CLEARANCE OF DEFERRAL AND VARIANCE ACCOUNTS

1.0 PURPOSE

This evidence describes the proposed approach for clearing the audited December 31, 2024 balances in OPG's deferral and variance accounts ("D&V accounts").

2.0 SUMMARY

OPG is requesting recovery of the audited December 31, 2024 balances in the D&V accounts, less amortization amounts previously approved by the OEB in EB-2020-0290 (for 2025-2026) and EB-2023-0336 (for 2025-2026), together with the income tax impacts associated with the recovery of the Pension & Other Post-Employment Benefits ("OPEB") Cash Versus Accrual Differential Deferral Account,[1] through payment amount riders effective from January 1, 2027-December 31, 2031. As outlined in Ex. H1-1-1, OPG is not seeking clearance of balances in the following accounts: the hydroelectric components of the Capacity Refurbishment Variance Account, the components of the Nuclear Development Variance Account not related to the Darlington New Nuclear Program ("DNNP"), and the Pickering B Variance Account. Audited balances at December 31, 2024 are presented at Ex. H1-1-1, Table 1, and discussed at Ex. H1-1-1.

Section 3.0 describes the methodology for the proposed recovery of the balances in the D&V accounts and the income tax impacts associated with the recovery of the Pension & OPEB Cash Versus Accrual Differential Deferral Account. Section 4.0 describes the proposed recovery periods for the regulated hydroelectric and nuclear D&V account balances. Section 5.0 describes the payment riders proposed for the recovery of these balances.

3.0 METHODOLOGY

The Application proposes to calculate separate hydroelectric and nuclear payment riders for the period from January 1, 2027-December 31, 2031 in the form of $/MWh rates consistent

[1] The recovery or repayment of the income tax impacts associated with the recovery or repayment of the Pension & OPEB Cash Versus Accrual Differential Deferral Account is consistent with the approach reflected in EB-2020-0290 and EB-2023-0336. Further details can be found in EB-2020-0290 (Ex. H1-2-1) and EB-2018-0243 (Ex. F1-1-1).

with the form of payment riders approved in decisions and payment amounts orders in prior OPG proceedings.

The approach that has been used to calculate the proposed hydroelectric and nuclear payment riders is consistent with the methodology previously approved by the OEB.[2] Under this approach, each rider is calculated separately using the following three steps. First, a recovery or repayment period is determined for each account to be cleared. Second, based on each account's recovery or repayment period and the audited balance in the account less any amortization already approved, the amount to be amortized in each year of the period is determined. Finally, the total amount to be amortized each year for all balances is divided by a forecast of annual energy production volumes to determine the payment riders in each year.

OPG proposes to calculate the hydroelectric payment amount rider using the 2027 hydroelectric production forecast approved in this application. Consistent with direction in O. Reg. 53/05, s. 14(2)7, OPG proposes to calculate the nuclear payment amount rider according to the following formula: (E + F) / (C+D), where

"E" is the sum of the balances proposed for clearance in deferral and variance accounts for OPG's regulated nuclear facilities,
"F" is the sum of the balances proposed for clearance in deferral and variance accounts for the DNNP facilities,[3]
"C" is the OEB-approved production forecast for OPG's regulated nuclear facilities,
"D" is the OEB-approved production forecast for the DNNP facilities.

Any differences between the production amounts used to set the payment amount riders and actual production will continue to be addressed by entries into the Hydroelectric Deferral and

[2] The approach for calculating the nuclear payment rider is also consistent with direction in O. Reg. 53/05, s. 14(2)7.
[3] The amount in "F" is equal to zero as the Application is not proposing clearance of any deferral and variance accounts for the DNNP facilities.

Variance Over/Under Recovery Variance Account and Nuclear Deferral and Variance Over/Under Recovery Variance Account (OPG).

4.0 RECOVERY PERIODS

With the exception of the Rate Smoothing Deferral Account, OPG proposes to recover the D&V account balances on a straight-line basis, over the three-year period from January 1, 2027-December 31, 2029. As discussed below, OPG proposes to recover the Rate Smoothing Deferral Account on a straight-line basis over the ten-year period from January 1, 2027-December 31, 2036.

