount is \$63.8M. The error will be corrected as part of the next
19 disposition of the balance of the Derivative Sub-Account, by reducing by \$8.9M the amount
20 otherwise recoverable from ratepayers for the sub-account.

21 Pursuant to the EB-2012-0002 Payment Amounts Order, OPG is not recording interest on
22 either sub-account balance during 2013 and 2014.

23 24 **4.14 Pickering Life Extension Depreciation Variance Account**

25 Pursuant to the EB-2012-0002 Payment Amounts Order, this variance account has been
26 established to record a credit amount of \$3.9M per month for the period from January 1,
27 2013 until the effective date of new nuclear payment amounts (excluding riders), reflecting

⁸ As discussed in EB-2012-0002 Ex. M1-1, pp. 15-17, up to December 31, 2012, OPG recovered the impacts of the supplemental rent rebate provision as determined on the basis of generally accepted accounting principles (i.e., as changes in the fair value of the derivative liability rather than amounts of rebate payable).

1 the revised service lives, for depreciation purposes, of the Pickering stations.⁹ Pursuant to
2 that order, the nuclear payment riders established for 2013 and 2014 were reduced by an
3 equivalent amount, resulting in a debit amortization amount being recorded in this account
4 starting in 2013. The December 31, 2013 projected balance in the account is a debit of
5 \$9.5M, as shown in Ex. H1-1-1 Table 1.

6
7 Pursuant to the EB-2012-0002 Payment Amounts Order, no interest is recorded on the
8 balance of the account.

9
10 **4.15 Nuclear Deferral and Variance Over/Under Recovery Variance Account**

11 This account records the differences between the amounts approved for recovery in the
12 nuclear deferral and variance accounts and the actual amounts recovered based on the
13 actual nuclear production and approved riders. Pursuant to OEB's orders, the account also
14 captures the transfer of the nuclear portions of the balances remaining in other accounts as
15 they expire from time to time. The derivation of the projected \$19.2M debit addition to the
16 account for 2013 is shown in Ex. H1-1-1 Table 14. There are no transfers from expiring
17 accounts forecast in 2013.

⁹ The impact of the revised accounting service lives for Pickering on the test period depreciation expense presented in this application is discussed in Ex. F4-1-1, section 3.3.

Numbers may not add due to rounding.

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Exhibit H1
Tab 1
Schedule 1
Table 1

Table 1
Deferral and Variance Accounts
Continuity of Account Balances - 2012 to 2013 (\$M)

Line No.	Account	Audited Year End Balance 2012 ¹	EB-2012-0002 Negotiated Reductions ²	(a)+(b) EB-2012-0002 Year End Balance 2012 ³	Projected 2013				(c)+(d)+(e)+(f)+(g) Projected Year End Balance 2013
					Transactions	Amortization ⁴	Interest ⁵	Transfers	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Previously Regulated Hydroelectric:								
1	Hydroelectric Water Conditions Variance	17.1	0.0	17.1	35.4	(10.3)	0.5	0.0	42.7
2	Ancillary Services Net Revenue Variance - Hydroelectric	34.0	0.0	34.0	21.1	(20.4)	0.6	0.0	35.3
3	Hydroelectric Incentive Mechanism Variance	(2.4)	0.0	(2.4)	0.0	0.0	(0.0)	0.0	(2.4)
4	Hydroelectric Surplus Baseload Generation Variance	4.1	0.0	4.1	3.8	0.0	0.1	0.0	8.1
5	Income and Other Taxes Variance - Hydroelectric	(2.5)	0.0	(2.5)	(0.0)	1.5	(0.0)	0.0	(1.1)
6	Tax Loss Variance - Hydroelectric	48.2	0.0	48.2	0.0	(28.9)	0.5	0.0	19.8
7	Capacity Refurbishment Variance - Hydroelectric	1.1	0.0	1.1	112.6	0.0	0.6	0.0	114.4
8	Pension and OPEB Cost Variance - Hydroelectric - Historic	2.5	0.0	2.5	0.0	(1.5)	0.0	0.0	1.0
9	Pension and OPEB Cost Variance - Hydroelectric - Future	12.6	0.0	12.6	0.0	(1.3)	0.0	0.0	11.3
10	Pension and OPEB Cost Variance - Hydroelectric - 2013 Additions	N/A	N/A	N/A	21.5	0.0	0.0	0.0	21.5
11	Impact for USGAAP Deferral - Hydroelectric	2.8	0.0	2.8	0.0	(1.7)	0.0	0.0	1.2
12	Hydroelectric Deferral and Variance Over/Under Recovery Variance	(3.9)	0.0	(3.9)	5.9	2.3	(0.0)	0.0	4.3
13	Total	113.8	0.0	113.8	200.3	(60.3)	2.2	0.0	256.0
	Nuclear:								
14	Nuclear Liability Deferral	208.0	(1.8)	206.2	122.7	(74.9)	0.0	0.0	254.0
15	Nuclear Development Variance	30.2	0.0	30.2	38.6	0.0	0.6	0.0	69.4
16	Ancillary Services Net Revenue Variance - Nuclear	1.7	0.0	1.7	1.1	(1.0)	0.0	0.0	1.8
17	Capacity Refurbishment Variance - Nuclear - Capital Portion	1.3	0.0	1.3	2.3	0.0	0.0	0.0	3.7
18	Capacity Refurbishment Variance - Nuclear - Non-Capital Portion	11.8	0.0	11.8	20.6	(7.1)	0.1	0.0	25.4
19	Bruce Lease Net Revenues Variance - Derivative Sub-Account	230.3	0.0	230.3	0.0	(40.5)	0.0	0.0	189.8
20	Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account	80.2	(5.5)	74.8	87.0	(22.4)	0.0	0.0	139.3
21	Income and Other Taxes Variance - Nuclear	(32.5)	0.0	(32.5)	(1.3)	19.5	(0.4)	0.0	(14.7)
22	Tax Loss Variance - Nuclear	253.3	0.0	253.3	0.0	(152.0)	2.6	0.0	104.0
23	Pension and OPEB Cost Variance - Nuclear - Historic	51.5	0.0	51.5	0.0	(31.4)	0.4	0.0	20.5
24	Pension and OPEB Cost Variance - Nuclear - Future	257.6	0.0	257.6	0.0	(25.8)	0.0	0.0	231.8
25	Pension and OPEB Cost Variance - Nuclear - 2013 Additions	N/A	N/A	N/A	375.9	0.0	0.0	0.0	375.9
26	Impact for USGAAP Deferral - Nuclear	60.3	0.0	60.3	0.0	(36.2)	0.7	0.0	24.8
27	Pickering Life Extension Depreciation Variance ⁶	N/A	N/A	N/A	(46.8)	56.3	0.0	0.0	9.5
28	Nuclear Deferral and Variance Over/Under Recovery Variance	6.9	0.0	6.9	19.2	(4.2)	0.1	0.0	22.1
29	Total	1,160.6	(7.3)	1,153.3	619.1	(319.5)	4.2	0.0	1,457.1
30	Grand Total	1,274.4	(7.3)	1,267.1	819.4	(379.8)	6.4	0.0	1,713.1

Notes:

- 1 From EB-2012-0002 Payment Amounts Order, App. A, Table 1 col. (a) for regulated hydroelctric and Table 2 col. (a) for nuclear.
- 2 From EB-2012-0002 Payment Amounts Order, App. A, Table 1 col. (b) for regulated hydroelctric and Table 2 col. (b) for nuclear.
- 3 All balances from EB-2012-0002, Ex. M1-1 Attachment 1, Tables 16A and 17A, col. (c). With the exception of balances at lines 3, 4, 7, 10, 15, 17, 25 and 27, all balances were approved by the OEB in EB-2012-0002 (Payment Amounts Order, App. B, Table B-1, col. (a)).
- 4 From EB-2012-0002 Payment Amounts Order, App. B, Table B-1, col. (c).
- 5 Effective January 1, 2013, per EB-2012-0002 Payments Amount Order, no interest is recorded in the Nuclear Liability Deferral Account, and, up to December 31, 2014, no interest is recorded in the Bruce Lease Net Revenues Variance Account and the Future Recovery component of the Pension and OPEB Cost Variance Account. Up to December 31, 2014, interest is also not being recorded on the 2013 additions to the Pension and OPEB Cost Variance Account.
- 6 Per the EB-2012-0002 Payment Amounts Order, the account reflects a credit of \$3.9M per month to ratepayers for the benefit of lower non-asset retirement costs depreciation expense and associated income tax impacts resulting from the revision of the Pickering generation stations' service lives, as discussed in Ex. H1-1-1 section 4.14. No interest is recorded in this account.

Numbers may not add due to rounding.

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Table 2

Table 2
Hydroelectric Water Conditions Variance Account
Summary of Account Transactions - Projected 2013

Line No.	Particulars	Projected 2013
		(a)
1	Forecast Production - EB-2012-0002¹ (GWh)	19,832
2	Projected Calculated Production (GWh)	18,347
3	Difference (GWh) (line 1 - line 2)	1,485
4	Revenue Impact at \$35.78/MWh (\$M)	53.1
5	GRC/Water Rental Costs (\$M)	(17.8)
6	Addition to Variance Account (\$M) (line 4 + line 5)	35.4

Notes:

- 1 2013 forecast production has been determined using the average monthly forecasts for 2011 and 2012 underpinning the reference amounts from EB-2010-0008 per EB-2012-0002 Payment Amounts Order, App. B, page 3.

Numbers may not add due to rounding.

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Table 3

Table 3
Ancillary Services Net Revenue Variance Account
Summary of Account Transactions - Projected 2013 (\$M)

Line No.	Particulars	Projected 2013	
		Hydroelectric	Nuclear
		(a)	(b)
1	Forecast Revenue - EB-2012-0002¹	38.9	3.0
2	Actual/Projected Revenue²	17.8	1.9
3	Addition to Variance Account (line 1 - line 2)	21.1	1.1

Notes:

- 1 For Hydroelectric, \$3.24M x 12 months per EB-2012-0002 Payment Amounts Order, App. B, page 4.
For Nuclear, \$0.25M x 12 months per EB-2012-0002 Payment Amounts Order, App. B, page 10.
- 2 From Ex. G1-1-1 Table 1, line 1 (Hydroelectric) and Ex. G2-1-1 Table 1, line 8 (Nuclear) .

