application of the tax rates and rules to OPG's regulated operations or changes in assessing or administrative policy including court decisions on other taxpayers).

The income tax provision and the underlying inputs reflected in the revenue requirement approved by the OEB shall be used to calculate any variances in income taxes recorded in the Income and Other Taxes Variance Account (the "reference amount"). The reference amounts to be used in determining variances for the regulated hydroelectric facilities are those reflected in the average 2014 and 2015 income tax provision approved by the OEB in EB-2013-0321 and shown in the Payment Amounts Order Appendix A, Table 7 and Table 8 of that proceeding, as adjusted for the removal of the application of the nuclear facilities' tax loss to the regulated hydroelectric facilities in 2015. The resulting monthly reference amount for the regulated hydroelectric facilities shall be $6.52M, or 1/24 of the adjusted total income tax provision for 2014 and 2015 of $156.4M.[5]

The reference amount to be used in determining variances for the nuclear facilities shall be the corresponding annual income tax provision reflected in the nuclear revenue requirement approved by the OEB in this proceeding, as calculated in Appendix A, Tables 16-20, col. (c), line 26. The monthly reference amount for the nuclear facilities shall be ($1.53M) commencing on the effective date of new payment amounts established in this proceeding for each year from 2017 to 2021, being 1/12 of the annual amount of ($18.4M) reflected in the approved revenue requirements for 2017-2021.

<u>Capacity Refurbishment Variance Account</u>

The Capacity Refurbishment Variance Account ("CRVA") was originally approved in EB-2007-0905 pursuant to O. Reg. 53/05 and has been approved in all subsequent OPG applications. This account shall continue to record the financial impact of variances between the actual capital and non-capital costs, and firm financial commitments incurred to increase the output of, refurbish or add operating capacity to a prescribed generation facility referred to in O. Reg.

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

53/05 s. 2 and those forecast costs and firm financial commitments for projects reflected in the revenue requirement approved by the OEB (the "reference amount"). This account shall continue to include assessment costs and pre-engineering costs and commitments as required by O. Reg. 53/05 s. 6(2)4. In 2015, O. Reg. 53/05 was amended to affirm that the scope of this account includes the capital and non-capital costs and firm financial commitments incurred in respect of the Darlington Refurbishment Program ("DRP").

Beginning the effective date of the 2017 approved hydroelectric payment amounts for the regulated hydroelectric facilities, the CRVA will record entries relative to the annual reference amount of $0.9M reflected in the revenue requirement for 2014 and 2015 approved by the OEB in EB-2013-0321[6]. Commencing on the effective date of the 2017 hydroelectric payment amount, OPG shall be entitled to recover amounts recorded in the account in relation to the regulated hydroelectric facilities to the extent that OPG's total capital in-service additions for these facilities exceed the funding available for capital expenditures calculated as set out in EB-2016-0152 Ex. H1-1-2 Table 3, col. (a). The annual CRVA capital funding implicit in the approved hydroelectric payment amounts shall be $143.3M (the "funding amount"), being the annual average of the depreciation expense for the regulated hydroelectric facilities reflected in the revenue requirement approved by the OEB for 2014 and 2015 in EB-2013-0321[7]. Both the reference amount and the funding amount will be escalated annually by the approved price cap index applied to increase hydroelectric payment amounts approved by the OEB. With respect to the hydroelectric facilities, the monthly reference amount shall be $0.076M[8] commencing on the effective date of new hydroelectric payment amounts established in this proceeding to December 31, 2017, and $0.077M[9] in 2018. The monthly funding amount shall be $12.11M[10] commencing on the effective date of new hydroelectric payment amounts

[6] For 2017 the reference amount shall be the proportion of the annual reference amount of $0.9M from the approved effective date of hydroelectric payments amounts established in this proceeding to December 31, 2017

[7] For 2017 the funding amount shall be the proportion of the annual funding amount of $143.3M from the approved effective date of hydroelectric payment amounts established in this proceeding to December 31, 2017

[8] $0.9M * 1.4% hydroelectric payment amount index for 2017 / 12 months = $0.076M

[9] $0.9M * 1.4% hydroelectric payment amount index for 2017 * 0.9% hydroelectric payment amount index for 2018 / 12 months = $0.077M

[10] $143.3M * 1.4% hydroelectric payment amount index for 2017 / 12 months = $12.11M

established in this proceeding to December 31, 2017 and $12.22M[11] in 2018. The monthly reference amounts and the monthly funding amounts for 2019 to 2021 shall be determined using the approved price cap index applied to increase hydroelectric payment amounts approved by the OEB in a future proceeding.

For the nuclear facilities, this account shall continue to record entries relative to the reference amounts reflected in the annual revenue requirement approved by the OEB in this proceeding for each year from 2017 to 2021. With respect to the nuclear facilities, the monthly reference amount shall be 1/12 of $107.5M, $94.9M, $107.2M, $604.6M, and $521.6M for each respective year from 2017 to 2021, as reflected in the nuclear revenue requirement approved by the OEB in this proceeding.[12] The resulting monthly reference amount shall be $9.0M commencing on the effective date of new payment amounts established in this proceeding to December 31, 2017, $7.9M in 2018, $8.9M in 2019, $50.4M in 2020 and $43.5M in 2021.

Pension and OPEB Cost Variance Account

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

[11] $143.3M * 1.4% hydroelectric payment amount index for 2017 * 0.9% hydroelectric payment amount index for 2018 / 12 months = $12.22M

[12] The non-capital component of the reference amount is the sum of the "Total OM&A Costs" line in the chart at EB-2016-0152, Ex. L-4.1-1 Staff-024, p. 2, and Darlington Refurbishment OM&A at EB-2016-0152, Ex. F2-1-1, Table 1, line 5. The capital component is determined by calculating the revenue requirement impact of DN X-750 Space Retrieval CMFA capital at EB-2016-0152, Ex. D2-1-3, Table 2e, line 66 (identified as Darlington Spacer Retrieval Tooling Project at EB-2016-0152, Ex. L-4.1-1 Staff-024), and Darlington Refurbishment Program capital per PAO App. A, Table 9, col. (f) minus PAO App. A, Table 10, col. (e).