A three-year recovery or repayment period for the majority of the D&V account balances in this Application is consistent with the recovery or repayment periods for the majority of D&V account balances approved in prior OPG proceedings.[4] The Application proposes the maximum permissible period for recovery of the Rate Smoothing Deferral Account due to its larger size, which will help to mitigate customer bill impacts.

As discussed in Ex. H1-1-1, Section 5.18, Section 6(2)12(iv) of O. Reg. 53/05 stipulates that OPG is to recover the balance recorded in the Rate Smoothing Deferral Account on a straight-line basis over a period not to exceed ten years commencing when the Darlington Refurbishment Program ends. With the Darlington Refurbishment Program expected to be completed during 2026, OPG proposes to recover the balance in this account as of December 31, 2024 over the ten-year period permitted beginning January 1, 2027 such that balances in the account can be recovered in their entirety prior to the ten year period ending December 31, 2036.

5.0 PAYMENT RIDERS

The calculation of the Hydroelectric Payment Rider is shown in Ex. H1-2-1, Table 1, while the Nuclear Payment Rider calculation is shown in Ex. H1-2-1, Table 2. In both tables, the 2024 audited D&V account balances (col. a) less the 2025-2026 amortization approved in EB-2020-

[4] For example: EB 2023-0336 – majority of balances cleared over a 30 month period. EB-2020-0290 – majority of balances cleared over 36 month period. EB-2018-0243 – majority of balances cleared over 36 month period.

0290 (col. b) and EB 2023-0336 (col. c) results in the balance available for recovery or repayment (col. d). Amounts proposed to be deferred to future applications are removed from this balance (col. e), resulting in the amounts proposed for recovery or repayment in this application (col. f). The proposed recovery or repayment terms described in Section 4.0 (col. g) are used to determine the amount to be amortized in each year of the 2027-2031 period for which D&V account riders are proposed, as discussed in Section 3.0. Remaining unamortized balances as at December 31, 2031 are also provided (col. n) to illustrate full disposition of balances available for recovery or repayment.

The proposed Hydroelectric Payment Rider is calculated using the amounts available for recovery or repayment in each year, comprising the total of hydroelectric D&V account amortizations in the year and the income tax impacts associated with the recovery of the hydroelectric component of the Pension & OPEB Cash Versus Accrual Differential Deferral Account, divided by the proposed production forecast for the hydroelectric facilities, as set out in Section 3.0. The resulting rider in effect would be a repayment of $1.17/MWh in 2027, 2028, and 2029.

The proposed Nuclear Payment Rider is calculated using the amounts available for recovery or repayment in each year comprising the total of nuclear D&V account amortizations in the year, divided by the proposed production forecast for the combined OPG nuclear facilities and the DNNP facilities, as set out in Section 3.0. The resulting riders in effect would be $7.19/MWh in 2027, $5.04/MWh in 2028, $5.36/MWh in 2029, $2.48/MWh in 2030, and $2.19/MWh in 2031.

Numbers may not add due to rounding.