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Table 4

Table 4
Hydroelectric Incentive Mechanism Variance Account
Summary of Account Transactions - 2011 to 2013 (\$M)

Line No.	Particulars	Actual Mar-Dec 2011	Actual 2012	Projected 2013
		(a)	(b)	(c)
1	Actual/Projected Hydroelectric Incentive Mechanism Net Revenue ¹	12.9	15.8	8.7
2	Threshold per EB-2010-0008 / EB-2012-0002 ²	10.0	14.0	13.0
3	Actual/Projected Hydroelectric Incentive Mechanism Net Revenue In Excess of Threshold (line 1 - line 2; nil if line 1 < line 2)	2.9	1.8	0.0
4	Percentage	50%	50%	50%
5	Addition to Variance Account ³ (line 3 x line 4)	(1.4)	(0.9)	0.0

Notes:

- 1 From Ex. E1-2-1 Section 5.0.
- 2 2011 and 2012 thresholds from EB-2010-0008 Payment Amounts Order, App. F, Page. 9. 2013 threshold from EB-2012-0002 Payment Amounts Order, App. B, page 8.
- 3 2011 and 2012 additions as presented at line 3 of EB-2012-0002, Ex. H1-1-2 Tables 1b and 1c, respectively.

Numbers may not add due to rounding.

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Table 5

Table 5
Hydroelectric Surplus Baseload Generation Variance Account
Summary of Account Transactions - 2011 to 2013 (\$M)

Line No.	Particulars	Actual Mar-Dec 2011	Actual 2012	Projected 2013
		(a)	(b)	(c)
1	Actual/Projected Foregone Production Due to SBG Conditions ¹ (GWh)	76.5	116.9	178.0
2	Revenue at \$35.78/MWh (\$M)	2.7	4.2	6.4
3	GRC/Water Rental Costs (\$M)	(1.1)	(1.7)	(2.6)
4	Addition to Variance Account (\$M) (line 2 + line 3)	1.6	2.5	3.8
5	Financial Reporting Adjustment ²	(1.1)	1.1	0.0
6	Reported Addition to Variance Account ³ (\$M) (line 4 + line 5)	0.5	3.6	3.8

Notes:

- 1 From Ex. E1-2-1 Section 3.2.
- 2 Represents offsetting interperiod financial statement reconciliation adjustments which do not impact the total transactions in the account over the 2011-2012 period.
- 3 2011 and 2012 additions as presented at line 4 of EB-2012-0002, Ex. H1-1-2 Tables 1b and 1c, respectively

Numbers may not add due to rounding.

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Table 6

Table 6
Income and Other Taxes Variance Account
Summary of Account Transactions - Projected 2013¹ (\$M)

Line No.	Particulars	Note	Hydroelectric	Nuclear	Total
			(a)	(b)	(c)
	Entry (i) Increase of Scientific Research and Experimental Development ("SR&ED") Investment Tax Credits (ITCs)				
	Recognition Percentage from 50% to 75%				
1	Forecast SR&ED ITCs, net of Tax on ITCs of Prior Periods, at 50%	2	(0.1)	(6.5)	(6.6)
2	Forecast SR&ED ITCs, net of Tax on ITCs of Prior Periods, at 75% (line 1 x 3/2)		(0.1)	(9.7)	(9.8)
3	Addition to Variance Account - SR&ED ITCs Recognition Percentage Increase (line 2 - line 1)		(0.0)	(3.2)	(3.3)
	Entry (ii) Reduction in Contractor Payments Qualifying for SR&ED ITCs from 100% to 80%				
4	Estimated Annual Qualifying Contractor Payments Reflected in Forecast SR&ED ITCs		0.6	57.4	58.0
5	20% Portion Not Eligible for SR&ED ITCs (line 4 x 20%)		0.1	11.5	11.6
6	Investment Tax Credit Rate	3	20%	20%	20%
7	Reduction in SR&ED ITCs (line 5 x line 6)		0.0	2.3	2.3
8	Addition to Variance Account - Reduction in Contractor Payments Qualifying for SR&ED ITCs (line 7 x 75%)		0.0	1.7	1.7
	Entry (iii) Income Tax Variance Due to Nuclear Waste Management Capital Expenditures Adjustment				
9	Non-Deductible Portion of Cash Expenditures for Nuclear Waste & Decommissioning		0.0	4.5	4.5
10	Additional Capital Cost Allowance		0.0	3.7	3.7
11	Impact on Taxable Income (line 9 - line 10)		0.0	0.8	0.8
12	Income Tax Rate	4	25.00%	25.00%	25.00%
13	Addition to Variance Account - Nuclear Waste Management Capital Expenditures Adjustment (line 11 x line 12)		0.0	0.2	0.2
14	Total Addition to Variance Account (line 3 + line 8 + line 13)		(0.0)	(1.3)	(1.3)

Notes:

- 1 The three entries into the account for 2013 are discussed in Ex. H1-1-1 Section 4.5 and Ex. F4-2-1 Sections 3.3.3 and 3.5.
- 2 Forecasts for 2013 have been determined based on amounts reflected in the payment amounts approved in EB-2010-0008 using the methodology from the EB-2012-0002 Payment Amounts Order, as follows:

Table to Note 2 - Forecast SR&ED ITCs, Net of Tax on ITCs of Prior Periods (\$M)					
Line No.			2011	2012	Total
			(a)	(b)	(c)
1a	Full Year SR&ED ITCs - Regulated Hydroelectric (from EB-2010-0008, Ex. F4-4-1 Table 2, line 5)		(0.1)	(0.1)	(0.2)
2a	Full Year SR&ED ITCs - Nuclear (from EB-2010-0008, Ex. F4-4-1 Table 3, line 6)		(8.7)	(8.7)	(17.4)
3a	Less: Full Year Taxable ITCs of Prior Periods x tax rate (26.50% for 2011 and 25.00% for 2012) - Regulated Hydroelectric [#]		0.0	0.0	0.1
4a	Less: Full Year Taxable ITCs of Prior Periods x tax rate (26.50% for 2011 and 25.00% for 2012) - Nuclear [#]		2.3	2.2	4.4
5a	Forecast SR&ED ITCs, net of Tax on ITCs of Prior Periods, from EB-2010-0008 - Regulated Hydroelectric (lines 1a + 3a)		(0.1)	(0.1)	(0.1)
6a	Forecast SR&ED ITCs, net of Tax on ITCs of Prior Periods, from EB-2010-0008 - Nuclear (lines 2a +4a)		(6.4)	(6.5)	(13.0)
7a	Annualized Forecast Amount ((line 5a, col. (c) / 24 months) x 12 months) - Regulated Hydroelectric				(0.1)
8a	Annualized Forecast Amount ((line 6a, col. (c) / 24 months) x 12 months) - Nuclear				(6.5)

[#] Total full year taxable ITCs of prior periods for regulated operations are shown in EB-2010-0008 Payment Amounts Order, App. A, Tables 6 and 7, line 11.

3 As discussed in Ex. F4-2-1, section 3.5.

4 2013 tax rate from Ex. F4-2-1 Table 5, line 29.

Numbers may not add due to rounding.

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Table 7

Table 7
Capacity Refurbishment Variance Account - Hydroelectric
Summary of Account Transactions - 2011 to 2013 (\$M)

Line No.	Particulars	Note	Actual 2011	Actual 2012	Projected 2013
			(a)	(b)	(c)
	Niagara Tunnel Project - Capital Variance Account Addition:				
1	Total Projected Net Plant Rate Base Amount (Ex. B2-1-1 Table 1, col. (f), line 12)				1,143.6
2	Less: Net Plant Amount Previously Reflected in Rate Base	1			17.5
3	Net Plant Amount Not Reflected in Rate Base (line 1 - line 2)				1,126.1
4	Weighted Average Cost of Capital - EB-2010-0008	2			7.40%
5	Niagara Tunnel Project - Cost of Capital Addition (line 3 x line 4)		0.0	0.0	83.4
6	Niagara Tunnel Project - Depreciation Addition (Ex. B2-4-1 Table 2, col. (c), line 2)		0.0	0.0	12.1
	Income Tax Impact:				
7	Difference Between Forecast and Actual/Projected CCA Deduction	3	(7.5)	5.3	(4.0)
8	Increase in Regulatory Taxable Income	4	(7.5)	5.3	58.7
9	Niagara Tunnel Project - Income Tax Impact (line 8 x tax rate / (1 - tax rate))	5	(2.3)	1.8	19.6
10	Niagara Tunnel Project - Capital Addition (line 5 + line 6 + line 9)		(2.3)	1.8	115.1
11	Niagara Tunnel Project - Non-Capital Addition	6	1.4	0.2	0.0
12	Niagara Tunnel Project - Total Addition (line 10 + line 11)		(0.9)	2.0	115.1
13	Sir Adam Beck I Generating Station Unit 7 Frequency Conversion - Capital Addition	7	(3.0)	0.2	0.4
14	Total Addition to Variance Account - Hydroelectric (line 12 + line 13)		(3.9)	2.2	115.5
15	Financial Reporting Adjustment	8	3.2	(0.3)	(2.9)
16	Reported Addition to Variance Account - Hydroelectric (line 14 + line 15)	9	(0.7)	1.9	112.6

Notes:

- Represents the Net Plant Rate Base Amount associated with the portion of the Niagara Tunnel Project placed in-service in 2007 as discussed in Ex. D1-2-1, section 1.2 (from Ex. B2-3-1 Table 2, col. (a), line 2 minus Ex. B2-4-1 Table 2, col. (a), line 2 minus 0.5 x Ex. B2-4-1 Table 2, col. (b), line 2).
- From EB-2010-0008 Payment Amounts Order, App. A, Table 5b, col. (c), line 6.
- The differences between forecast and actual/projected CCA related to the Niagara Tunnel Project are shown below at line 3a for the period starting on April 1, 2008. The income tax impact of these differences is shown at line 5a and is included in the total income tax impact amounts at line 9. Amount in col. (a) is for the period from April 1, 2008 to December 31, 2011 as shown in col. (f), line 5a.

Table to Note 3 - Difference Between Forecast and Actual/Projected CCA Deduction									
Line No.	Item	Actual Apr - Dec 2008	Actual 2009	Actual 2010	Actual Jan - Feb 2011	Actual Mar - Dec 2011	Total Apr 2008 - Dec 2011	Actual 2012	Projected 2013
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1a	Forecast CCA Deduction - EB-2007-0905 / EB-2010-0008 [#]	19.0	26.9	26.3	4.4	26.4	103.0	40.5	36.5
2a	Actual CCA Deduction	19.1	23.5	23.7	7.4	37.0	110.6	35.2	40.5
3a	Difference (line 1a - line 2a)	(0.0)	3.5	2.6	(3.0)	(10.6)	(7.5)	5.3	(4.0)
4a	Income Tax Rate ⁺	31.50%	31.00%	29.00%	26.50%	26.50%		25.00%	25.00%
5a	Income Tax Impact (line 3a x line 4a / (1 - line 4a))	(0.0)	1.6	1.1	(1.1)	(3.8)	(2.3)	1.8	(1.3)

- [#] Cols. (a) and (b) amounts are those underpinning the OEB-approved forecast income tax expense for 2008 and 2009. Col. (c) is (col. (a) + col. (b)) / 21 months x 12 months. Col. (d) is (col. (a) + col. (b)) / 12 months x 2 months. Cols. (e) and (g) amounts are those underpinning the OEB-approved forecast income tax expense for 2011 and 2012. Col. (h) is (col. (e) + col. (f)) / 22 months x 12 months.
- ⁺ 2010, 2011 and 2012 tax rates from Ex. F4-2-1 Table 4, line 33. 2013 tax rate from Ex. F4-2-1 Table 5, line 29.

- The increase in regulatory taxable income is equal to line 7 for 2011 and 2012 and, for 2013, is calculated as the sum of lines 6 and 7 plus the return on equity ("ROE") component of the cost of capital addition at line 5. The 2013 ROE component is calculated as: net plant amount at line 3 x OEB-approved equity portion (47%) of the capital structure x OEB-approved ROE rate (from EB-2010-0008 Payment Amounts Order, App A, Table 5b, col. (b), line 5).
- Income tax impact in col. (a) is as shown at col. (f), line 5a. Income tax impact for col. (b) is as shown at col. (g), line 5a.
- As discussed in Ex. D1-2-1, section 1.2, non-capital costs incurred in 2011 - 2012 represent removal costs. No such costs were forecast in the EB-2010-0008 payment amounts.
- See Ex. H1-1-1, Section 4.7. Amount in col. (a) represents a variance for the period April 1, 2008 to December 31, 2011.
- Represents offsetting interperiod financial statement reconciliation adjustments which do not impact total transactions in the account over the 2011-2013 period.
- 2011 and 2012 additions as presented at line 7 of EB-2012-0002, Ex. H1-1-2 Tables 1a / 1b and 1c, respectively.

Numbers may not add due to rounding.

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Table 8

Table 8
Pension and OPEB Cost Variance Account
Summary of Account Transactions - Projected 2013¹ (\$M)

Line No.	Particulars	Note	Projected 2013		
			Hydroelectric	Nuclear	Total
			(a)	(b)	(c)
1	Forecast Pension Costs - EB-2012-0002	2	7.0	138.4	145.4
2	Forecast OPEB Costs - EB-2012-0002	2	8.2	163.0	171.2
3	Total Forecast Pension and OPEB Costs (line 1 + line 2)	2	15.1	301.4	316.5
4	Projected Pension Costs	3	19.5	361.2	380.7
5	Projected OPEB Costs	3	13.3	247.2	260.6
6	Total Projected Pension and OPEB Costs (line 4 + line 5)		32.8	608.5	641.3
7	Addition to Variance Account - Pension Costs (line 4 - line 1)		12.5	222.8	235.4
8	Addition to Variance Account - OPEB Costs (line 5 - line 2)		5.2	84.2	89.4
9	Addition to Variance Account - Income Tax Impact	4	3.8	68.8	72.6
10	Total Addition to Variance Account (line 7 + line 8 + line 9)		21.5	375.9	397.3

Notes:

- 1 All cost amounts are presented on a CGAAP basis, as per the EB-2012-0002 Payment Amounts Order, App. B.
- 2 2013 forecasts have been determined based on amounts reflected in the payment amounts approved in EB-2010-0008, and are the same as those used to derive the OEB-approved 2012 additions to the variance account (shown in EB-2012-0002, Ex. H1-1-2 Table 5). Total forecast costs for the regulated operations as per EB-2012-0002 Payment Amounts Order, App. B, p. 6, determined as \$26.38M/month x 12.
- 3 With the exception of the long-term disability plan benefit costs, which differ under CGAAP and USGAAP and are included in OPEB costs, the projected amounts for 2013 are as per Ex. F4-3-1 Charts 2 and 3. These amounts represent the regulated portion of OPG's 2013 total projected pension and OPEB costs on a CGAAP basis found at pages 3 and 9 of Ex. F4-3-1 Attachment 2.
- 4 From Ex. H1-1-1 Table 8a, line 8.

Numbers may not add due to rounding.

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Table 8a

Table 8a
Pension and OPEB Cost Variance Account
Calculation of Income Tax Impact - Projected 2013 (\$M)

Line No.	Particulars	Note	Projected 2013		
			Hydroelectric	Nuclear	Total
			(a)	(b)	(c)
1	Forecast Regulatory Income Tax Impact	1	0.5	10.3	10.8
	Actual Additions to / Deductions from Regulatory Earnings Before Tax				
2	Pension Costs (Ex. H1-1-1 Table 8, line 4)		19.5	361.2	380.7
3	OPEB Costs (Ex. H1-1-1 Table 8, line 5)		13.3	247.2	260.6
4	Less: Pension Plan Contributions	2	15.6	290.0	305.7
5	Less: OPEB Payments	2	4.4	81.0	85.4
6	Net Additions to Regulatory Earnings Before Tax		12.8	237.4	250.2
7	Actual Regulatory Income Tax Impact (line 6 x 25% / (1 - 25%))		4.3	79.1	83.4
8	Addition to Variance Account - Regulatory Income Tax Impact (line 7 - line 1)		3.8	68.8	72.6

Notes:

- 1 2013 forecasts have been determined based on amounts reflected in the payment amounts approved in EB-2010-0008, and are the same amounts used to derive the OEB-approved 2012 additions (as shown in EB-2012-0002, Ex. H1-1-2 Table 5a).
- 2 Represents the regulated portion of OPG's total projected pension and OPEB cash amounts at page 9 of Ex. F4-3-1 Attachment 2.

Numbers may not add due to rounding.

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Table 9
Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
Summary of Account Transactions - Projected 2013

Line No.	Particulars	Note	Projected 2013
			(a)
1	Hydroelectric Rider 2013-A (\$/MWh)	1	3.04
2	Hydroelectric Rider 2013-B (\$/MWh)	2	0.58
3	Full Year Hydroelectric Forecast Production Used to Set Rider 2013-A - EB-2012-0002 (TWh)	3	19.9
4	Hydroelectric Production Forecast Used to Set Rider 2013-B (TWh)	4	16.7
5	Projected Hydroelectric Mar-Dec 2013 Production (TWh)		15.0
6	Projected Mar-Dec 2013 Production Variance (TWh) (line 4 - line 5)		1.6
7	Addition to Variance Account (\$M) (line 6 x (line 1 + line 2))		5.9

Notes:

- 1 From EB-2012-0002 Payment Amounts Order, App. A, Table 1, col. (g), line 13.
- 2 Interim period shortfall rider from EB-2012-0002 Payment Amounts Order, App. A, Table 3, col. (a), line 7.
- 3 From EB-2012-0002 Payment Amounts Order, App. A, Table 1, col. (g), line 12.
- 4 Calculated from the EB-2012-0002 Payment Amounts Order, App. A, Table 3, col. (a): line 6 minus line 5.

Table 10
Nuclear Liability Deferral Account
Summary of Account Transactions - Projected 2013 (\$M)

Line No.	Particulars	Note	Projected 2013
			(a)
	Revenue Requirement Impact of Current Approved ONFA Reference Plan Effective January 1, 2012:		
1	Depreciation Expense	1	51.7
	Return on Rate Base		
2	Average Asset Retirement Costs (line 5a + (line 5a - line 13a))/2		38.3
3	Weighted Average Accretion Rate	2	5.37%
4	Return on Rate Base (line 2 x line 3)		2.1
	Variable Expenses	3	
5	Used Fuel Storage and Disposal Variable Expenses		26.1
6	Low & Intermediate Level Waste Management Variable Expenses		1.0
7	Total Variable Expenses (line 5 + line 6)		27.1
	Income Tax Impact		
8	Forecast Contributions to Nuclear Segregated Funds - EB-2010-0008	4	142.7
9	Contributions to Nuclear Segregated Funds based on the Current Approved ONFA Reference Plan	5	98.1
10	Decrease in Contributions to Nuclear Segregated Funds (line 8 - line 9)		44.6
11	Net Increase in Regulatory Taxable Income (line 1 + line 4 + line 7 + line 10)		125.5
12	Income Tax Rate		25.00%
13	Income Tax Impact (line 11 x line 12 / (1 - line 12))		41.8
14	Addition to Deferral Account (line 1 + line 4 + line 7 + line 13)		122.7

Notes:

1 The depreciation expense component of the projected addition to the deferral account is calculated as follows:

Table to Note 1 - Depreciation Expense (\$M)					
Line No.		Pickering A	Pickering B	Darlington	Total
		(a)	(b)	(c)	(d)
	<u>Incremental ARC - Depreciation Impact of Adjustments at December 31, 2011 and 2012:</u>				
1a	Asset Retirement Cost ("ARC") Adjustment at December 31, 2011 [#]	368.4	175.9	(105.1)	439.2
2a	Remaining Useful Life as at December 31, 2011 (months) ⁺	120.0	33.0	480.0	
3a	2012 Annual Depreciation (line 1a / line 2a x 12 for cols. (a) through (c))	36.8	64.0	(2.6)	98.2
4a	ARC Adjustment at December 31, 2012 ^{##}	(178.5)	133.3	(231.7)	(276.9)
5a	Net ARC Adjustment Balance at December 31, 2012 (line 1a - line 3a + line 4a)	153.1	245.2	(334.2)	64.1
6a	Remaining Useful Life as at December 31, 2012 (months) ⁺⁺	96.0	88.0	468.0	
7a	2013 Annual Depreciation Impact (line 5a / line 6a x 12 for cols. (a) through (c))	19.1	33.4	(8.6)	44.0
	<u>Base ARC (Excluding Incremental ARC Above) - Depreciation Impact of Pickering Service Life Changes:</u>				
8a	ARC at December 31, 2011 Excluding December 31, 2011 Adjustment [*]	17.3	(27.0)	1,485.0	1,475.4
9a	2012 Annual Depreciation (line 8a / line 2a x 12 for cols. (a) through (c))	1.7	(9.8)	37.1	29.0
10a	ARC at December 31, 2012 Excluding Dec. 31, 2011 and 2012 Adjustments (line 8a - line 9a)	15.6	(17.2)	1,447.9	1,446.3
11a	2013 Annual Depreciation (line 10a / line 6a x 12 for cols. (a) through (c))	1.9	(2.3)	37.1	36.7
12a	2013 Annual Depreciation Impact (line 11a - line 9a)	0.2	7.5	0.0	7.7
13a	Total Projected 2013 Depreciation Expense Impact (line 7a + line 12a)	19.4	40.9	(8.6)	51.7

From Ex. C2-1-1 Table 4, line 7 and EB-2012-0002 Ex. H1-1-2, Table 9, note 2, line 1a.

+ Represents remaining estimated average service life, for accounting purposes, of the nuclear stations as at December 31, 2011, as per EB-2012-0002, Ex. H1-1-2, Table 9, note 2+.

From Ex. C2-1-1 Table 4, line 14.

++ Represents remaining estimated average service life, for accounting purposes, of the nuclear stations as at December 31, 2012, as per Ex. F4-1-1, page 3.

* Amount in col. (d) from Ex. C2-1-1 Table 2, col. (b), line 28.

2 Return on rate base is calculated using the weighted average accretion rate of 5.37% per EB-2012-0002 Payment Amounts Order, App. B, pg. 9.

3 Calculated as: (A) the product of (i) 2013 unit cost rates for each of the Used Fuel Storage and Disposal Programs and the Low and Intermediate Level Waste ("L&ILW") Storage and Disposal Programs arising from the current approved ONFA Reference Plan, and (ii) average number of forecast fuel bundles and L&ILW volumes reflected in the EB-2010-0008 payment amounts, and (B) the average of 2011 and 2012 forecast variable expenses reflected in the EB-2010-0008 payment amounts.

4 Calculated as the average of 2011 and 2012 contributions from EB-2010-0008 Payment Amounts Order, App. A: Table 6, line 16, col. (c) for 2011 and Table 7, line 16, col. (c) for 2012.

5 From Ex. C2-1-1 Table 2, col. (d), line 16.

Numbers may not add due to rounding.

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Table 11

Table 11
Nuclear Development Variance Account
Summary of Account Transactions - 2011 to 2013¹ (\$M)

Line No.	Particulars	Jan - Feb 2011	Mar - Dec 2011	Total 2011	Actual 2012	Projected 2013
		(a)	(b)	(c)	(d)	(e)
1	Forecast Costs - EB-2009-0174 / EB-2010-0008 / EB-2012-0002²	10.7	0.0	10.7	0.0	0.0
2	Actual/Projected Costs	2.8	14.5	17.3	25.2	38.6
3	Addition to Variance Account (line 2 - line 1)	(7.9)	14.5	6.6	25.2	38.6

Notes:

- 1 Darlington New Nuclear costs are discussed in Ex. F2-8-1.
- 2 January and February 2011 forecast is derived in accordance with the EB-2009-0174 Decision and Order.
March to December 2011 forecast and 2012 forecast are nil as no amounts were reflected in the payment amounts approved in EB-2010-0008.
Similarly, the 2013 forecast is nil as per EB-2012-0002 Payment Amounts Order, App. B, pg. 9.

Numbers may not add due to rounding.

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Tab 1
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Table 12

Table 12
Capacity Refurbishment Variance Account - Nuclear
Summary of Account Transactions - Projected 2013 (\$M)

Line No.	Particulars	Note	Projected 2013
			(a)
	Forecast Non-Capital Costs - EB-2012-0002:	1	
1	Darlington Refurbishment		5.2
2	Fuel Channel Life Cycle Management Project		5.9
3	Pickering Continued Operations		42.0
4	Total (lines 1 through 3)		53.1
	Projected Non-Capital Costs:		
5	Darlington Refurbishment	2	18.2
6	Fuel Channel Life Cycle Management Project	3	14.7
7	Pickering Continued Operations	4	40.8
8	Total (lines 5 through 7)		73.6
	Non-Capital Addition to Variance Account:		
9	Darlington Refurbishment - Non-Capital Costs (line 5 - line 1)		13.0
10	Fuel Channel Life Cycle Management Project - Non-Capital Costs (line 6 - line 2)		8.8
11	Pickering Continued Operations - Non-Capital Costs (line 7 - line 3)		(1.2)
12	Total Non-Capital Addition to Variance Account - Nuclear		20.6
13	Darlington Refurbishment - Capital Addition	5	2.3
14	Total Reported Addition to Variance Account - Nuclear (line 12 + line 13)		22.9

Notes:

- 1 Forecasts have been determined based on amounts reflected in the EB-2010-0008 payment amounts and are the same as those reflected in the EB-2012-0002 approved December 31, 2012 balance of the account (see EB-2012-0002, Ex. H1-1-2, Table 12). Total forecast of \$53.1M is as per the EB-2012-0002 Payment Amounts Order, App. B, p. 10, determined as \$4.42/month x 12 months.
- 2 From Ex. F2-7-1 Table 1, col. (d), line 3.
- 3 From Ex. F2-3-1 Table 1, col. (d), line 11.
- 4 From Ex. F2-2-3 Chart 1.
- 5 From Ex. H1-1-1 Table 12a, col. (c), line 13.

Numbers may not add due to rounding.

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Table 12a

Table 12a
Capacity Refurbishment Variance Account - Nuclear
Darlington Refurbishment Capital Costs - Projected 2013 (\$M)

Line No.	Particulars	Notes	Actual 2011	Actual 2012	Projected 2013
			(a)	(b)	(c)
1	Actual/Projected Net Plant Amount Not Reflected in Rate Base	1		2.5	56.6
2	Weighted Average Cost of Capital - EB-2010-0008	2		7.40%	7.40%
3	Cost of Capital Addition (line 3 x line 4)		0.0	0.2	4.2
4	Depreciation Addition	1	0.0	0.0	1.0
	Income Tax Impact:				
5	Forecast CCA Deduction - EB-2007-0905 / EB-2010-0008	3	0.0	7.9	3.9
6	Actual CCA Deduction		1.0	4.4	15.2
7	Difference (line 7 - line 8)		(1.0)	3.5	(11.3)
8	Net Increase in Regulatory Taxable Income	4	(1.0)	3.6	(7.7)
9	Income Tax Rate	5	26.50%	25.00%	25.00%
10	Income Tax Impact (line 10 x line 11 / (1 - line 11))		(0.4)	1.2	(2.6)
11	Total Capital Addition to Variance Account - Nuclear (line 3 + line 4 + line 10)		(0.4)	1.4	2.6
12	Financial Reporting Adjustment	6	0.4	(0.1)	(0.3)
13	Reported Capital Addition to Variance Account - Nuclear (line 11 + line 12)	7	0.0	1.3	2.3

Notes:

1 Net Plant Rate Base amounts are computed as follows:

Table to Note 1 - Net Plant Rate Base Amounts (\$M)					
Line No.		Opening Balance	In-Service Additions/ Depreciation	(a) - (b) Closing Balance	Rate Base Amount [#]
		(a)	(b)	(c)	(d)
	Actual 2012:				
1a	Gross Plant ⁺	0.0	5.0	5.0	2.5
2a	Accumulated Depreciation	0.0	0.0	0.0	0.0
3a	Net Plant (line 1a - line 2a)	0.0	5.0	5.0	2.5
	Projected 2013:				
4a	Gross Plant ⁺⁺	5.0	104.2	109.2	57.1
5a	Accumulated Depreciation	0.0	1.0	1.0	0.5
6a	Net Plant (line 4a - line 5a)	5.0	103.2	108.2	56.6

Calculated as (col. (a) + col. (c)) / 2. The 2013 Gross Plant Rate Base Amount reflects a six-month weighting assigned to the \$94.2M addition related to the Darlington Energy Complex as per Ex. B3-3-1 Table 2, note 1.

+ In-service addition in 2012 relates to the Water and Sewer project discussed in Ex. D2-2-1, section 7.2.2.

++ In-service additions in 2013 relate to the Water and Sewer project and Darlington Energy Complex discussed in Ex. D2-2-1, section 7.2, and as shown in Ex. D2-2-1 Table 3, col. (k), lines 4 and 7, respectively.