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

Line No.	Account	Note	Audited Year End Balance 2024	EB-2020-0290 OEB-Approved Amortization (2025-2026)	EB-2023-0336 OEB-Approved Amortization (2025-2026)	(a)-(b)-(c) 2024 Balance Less Approved Amortization	Amounts Deferred to Future Applications	(d)-(e) Amounts Recoverable (Refundable) in Current Application	Disposition Period (months)	Amortization Jan - Dec 2027	Amortization Jan - Dec 2028	Amortization Jan - Dec 2029	Amortization Jan - Dec 2030	Amortization Jan - Dec 2031	(h)+(i)+(j)+(k)+(l) Amortization	(d)-(m) Unamortized Balance
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
			Note 1	Note 2	Note 3											
1	**Hydroelectric Water Conditions Variance**		(172.6)	0.0	(79.7)	(92.9)	0.0	(92.9)	36	(31.0)	(31.0)	(31.0)	0.0	0.0	(92.9)	0.0
2	**Ancillary Services Net Revenue Variance - Hydroelectric**		(22.2)	0.0	(9.7)	(12.5)	0.0	(12.5)	36	(4.2)	(4.2)	(4.2)	0.0	0.0	(12.5)	0.0
3	**Hydroelectric Incentive Mechanism Variance**		0.0	0.0	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	**Hydroelectric Surplus Baseload Generation Variance**		305.6	0.0	231.7	73.9	0.0	73.9	36	24.6	24.6	24.6	0.0	0.0	73.9	0.0
5	**Income and Other Taxes Variance - Hydroelectric**		(17.3)	0.0	(9.2)	(8.1)	0.0	(8.1)	36	(2.7)	(2.7)	(2.7)	0.0	0.0	(8.1)	0.0
6	**Capacity Refurbishment Variance - Hydroelectric**	4	162.1	0.0	41.4	120.7	120.7	0.0		0.0	0.0	0.0	0.0	0.0	0.0	120.7
7	**Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account**		8.6	0.0	4.4	4.2	0.0	4.2	36	1.4	1.4	1.4	0.0	0.0	4.2	0.0
8	**Pension and OPEB Cost Variance - Hydroelectric - Future Recovery (Dec. 31, 2012 Balance)**		0.0	0.0	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	**Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric - Registered Pension Plan (RPP) - EB-2018-0243 Approved**		16.5	16.5	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	**Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric - Non-RPP - EB-2018-0243 Approved**		0.0	0.0	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	**Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric - Post-2017 Additions - EB-2020-0290 Approved**		17.7	17.7	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	**Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric - Post-2019 Additions**		(8.0)	0.0	22.5	(30.5)	0.0	(30.5)	36	(10.2)	(10.2)	(10.2)	0.0	0.0	(30.5)	0.0
13	**Pension & OPEB Cash Payment Variance - Hydroelectric**		(76.3)	0.0	(41.0)	(35.2)	0.0	(35.2)	36	(11.7)	(11.7)	(11.7)	0.0	0.0	(35.2)	0.0
14	**Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Variance - Carrying Charges - Hydroelectric**		(8.5)	0.0	(1.6)	(6.9)	0.0	(6.9)	36	(2.3)	(2.3)	(2.3)	0.0	0.0	(6.9)	0.0
15	**Hydroelectric Deferral and Variance Over/Under Recovery Variance**		16.7	0.0	11.0	5.6	0.0	5.6	36	1.9	1.9	1.9	0.0	0.0	5.6	0.0
16	**Total**		222.3	34.2	169.8	18.3	120.7	(102.4)		(34.1)	(34.1)	(34.1)	0.0	0.0	(102.4)	120.7
17	**Tax on Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric - Post-2019 Additions**	5				(10.2)	0.0	(10.2)	36	(3.4)	(3.4)	(3.4)	0.0	0.0	(10.2)	0.0
18	**Sale of Unprescribed Kipling Site Deferral**	6	(6.3)	0.0	(5.1)	(1.2)	0.0	(1.2)	36	(0.4)	(0.4)	(0.4)	0.0	0.0	(1.2)	0.0
19	**Total Recoverable (Refundable) Amount**					6.9	120.7	(113.8)		(37.9)	(37.9)	(37.9)	0.0	0.0	(113.8)	120.7
20	**Forecast Production (TWh)**	7								32.5	32.5	32.5				
21	**Regulated Hydroelectric Payment Rider ($/MWh)** (line 19 / line 20)									(1.17)	(1.17)	(1.17)				

Notes:
1 From Ex. H1-1-1 Table 1, col (c).
2 From EB-2020-0290 Payments Amounts Order, App. C, Table 1, sum of cols. (k), (l).
3 From EB-2023-0336 Decision and Order, App. A, Table 1, sum of cols. (h), (i).
4 Clearance of the balance is proposed to be deferred to a future application.
5 Calculated as: line 12 * tax rate / (1 - tax rate). Tax rate from Ex. F4-2-1, Table 3b, line 27.
6 The balance is split evenly across Regulated Hydroelectric and Nuclear, consistent with the OEB-approved settlement proposal in EB-2023-0336 (EB-2023-0336 Decision and Order, June 13, 2024, App. B, p. 17).
7 From Ex. E1-1-1, Table 1, line 4, col. (l).