2 From EB-2010-0008 Payment Amounts Order, App. A, Table 5b, col. (c), line 6.

3 2011 and 2012 amounts are as noted in EB-2010-0008 Stakeholder Information Session 2 - Notes, para. 6.3. Col. (c) is (col. (a) + col. (b)) / 24 months x 12 months. (No forecast amounts were reflected in the OEB-approved income tax expense for 2008 and 2009.)

4 The increase in regulatory taxable income is calculated as the sum of lines 4 and 7 plus the return on equity ("ROE") component of the cost of capital addition at line 3. The 2012 and 2013 ROE component is calculated as: net plant amount at line 1 x OEB-approved equity portion (47%) of the capital structure x OEB-approved ROE rate (from EB-2010-0008 Payment Amounts Order, App A, Table 5b).

5 2011 and 2012 tax rates from Ex. F4-2-1 Table 4, line 33. 2013 tax rate from Ex. F4-2-1 Table 5, line 29.

6 Represents offsetting interperiod financial statement reconciliation adjustments which do not impact total transactions in the account over the 2011-2013 period.

7 2012 additions as presented in note 5 to EB-2012-0002, Ex. H1-1-2, Table 17.

Numbers may not add due to rounding.

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Table 13

Table 13
Bruce Lease Net Revenues Variance Account¹
Summary of Account Transactions - Projected 2013

Line No.	Particulars	Note	Projected 2013
			(a)
1	Projected Total Bruce Lease Net Revenues (\$M)	2	40.7
2	Forecast Bruce Lease Net Revenues - EB-2010-0008 (\$M)	3	135.5
3	Nuclear Forecast Production –EB-2010-0008 (TWh)	4	51.0
4	Rate Credited to Customers (\$/MWh) (line 2 / line 3)		2.66
5	Projected Nuclear Production (TWh)	5	48.0
6	Amount Credited to Customers (\$M) (line 4 x line 5)		127.7
7	Total Addition to Variance Account (\$M) (line 6 - line 1)		87.0
8	Less: Addition to Derivative Sub-Account (\$M)	6	0.0
9	Addition to Non-Derivative Sub-Account (\$M) (line 7 - line 8)		87.0

Notes:

- 1 Bruce Lease Net Revenues are discussed in Ex. G2-2-1.
- 2 Bruce Lease net revenues are from Ex. G2-2-1 Table 1, col. (d), line 9, as increased by \$1.6M to Canadian GAAP basis. The adjustment is discussed in Ex. A2-1-1 Section 4.0.
- 3 Per EB-2012-0002 Payment Amounts Order, App. B, p. 11-12, amount is determined as the annual average (at \$11.30M/month) of Bruce Lease net revenues reflected in the EB-2010-0008 approved revenue requirement (EB-2010-0008 Payment Amounts Order, App. A, Table 2, line 20).
- 4 Represents the average of 2011 and 2012 annual nuclear production from EB-2010-0008 Payment Amounts Order, App. A, Table 3, line 1.
- 5 From Ex. E2-1-1 Table 1, col. (d), line 3
- 6 From Ex. G2-2-1 Table 1, col. (d), line 6.

Numbers may not add due to rounding.

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Table 14

Table 14
Nuclear Deferral and Variance Over/Under Recovery Variance Account
Summary of Account Transactions - Projected 2013

Line No.	Particulars	Note	Projected 2013
			(a)
1	Nuclear Rider 2013-A (\$/MWh)	1	6.27
2	Nuclear Rider 2013-B (\$/MWh)	2	0.41
3	Interim Nuclear Rider (\$/MWh)	3	4.33
4	Interim Period Production Forecast (TWh)	4	9.0
5	Nuclear Actual Production for Jan-Feb 2013 (TWh)		8.0
6	Production Variance (TWh) (line 4 - line 5)		1.0
7	Under Recovery Due to Difference in Interim Period Production (\$M) (line 3 x line 6)		4.4
8	Full Year Nuclear Forecast Production Used to Set Rider 2013-A (TWh)	5	51.0
9	Nuclear Production Forecast Used to Set Rider 2013-A for Mar-Dec 2013 (TWh) (line 8 - line 4)		42.0
10	Projected Nuclear Mar-Dec 2013 Production (TWh)		39.8
11	Projected Mar-Dec 2013 Production Variance (TWh) (line 9 - line 10)		2.2
12	Under Recovery Due to Difference in Mar-Dec 2013 Production (\$M) (line 11 x (line 1 + line 2))		14.8
13	Addition to Variance Account (\$M) (line 7 + line 12)		19.2

Notes:

- 1 From EB-2012-0002 Payment Amounts Order, App. A, Table 2, col. (g), line 13.
- 2 From EB-2012-0002 Payment Amounts Order, App. A, Table 3, col. (b), line 7.
- 3 From EB-2012-0002 Payment Amounts Order, App. A, Table 3, col. (b), line 2.
- 4 From EB-2012-0002 Payment Amounts Order, App. A, Table 3, col. (b), line 5.
- 5 From EB-2012-0002 Payment Amounts Order, App. A, Table 2, col. (g), line 12.

CLEARANCE OF DEFERRAL AND VARIANCE ACCOUNTS

1.0 PURPOSE

This evidence describes OPG's proposed approach for clearing the audited December 31, 2013 balances in the following four variance accounts:

- 1) the Hydroelectric Incentive Mechanism Variance Account;
- 2) the Hydroelectric Surplus Baseload Generation Variance Account;
- 3) (portions of) the Capacity Refurbishment Variance Account; and,
- 4) the Nuclear Development Variance Account.

The reasons for clearing the balances in only these four accounts are discussed in Ex. H1-1-1, Sections 4.3, 4.4, 4.7 and 4.12.

2.0 SUMMARY

OPG is requesting recovery of the audited December 31, 2013 balances in the Hydroelectric Incentive Mechanism Variance Account, Hydroelectric Surplus Baseload Generation Variance Account, and the hydroelectric portion of the Capacity Refurbishment Variance Account through hydroelectric payment rider to come into effect on January 1, 2015 and calculated using the forecast 2015 output from the previously regulated hydroelectric facilities.

OPG is also requesting recovery of the audited December 31, 2013 balances in the Nuclear Development Variance Account and the capital cost portion of the nuclear balance in the Capacity Refurbishment Variance Account through a nuclear payment rider to come into effect on January 1, 2015 and calculated using the forecast 2015 output from the nuclear facilities.

Amortization amounts and payment riders described in this exhibit and accompanying tables are calculated based on projected December 31, 2013 balances. OPG expects to file audited December 31, 2013 balances in these accounts and a calculation of the resulting 2015 payment riders in February 2014.

1 The methodology for the proposed recovery of the balances in the above four accounts is
2 described in section 3.0. The recovery of the previously regulated hydroelectric variance
3 account balances is discussed in section 4.0. The recovery of the nuclear variance account
4 balances is discussed in section 5.0.

6 **3.0 METHODOLOGY**

7 OPG proposes to calculate separate hydroelectric and nuclear payment riders for the period
8 from January 1, 2015 to December 31, 2015 in the form of \$/MWh rates consistent with the
9 OEB's decisions and Payment Amounts Orders in EB-2012-0002 and EB-2010-0008.

10
11 The hydroelectric and nuclear payment riders are calculated separately using the following
12 three steps. First, a recovery period is determined for each account to be cleared. Second,
13 based on each account's recovery period and the projected or audited balance in the
14 account, the amount to be amortized over the period is determined. Finally, the total amount
15 to be amortized for all accounts to be cleared during the period is divided by the forecast
16 energy production in 2015 to determine the payment rider.

18 **4.0 RECOVERY OF PREVIOUSLY REGULATED HYDROELECTRIC VARIANCE** 19 **ACCOUNTS**

20 The method of calculating the previously regulated hydroelectric payment rider is as shown
21 in Ex. H1-2-1, Table 1 using projected December 31, 2013 account balances. OPG proposes
22 to recover balances in the Hydroelectric Incentive Mechanism Variance Account and the
23 Hydroelectric Surplus Baseload Generation Variance Account using an amortization period
24 of one year (12 months) and, in recognition of its size, the hydroelectric balance in the
25 Capacity Refurbishment Variance Account using an amortization period of two years (24
26 months) beginning January 1, 2015. The resulting rider in 2015 would be \$3.11/MWh. The
27 actual rider will be set during the finalization process for the payment amounts order using
28 audited December 31, 2013 balances.

29 **5.0 RECOVERY OF NUCLEAR VARIANCE ACCOUNTS**

30 The method of calculating of the nuclear rider is as shown in Ex. H1-2-1, Table 2 using
31 projected December 31, 2013 account balances. OPG proposes to recover in 2015 the total

1 balance in the Nuclear Development Variance Account and the capital cost portion of the
2 nuclear balance in the Capacity Refurbishment Variance Account. Given the size of the
3 projected balances in these two nuclear accounts, OPG proposes amortizing them over a
4 single year (12 months) beginning January 1, 2015. The resulting rider in 2015 would be
5 \$1.52/MWh. The actual rider will be set during the finalization process for the payment
6 amount order using audited December 31, 2013 balances.

Numbers may not add due to rounding.