Numbers may not add due to rounding.

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

Line No.	Account	Note	Audited Year End Balance 2024	EB-2020-0290 OEB-Approved Amortization (2025-2026)	EB-2023-0336 OEB-Approved Amortization (2025-2026)	(a)-(b)-(c) 2024 Balance Less Approved Amortization	Amounts Deferred to Future Applications	(d)-(e) Amounts Recoverable (Refundable) in Current Application	Disposition Period (months)	Amortization Jan - Dec 2027	Amortization Jan - Dec 2028	Amortization Jan - Dec 2029	Amortization Jan - Dec 2030	Amortization Jan - Dec 2031	(h)+(i)+(j)+(k)+(l) Amortization	(d)-(m) Unamortized Balance
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
			Note 1	Note 2	Note 3											
1	**Nuclear Liability Deferral**		527.3	0.0	150.7	376.6	0.0	376.6	36	125.5	125.5	125.5	0.0	0.0	376.6	0.0
2	**Nuclear Development Variance - DNNP**		61.8	0.0	86.6	(24.9)	0.0	(24.9)	36	(8.3)	(8.3)	(8.3)	0.0	0.0	(24.9)	0.0
3	**Nuclear Development Variance - Non DNNP**	4	23.5	0.0	0.0	23.5	23.5	0.0		0.0	0.0	0.0	0.0	0.0	0.0	23.5
4	**Ancillary Services Net Revenue Variance - Nuclear**		(13.5)	0.0	(9.0)	(4.5)	0.0	(4.5)	36	(1.5)	(1.5)	(1.5)	0.0	0.0	(4.5)	0.0
5	**Capacity Refurbishment Variance - Nuclear - DRP - Excluding D2O Storage Project**		170.2	0.0	0.0	170.2	0.0	170.2	36	56.7	56.7	56.7	0.0	0.0	170.2	0.0
6	**Capacity Refurbishment Variance - Nuclear - Non-DRP**		173.7	0.0	89.4	84.3	0.0	84.3	36	28.1	28.1	28.1	0.0	0.0	84.3	0.0
7	**Capacity Refurbishment Variance - Nuclear - Accelerated Investment Incentive CCA - DRP - EB-2020-0290/EB-2023-0336 Approved**		(16.8)	0.0	(14.5)	(2.3)	0.0	(2.3)	36	(0.8)	(0.8)	(0.8)	0.0	0.0	(2.3)	0.0
8	**Capacity Refurbishment Variance - Nuclear - D2O Storage Project - EB-2023-0336 Approved**		70.1	0.0	63.5	6.7	0.0	6.7	36	2.2	2.2	2.2	0.0	0.0	6.7	0.0
9	**Bruce Lease Net Revenues Variance - EB-2018-0243/EB-2016-0152 Approved**		42.1	42.1	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	**Bruce Lease Net Revenues Variance - Post-2017 Additions**		(102.0)	0.0	1.4	(103.4)	0.0	(103.4)	36	(34.5)	(34.5)	(34.5)	0.0	0.0	(103.4)	0.0
11	**Income and Other Taxes Variance - Nuclear**		(9.5)	0.0	(7.3)	(2.1)	0.0	(2.1)	36	(0.7)	(0.7)	(0.7)	0.0	0.0	(2.1)	0.0
12	**Pension and OPEB Cost Variance - Nuclear - Future Recovery (Dec. 31, 2012 Balance)**		0.0	0.0	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	**Pension and OPEB Cost Variance - Nuclear - Post 2021 Additions**		(411.1)	0.0	(98.0)	(313.1)	0.0	(313.1)	36	(104.4)	(104.4)	(104.4)	0.0	0.0	(313.1)	0.0
14	**Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear - Registered Pension Plan (RPP) - EB-2018-0243 Approved**		106.4	106.4	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	**Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear - Non-RPP - EB-2018-0243 Approved**		0.0	0.0	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16	**Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear - Post-2017 Additions - EB-2020-0290 Approved**		111.3	111.3	0.0	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