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Exhibit H1

Tab 2

Schedule 1

Table 1

Table 1

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

Line No.	Account	Projected Balance at December 31, 2013 ¹	EB-2012-0002 Board Approved Amortization 2014 ²	(a)-(b) Projected 2013 Balance Less 2014 Approved Amortization	Recovery Period (Months)	Amortization 2015 ³	(c)-(e) Unrecovered Balance at December 31, 2015
		(a)	(b)	(c)	(d)	(e)	(f)
1	Hydroelectric Water Conditions Variance	42.7	6.8	35.8	N/A	0.0	35.8
2	Ancillary Services Net Revenue Variance - Hydroelectric	35.3	13.6	21.7	N/A	0.0	21.7
3	Hydroelectric Incentive Mechanism Variance	(2.4)	0.0	(2.4)	12	(2.4)	0.0
4	Hydroelectric Surplus Baseload Generation Variance	8.1	0.0	8.1	12	8.1	0.0
5	Income and Other Taxes Variance - Hydroelectric	(1.1)	(1.0)	(0.0)	N/A	0.0	(0.0)
6	Tax Loss Variance - Hydroelectric	19.8	19.3	0.5	N/A	0.0	0.5
7	Capacity Refurbishment Variance - Hydroelectric	114.4	0.0	114.4	24	57.2	57.2
8	Pension and OPEB Cost Variance - Nuclear - Historic	1.0	1.0	(0.0)	N/A	0.0	(0.0)
9	Pension and OPEB Cost Variance - Nuclear - Future	11.3	0.8	10.5	N/A	0.0	10.5
10	Pension and OPEB Cost Variance - Nuclear - 2013 Additions	21.5	0.0	21.5	N/A	0.0	21.5
11	Impact for USGAAP Deferral - Hydroelectric	1.2	1.1	0.0	N/A	0.0	0.0
12	Hydroelectric Deferral and Variance Over/Under Recovery Variance	4.3	(1.5)	5.8	N/A	0.0	5.8
13	Total (lines 1 through 12)	256.0	40.2	215.9		62.9	153.0
14	Forecast 2015 Production⁴ (TWh)					20.2	
15	Previously Regulated Hydroelectric Payment Rider (\$/MWh) (line 13 / line 14)					3.11	

Notes:

- 1 From Ex. H1-1-1 Table 1.
- 2 From EB-2012-0002 Payment Amounts Order Appendix B, Table B-1, with the exception of lines 3, 4, 7 and 10. OPG is not proposing any additional amortization for 2014 in this application.
- 3 For lines 3, 4 and 7, amount is col. (c) amount x 12 months / recovery period in col. (d).
- 4 From Ex. E1-1-1 Table 1, line 3, col. (f).

Numbers may not add due to rounding.

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Exhibit H1

Tab 2

Schedule 1

Table 2

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

Line No.	Account	Projected Balance at December 31, 2013 ¹	EB-2012-0002 Board Approved Amortization 2014 ²	(a)-(b) Projected 2013 Balance Less 2014 Approved Amortization	Recovery Period (Months)	Amortization 2015 ³	(c)-(e) Unrecovered Balance at December 31, 2015
		(a)	(b)	(c)	(d)	(e)	(f)
1	Nuclear Liability Deferral	254.0	49.9	204.1	N/A	0.0	204.1
2	Nuclear Development Variance	69.4	0.0	69.4	12	69.4	0.0
3	Ancillary Services Net Revenue Variance - Nuclear	1.8	0.7	1.1	N/A	0.0	1.1
4	Capacity Refurbishment Variance - Nuclear - Capital Portion	3.7	0.0	3.7	12	3.7	0.0
5	Capacity Refurbishment Variance - Nuclear - Non-Capital Portion	25.4	4.7	20.6	N/A	0.0	20.6
6	Bruce Lease Net Revenues Variance - Derivative Sub-Account	189.8	27.0	162.8	N/A	0.0	162.8
7	Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account	139.3	15.0	124.3	N/A	0.0	124.3
8	Income and Other Taxes Variance - Nuclear	(14.7)	(13.0)	(1.7)	N/A	0.0	(1.7)
9	Tax Loss Variance - Nuclear	104.0	101.3	2.6	N/A	0.0	2.6
10	Pension and OPEB Cost Variance - Nuclear - Historic ⁴	20.5	20.9	(0.4)	N/A	0.0	(0.4)
11	Pension and OPEB Cost Variance - Nuclear - Future	231.8	17.2	214.7	N/A	0.0	214.7
12	Pension and OPEB Cost Variance - Nuclear - 2013 Additions	375.9	0.0	375.9	N/A	0.0	375.9
13	Impact for USGAAP Deferral - Nuclear	24.8	24.1	0.7	N/A	0.0	0.7
14	Pickering Life Extension Depreciation Variance	9.5	(37.5)	47.0	N/A	0.0	47.0
15	Nuclear Deferral and Variance Over/Under Recovery Variance	22.1	2.8	19.3	N/A	0.0	19.3
16	Total (lines 1 through 15)	1,457.1	213.0	1,244.2		73.1	1,171.1
17	Forecast 2015 Production ⁵ (TWh)					48.0	
18	Nuclear Payment Rider (\$/MWh) (line 16 / line 17)					1.52	

Notes:

- From Ex. H1-1-1 Table 1.
- From EB-2012-0002 Payment Amounts Order Appendix B, Table B-1, with the exception of lines 2, 4 and 12. OPG is not proposing any additional amortization for 2014 in this application.
- For lines 2 and 4, amount is col. (c) amount x 12 months / recovery period in col. (d).
- The projected credit balance at December 31, 2015 does not reflect interest that will be recorded during 2014. Assuming no change in the OEB prescribed interest rate, the actual balance at December 31, 2014 would be expected to be close to zero.
- From Ex. E2-1-1 Table 1, line 3, col. (f).

CONTINUATION OF EXISTING DEFERRAL AND VARIANCE ACCOUNTS

1.0 PURPOSE

This evidence provides a summary of the deferral and variance accounts that OPG is seeking approval to continue. OPG is not proposing any new deferral or variance accounts in this application.

2.0 OVERVIEW

OPG proposes to continue all existing deferral and variance accounts. Section 3.0 describes the operation of the accounts and the basis for their continuation. Unless otherwise stated, OPG proposes to record in the approved deferral and variance accounts differences between the amounts included in the approved payment amounts and the actual costs or revenues. Section 4.0 discusses application of interest to the balances in the accounts.

3.0 CONTINUED ACCOUNTS

OPG proposes to continue the following existing deferral and variance accounts:

- 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
- Tax Loss Variance Account (to be terminated on December 31, 2014 pursuant to the EB-2012-0002 Payment Amounts Order)
- Capacity Refurbishment Variance Account
- Pension and OPEB Cost Variance Account
- Impact for USGAAP Deferral Account (to be terminated on December 31, 2014 pursuant to the EB-2012-0002 Payment Amounts Order)
- Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
- Nuclear Liability Deferral Account

- 1 • Nuclear Development Variance Account
- 2 • Bruce Lease Net Revenues Variance Account – Derivative and Non-Derivative Sub-
- 3 Accounts
- 4 • Pickering Life Extension Depreciation Variance Account
- 5 • Nuclear Deferral and Variance Over/Under Recovery Variance Account
- 6

7 The origin and need for these accounts and their operation is described in further detail in the
8 remainder of this section.

9
10 OPG proposes that all accounts applicable to the previously regulated hydroelectric facilities
11 be extended to include the newly regulated hydroelectric facilities. Where applicable, for
12 ease of record keeping and tracking, separate sub-accounts will be used to distinguish
13 between account entries for the previously and newly regulated facilities. Unless a distinction
14 is specifically made, all references to OEB-approved forecasts below in relation to
15 hydroelectric facilities should be read as including both previously regulated and newly
16 regulated hydroelectric facilities. Entries into the accounts in respect of the newly regulated
17 hydroelectric facilities will commence on the effective date of the payment amounts for these
18 facilities, proposed as July 1, 2014.

19 20 **3.1 Hydroelectric Water Conditions Variance Account**

21 The Hydroelectric Water Conditions Variance Account was originally established by O. Reg.
22 53/05 and subsequently approved by the OEB in EB-2007-0905 in recognition of the fact that
23 water conditions are subject to a high degree of forecast risk due to factors that are beyond
24 OPG's ability to manage or control, such as weather. This account should continue to record
25 the financial impact of differences between forecast and actual water conditions for the
26 previously regulated hydroelectric facilities and, due to similar forecast risk for the newly
27 regulated hydroelectric facilities, is proposed to be extended to include the these facilities. To
28 that end, separate sub-accounts will be established as follows: Previously Regulated Sub-
29 Account and Newly Regulated Sub-Account.

30 31 **3.1.1 Previously Regulated Hydroelectric Facilities**

1 For the previously regulated hydroelectric facilities, OPG will continue to determine the
2 hydroelectric production impact of changes in water conditions by entering the actual flow
3 values into the same production forecast models used to calculate the OEB-approved
4 production forecast, holding all other variables constant. Deviations from forecast will be
5 determined as the difference between the calculated production resulting from entering
6 actual flows for the month into the forecast model and the energy production forecast
7 approved by the OEB. The revenue impact of the production variance recorded in the
8 Previously Regulated Sub-Account will continue to be determined by multiplying the
9 deviation from forecast, as described above, by the approved payment amount for the
10 previously regulated hydroelectric facilities.

11
12 The sub-account will also continue to record changes in the gross revenue charge costs from
13 those reflected in the approved revenue requirement, as a result of differences in energy
14 production from actual flows and the forecast energy production described above. Amounts
15 recorded in the sub-account in respect of these costs will be determined by multiplying the
16 production deviation by the applicable gross revenue charge rate. The sub-account also will
17 continue to record any variances in the amounts payable to the St. Lawrence Seaway
18 Management Corporation for the conveyance of water in the Welland Ship Canal from those
19 reflected in the approved revenue requirement.

20
21 The sub-account also needs to continue in order to record amortization of the year-end 2012
22 account balance approved in EB-2012-0002 and interest.

23 24 3.1.2 Newly Regulated Hydroelectric Facilities

25 As noted in Ex. E1-1-1, Section 3.5, energy production forecasts for 21 of the newly
26 regulated hydroelectric plants, located on nine river systems, are produced using similar
27 computer models to those used to forecast production for the previously regulated facilities.
28 The models convert forecast water availability to forecast energy production using historical
29 median monthly flows as the basis for determining the monthly energy production forecasts.
30 Similar to the previously regulated hydroelectric facilities, for these 21 plants, on a monthly
31 basis commencing July 2014, OPG proposes that deviations of actual flows from these

historical median monthly flows be used to determine the additions for the purposes of the Newly Regulated Sub-Account. These 21 facilities are listed in Ex. E1-1-1 Appendix 1. The revenue and gross revenue charge impacts will be calculated in the same manner as for the previously regulated facilities. The sub-account will also record any related variances in the amounts payable to the Government of Quebec for water rentals from those reflected in the approved revenue requirement (Ex. F1-4-1 Section 4).

Also as noted in Ex. E1-1-1, Section 3.5, no computer models exist to forecast production from the remaining 27 smaller newly regulated hydroelectric stations, which account for less than two per cent of total production from all regulated hydroelectric facilities. Therefore, given the small size of these 27 facilities, OPG proposes that they be excluded from the scope of the Hydroelectric Water Conditions Variance Account.

3.2 Ancillary Services Net Revenue Variance Account

The Ancillary Services Net Revenue Variance Account was originally established by O. Reg. 53/05 and subsequently approved by the OEB in EB-2007-0905. This account recognizes that ancillary services revenues are difficult to forecast accurately, with variances between forecast and actual ancillary revenues reflecting changing demand and system/grid operating requirements. For the same reasons, OPG proposes that the account be extended to the newly regulated facilities. The existing Hydroelectric and Nuclear Sub-Account will continue to capture the difference between actual previously regulated hydroelectric and nuclear ancillary services net revenue and the forecast amounts reflected in the revenue requirement approved by the OEB. The Newly Regulated Hydroelectric Sub-Account will be used to record differences between actual and forecast ancillary services revenues from the newly regulated hydroelectric facilities. Ancillary services revenues are discussed in Ex. G1-1-1.

The account also needs to continue in order to record the amortization of the year-end 2012 account balance approved in EB-2012-0002 and interest.

3.3 Hydroelectric Incentive Mechanism Variance Account

1 The Hydroelectric Incentive Mechanism Variance Account was originally approved in EB-
2 2010-0008 to record a credit to ratepayers of 50 per cent of hydroelectric incentive
3 mechanism ("HIM") net revenues above a specific threshold. In this application, OPG is
4 proposing a change to the operation of the HIM that eliminates the need for additions to the
5 account in the future. The proposed mechanism is discussed in Ex. E1-2-1. The variance
6 account needs to continue in order to record interest and amortization of the year-end 2013
7 account balance as proposed in this application.

8 9 **3.4 Hydroelectric Surplus Baseload Generation Variance Account**

10 The Hydroelectric Surplus Baseload Generation Variance Account was originally approved in
11 EB-2010-0008. This account should continue in order to record the financial impact of
12 foregone production at the previously regulated hydroelectric facilities due to surplus
13 baseload generation ("SBG") conditions, with the enhancements described in Ex. E1-2-1
14 Section 6.0, and, for the same reasons as originally established for the previously regulated
15 hydroelectric facilities, is proposed to include the newly regulated hydroelectric facilities. To
16 that end, separate sub-accounts will be established as follows: Previously Regulated Sub-
17 Account and Newly Regulated Sub-Account. For the same reasons as noted in Section 3.1.2
18 above, OPG proposes that only the 21 newly regulated hydroelectric facilities listed in Ex.
19 E1-1-1 Appendix 1 will be included in the scope of this sub account.

20
21 No forecast of foregone production due to SBG conditions has been applied to reduce the
22 hydroelectric production forecasts proposed for establishing new payment amounts for the
23 previously and newly regulated hydroelectric output. OPG will continue to determine the
24 revenue impact of SBG recorded in the Previously Regulated Sub-Account by multiplying the
25 foregone production volume due to SBG by the approved previously regulated hydroelectric
26 payment amount. The revenue impact is proposed to be calculated in the same manner for
27 purposes of the Newly Regulated Sub-Account.

28
29 OPG will also continue to record in the Previously Regulated Sub-Account changes in the
30 gross revenue charge costs, as a result of SBG, from those reflected in the revenue
31 requirement approved by the OEB. The amounts to be recorded will be calculated by

1 multiplying the foregone production volume at the prescribed hydroelectric facilities due to
2 SBG conditions by the applicable gross revenue charge rates. Gross revenue charge
3 impacts are proposed to be captured in the Newly Regulated Sub-Account in the same
4 manner. OPG will also continue to record in the Previously Regulated Sub-Account any
5 variances in the amounts payable to the St. Lawrence Seaway Management Corporation for
6 the conveyance of water in the Welland Ship Canal as a result of foregone production due to
7 SBG. OPG also proposes to record in the Newly Regulated Sub-Account any related
8 variances in the amounts payable to Government of Quebec (see Ex. F4-1-1 Section 4) as a
9 result of foregone production due to SBG.

10
11 The reconciliation of the sub-accounts will be based on a methodology of calculating spill
12 arising from SBG conditions as described in Ex. E1-2-1 Section 3.0.

13
14 The variance account also needs to continue in order to record interest and amortization of
15 the year-end 2013 account balance as proposed in this application.

16 17 **3.5 Income and Other Taxes Variance Account**

18 The Income and Other Taxes Variance Account was originally approved in EB-2007-0905. A
19 similar account is available to electricity distributors. This account needs to continue in order
20 to record the financial impact on the approved revenue requirement of:

- 21
- 22 • Any differences in payments in lieu of corporate income or capital taxes that result from a
23 legislative or regulatory change to the tax rates or rules of the *Income Tax Act* (Canada)
24 and the *Taxation Act, 2007* (Ontario) (formerly the *Corporations Tax Act* (Ontario)), as
25 modified by the regulations under the *Electricity Act, 1998*, and any differences in
26 payments in lieu of property tax to the Ontario Electricity Financial Corporation that result
27 from changes to the regulations under the *Electricity Act, 1998*;
 - 28 • Any differences in municipal property taxes that result from a legislative or regulatory
29 change to the tax rates or rules for OPG's prescribed assets under the *Assessment Act*,
30 1990;

- 1 • Any differences in payments in lieu of corporate income or capital taxes that result from a
2 change in, or a disclosure of, a new assessing or administrative policy that is published in
3 the public tax administration or interpretation bulletins by relevant federal or provincial tax
4 authorities, or court decisions on other taxpayers; and
- 5 • Any differences in payments in lieu of income or capital taxes that result from
6 assessments or re-assessments (including re-assessments associated with the
7 application of the tax rates and rules to OPG's regulated operations or changes in
8 assessing or administrative policy including those arising from court decisions on other
9 taxpayers). OPG continues to be subject to tax audits from prior years dating back to
10 2009.

11
12 The income tax provision reflected in the approved revenue requirement will be used to
13 calculate any variances in income taxes to be recorded in the Income and Other Taxes
14 Variance Account.

15
16 The account also needs to continue in order to record the amortization of the year-end 2012
17 account balance approved in EB-2012-0002 and interest.

18
19 For the same reasons as established for OPG's other regulated facilities, OPG proposes that
20 this account should apply to the newly regulated hydroelectric facilities starting on the
21 effective date of the payment amounts for these facilities.

22 23 **3.6 Tax Loss Variance Account**

24 The Tax Loss Variance Account was originally approved in EB-2009-0038. OPG ceased
25 recording additions to the account effective March 1, 2011. OPG will continue to record only
26 interest and amortization in the account. Pursuant to the EB-2012-0002 Payment Amounts
27 Order, the regulated hydroelectric and nuclear portions of the remaining account balance as
28 at December 31, 2014 will be transferred to the Hydroelectric and Nuclear Deferral and
29 Variance Over/Under Recovery Variance Accounts, respectively. Following this transfer, the
30 Tax Loss Variance Account will be terminated on December 31, 2014.

3.7 Capacity Refurbishment Variance Account

The Capacity Refurbishment Variance Account was originally approved in EB-2007-0905 pursuant to Section 6(2)4 of O. Reg. 53/05. This account will 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 listed in O. Reg. 53/05, Section 2 and those forecast costs and firm financial commitments reflected in the revenue requirement approved by the OEB. The prescribed generation facilities include all newly regulated hydroelectric facilities. As required by O. Reg. 53/05, Section 6(2)4, this account will continue to include assessment costs and pre-engineering costs and commitments.

For ease of record keeping and tracking OPG will use the following sub-accounts to make entries into the account, as applicable: Nuclear Sub-Account, Previously Regulated Hydroelectric Sub-Account and Newly Regulated Hydroelectric Sub-Account.

The account will also continue in order to record the amortization of the portion of the year-end 2012 account balance approved in EB-2012-0002 and interest. The account will also record the amortization of the portion of the year-end 2013 account balance proposed to be cleared in this application.

3.8 Pension and OPEB Cost Variance Account

The Pension and OPEB Cost Variance Account was originally approved in EB-2011-0090 and subsequently continued in EB-2012-0002. As reflected in the approved Settlement Agreement in EB-2012-0002, this 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 OEB, and (ii) OPG's actual pension and OPEB costs, and associated tax impacts, for the prescribed generation facilities.

The differences between the forecast 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

1 will be calculated using the same accounting standards as those used to derive the OEB-
2 approved forecast amounts.

3
4 The account also needs to continue in order to record the amortization of the year-end 2012
5 account balance approved in EB-2012-0002.

6
7 Pursuant to the EB-2012-0002 Payment Amount Order, the balance in this account as at
8 December 31, 2012, including interest accrued to that date, was split into the Historic
9 Recovery and Future Recovery components. The Historic Recovery component was set at
10 2/12ths of the total December 31, 2012 balance. The Future Recovery component was set at
11 10/12ths of the total December 31, 2012 balance. The EB-2012-0002 Payment Amounts
12 Order reflected the terms of the approved Settlement Agreement, which specified that no
13 interest is to be recorded on the Future Recovery component of the December 31, 2012
14 approved balance during the period from January 1, 2013 to December 31, 2014.
15 Additionally, during this period, OPG is not recording interest on account additions arising
16 during 2013 or 2014.

17
18 Effective January 1, 2015, OPG will resume the application of interest to the opening monthly
19 balance of the remaining balance of the Future Recovery component and all additions
20 recorded after December 31, 2012. The rationale for applying interest to other deferral and
21 variance accounts also applies to the Pension and OPEB Cost Variance Account. An interest
22 cost on the account balance is borne by OPG or ratepayers as a result of the accumulation,
23 for future recovery from, or refund to, ratepayers, of amounts related to a current period. The
24 application of interest on the balance recognizes the time value of money associated with the
25 lag between the period in which amounts recorded in the account arise and the period in
26 which they are settled between ratepayers and OPG.

27
28 As noted in Ex. H1-1-1, Section 4.8, in order to facilitate the presentation of entries into the
29 account, OPG has shown in Ex. H1-1-1 Table 1 the projected account additions for 2013 as
30 a separate component. For administrative purposes, OPG will use the following sub-
31 accounts for the three components of the account, effective December 31, 2013: the Historic

Recovery (2012) Sub-Account, the Future Recovery (2012) Sub-Account, and the Post-2012 Additions Sub-Account.

OPG proposes that the variance account apply to the newly regulated facilities starting on the effective date of the payment amounts for these facilities, as the same factors resulting in differences between actual and forecast pension and OPEB costs affect both the newly and previously regulated facilities.

3.9 Impact for USGAAP Deferral Account

The Impact for USGAAP Deferral Account was originally approved in EB-2011-0432. This account captured the financial impacts of OPG's transition to and implementation of USGAAP. Effective January 1, 2013, pursuant to the EB-2012-0002 Payment Amounts Order, OPG ceased recording additions to the account. OPG will continue to record only interest and amortization in the deferral account. Pursuant to EB-2012-0002 Payment Amounts Order, the regulated hydroelectric and nuclear portions of the remaining account balance as at December 31, 2014 will be transferred to the Hydroelectric and Nuclear Deferral and Variance Over/Under Recovery Variance Accounts, respectively. Following this transfer, the Impact for USGAAP Deferral Account will be terminated on December 31, 2014.

3.10 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. This account should continue in order to record the differences between the amounts approved for recovery in the hydroelectric deferral and variance accounts and the actual amounts recovered based on actual regulated hydroelectric production and approved riders. While there are currently no deferral or variance account balances for the newly regulated hydroelectric facilities, such balances are anticipated in the future, as OPG proposes to extend existing accounts to include these facilities. As such, this account is also proposed to be extended to include the newly regulated hydroelectric facilities.

1 The account also should continue in order to capture the transfer of the hydroelectric portion
2 of the balances remaining in the Tax Loss Variance Account and the Impact for USGAAP
3 Deferral Account as at December 31, 2014, and, as ordered by the OEB, other accounts as
4 they may expire from time to time.

5
6 The account also needs to continue in order to record the amortization of the year-end 2012
7 account balance approved in EB-2012-0002 and interest.

8 9 **3.11 Nuclear Liability Deferral Account**

10 The Nuclear Liability Deferral Account was originally approved in EB-2007-0905 pursuant to
11 O. Reg. 53/05. Pursuant to O. Reg. 53/05, this account will continue to record the revenue
12 requirement impact of any change in OPG's nuclear decommissioning liability arising from an
13 approved reference plan measured against the forecast impact reflected in the revenue
14 requirement approved by the OEB. OPG will continue to record the return on rate base in
15 the account using the weighted average accretion rate on its nuclear liabilities of 5.37 per
16 cent.

17
18 The "nuclear decommissioning liability" is defined as "the liability of Ontario Power
19 Generation Inc. for decommissioning its nuclear generating facilities and the management of
20 its nuclear waste and nuclear fuel." An "approved reference plan" is defined as "a reference
21 plan, as defined in the Ontario Nuclear Funds Agreement, which has been approved by Her
22 Majesty the Queen in the right of Ontario in accordance with that agreement."

23
24 The account will also continue to record the amortization of the year-end 2012 account
25 balance, as approved in EB-2012-0002. Pursuant to the terms of the approved Settlement
26 Agreement, as stipulated in the EB-2012-0002 Payment Amounts Order, no interest will be
27 recorded on the balance of the Nuclear Liability Deferral Account.

28 29 **3.12 Nuclear Development Variance Account**

30 The Nuclear Development Variance Account was originally approved in EB-2007-0905 as
31 mandated in O. Reg. 53/05. This account will continue to record variances between the

1 actual non-capital costs incurred and firm financial commitments made in the course of
2 planning and preparation for the development of proposed new nuclear generation facilities
3 and those forecast costs and firm financial commitments reflected in the revenue
4 requirement approved by the OEB. As noted in Ex. F2-8-1, OPG does not propose to include
5 a forecast of these costs in the test period revenue requirement.

6
7 The account will also record interest and amortization of the year-end 2013 account balance
8 as proposed in this application.

9
10 **3.13 Bruce Lease Net Revenues Variance Account**

11 The Bruce Lease Net Revenues Variance Account was originally approved by the OEB in
12 EB-2007-0905 in order to ensure that OPG recovers its actual costs associated with the
13 Bruce facilities and that the regulated payment amounts are adjusted to reflect the actual
14 revenues net of costs earned from the Bruce lease. This account should continue in order to
15 capture differences between (i) the forecast revenues and costs related to the Bruce lease
16 that are factored into the nuclear revenue requirement approved by the OEB, and (ii) OPG's
17 actual revenues and costs in respect of the Bruce facilities. These revenues and costs are
18 discussed in Ex. G2-2-1.

19
20 The variance recorded in this account will continue to be measured by comparing the Bruce
21 lease revenues net of costs credited to customers monthly through the approved nuclear
22 payment amount to the actual monthly Bruce lease revenues net of costs realized by OPG.
23 The monthly Bruce lease revenues net of costs credited to customers will continue to be
24 equal to the rate of recovery reflected in the nuclear revenue requirement approved by the
25 OEB multiplied by OPG's actual nuclear production. The rate of recovery will continue to be
26 calculated by dividing the forecast Bruce lease revenues net of costs reflected in the OEB-
27 approved nuclear revenue requirement by the OEB-approved nuclear production forecast.

28
29 This account will continue be divided into two sub-accounts as follows:
30

1 Derivative Sub-Account: The Derivative Sub-Account will continue to record the following
2 additions as determined in accordance with generally accepted accounting principles for
3 unregulated entities: changes in the fair value of the derivative liability for the conditional
4 supplemental rent rebate provision of the Bruce lease (recognized as change in accounting
5 income) and associated income tax impacts on Bruce lease net revenues, and income tax
6 impacts on Bruce lease net revenues of rent rebates resulting from the above provision.

7
8 Non-Derivative Sub-Account: The Non-Derivative Sub-Account will continue to record
9 variances related to all non-derivative aspects of Bruce lease revenues net of costs.

10
11 The cost impact of any changes in OPG's liability for decommissioning the Bruce nuclear
12 generating facilities and the management of nuclear waste and nuclear fuel related to the
13 Bruce stations will also continue to be recorded in this account and will be reflected in the
14 Non-Derivative Sub-Account.

15
16 The two sub-accounts will also continue in order to record the amortization of the applicable
17 portions of the year-end 2012 account balance approved in EB-2012-0002.

18
19 To the extent that the actual supplemental rent rebate amounts paid to Bruce Power differ
20 from the approved forecast amounts, such differences will be reflected in the Derivative Sub-
21 Account in order to be carried forward to adjust amortization amounts the next time the
22 account balance is cleared.

23
24 The terms of the approved Settlement Agreement reflected in the EB-2012-0002 Payment
25 Amounts Order specified that no interest is to be recorded on the balance of either sub-
26 account during the period from January 1, 2013 to December 31, 2014. Additionally, during
27 this period, OPG is not recording interest on additions to either sub-account arising during
28 2013 or 2014.

29
30 Effective January 1, 2015, OPG will resume the application of interest to the opening monthly
31 balances in the account, including all additions recorded after December 31, 2012.

3.14 Pickering Life Extension Depreciation Variance Account

As discussed in Ex. H1-1-1, Section 4.14, pursuant to the EB-2012-0002 Payment Amounts Order, this variance account was established in order to record a credit amount of \$3.9M per month for the period from January 1, 2013 until the effective date of new nuclear payment amounts (excluding payment riders), reflecting the revised service lives, for depreciation purposes, of the Pickering stations. The nuclear payment riders established for 2013 and 2014 were reduced by an equivalent amount, resulting in an amortization debit entry being recorded in this account starting in 2013.

As the proposed revenue requirement reflects the revised Pickering service lives, starting on the effective date of the new payment amounts, the account will no longer record a credit addition. As the EB-2012-0002 payment rider continues until December 31, 2014, the account will continue to record an amortization debit entry during 2014 as approved in the EB-2012-0002 Payment Amounts Order. This will result in an accumulation, by December 31, 2014, of a balance to be recovered from ratepayers. This operation of the account is outlined in the approved EB-2012-0002 Settlement Agreement (Ex. M1-1, p. 30) and avoids the double-counting of the impact of the revised service lives that would otherwise result once new payment amounts are effective.

As per the EB-2012-0002 Payment Amounts Order, the account balance will continue not to attract interest.

3.15 Nuclear Deferral and Variance Over/Under Recovery Variance Account

The Nuclear Deferral and Variance Over/Under Recovery Variance Account was originally approved in EB-2009-0174. This account should continue in order to record the differences between the amounts approved for recovery in the nuclear deferral and variance accounts and the actual amounts recovered based on actual nuclear production and approved riders. The account also should continue in order to capture the transfer of the nuclear portion of the balances remaining in the Tax Loss Variance Account and the Impact for USGAAP Deferral

1 Account as at December 31, 2014, and, as ordered by the OEB, other accounts as they may
2 expire from time to time.

3
4 The account also needs to continue in order to record the amortization of the year-end 2012
5 account balance approved in EB-2012-0002 and interest.

6
7 **4.0 INTEREST**

8 OPG proposes to record interest on all deferral and variance accounts effective January 1,
9 2014, unless specified otherwise in the account descriptions above. Interest will be applied to
10 the monthly opening balances of these accounts at the interest rate set by the OEB from time
11 to time pursuant to its interest policy for deferral and variance accounts.