17	**Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear - Post-2019 Additions - EB-2023-0336 Approved**		131.9	0.0	131.9	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18	**Pension & OPEB Cash Payment Variance - Nuclear - EB-2020-0290/EB-2023-0336 Approved**		(244.4)	0.0	(213.8)	(30.6)	0.0	(30.6)	36	(10.2)	(10.2)	(10.2)	0.0	0.0	(30.6)	0.0
19	**Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Variance - Carrying Charges - Nuclear**		(42.1)	0.0	(9.5)	(32.6)	0.0	(32.6)	36	(10.9)	(10.9)	(10.9)	0.0	0.0	(32.6)	0.0
20	**Nuclear Deferral and Variance Over/Under Recovery Variance**		(61.5)	0.0	(46.4)	(15.1)	0.0	(15.1)	36	(5.0)	(5.0)	(5.0)	0.0	0.0	(15.1)	0.0
21	**Fitness for Duty Deferral**		2.5	0.0	0.0	2.5	0.0	2.5	36	0.8	0.8	0.8	0.0	0.0	2.5	0.0
22	**SR&ED ITC Variance**		(25.7)	0.0	(0.4)	(25.2)	0.0	(25.2)	36	(8.4)	(8.4)	(8.4)	0.0	0.0	(25.2)	0.0
23	**Rate Smoothing Deferral**		677.4	0.0	0.0	677.4	0.0	677.4	120	67.7	67.7	67.7	67.7	67.7	338.7	338.7
24	**Impact Resulting from Changes to Pickering Station End-of-Life Dates (December 31, 2017) Deferral - EB-2020-0290/EB-2023-0336 Approved**		85.1	0.0	85.1	0.0	0.0	0.0	36	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25	**Impact Resulting from Optimization of Pickering Station End-of-Life Dates Deferral - December 31, 2020**		66.1	0.0	(36.0)	102.1	0.0	102.1	36	34.0	34.0	34.0	0.0	0.0	102.1	0.0
26	**Impact Resulting from Optimization of Pickering Station End-of-Life Dates Deferral - December 31, 2023**		(2.3)	0.0	0.0	(2.3)	0.0	(2.3)	36	(0.8)	(0.8)	(0.8)	0.0	0.0	(2.3)	0.0
27	**Pickering Closure Costs Deferral**		7.6	0.0	0.0	7.6	0.0	7.6	36	2.5	2.5	2.5	0.0	0.0	7.6	0.0
28	**Clarington Corporate Campus Deferral**		7.7	0.0	0.0	7.7	0.0	7.7	36	2.6	2.6	2.6	0.0	0.0	7.7	0.0
29	**Pickering B Variance**	4	131.1	0.0	0.0	131.1	131.1	0.0		0.0	0.0	0.0	0.0	0.0	0.0	131.1
30	**Total**		1,466.8	259.8	173.6	1,033.4	154.6	878.8		134.9	134.9	134.9	67.7	67.7	540.1	493.3
31	**Sale of Unprescribed Kipling Site Deferral**	5	(6.3)	0.0	(5.1)	(1.2)	0.0	(1.2)	36	(0.4)	(0.4)	(0.4)	0.0	0.0	(1.2)	0.0
32	**Total Recoverable (Refundable) Amount**					1,032.2	154.6	877.6		134.5	134.5	134.5	67.7	67.7	538.9	493.3
33	**Forecast Production (TWh)**	6								18.7	26.7	25.1	27.3	30.9		
34	**Nuclear Payment Rider ($/MWh)** (line 32 / line 33)									7.19	5.04	5.36	2.48	2.19		

Notes:

1 From Ex. H1-1-1 Table 1, col (c).

2 From EB-2020-0290 Payments Amounts Order, App. D, Table 1, sum of cols. (k), (l).

3 From EB-2023-0336 Decision and Order, App. A, Table 2, sum of cols. (h), (i).

4 Clearance of the balance is proposed to be deferred to a future application.

5 The balance is split evenly across Regulated Hydroelectric and Nuclear, consistent with the OEB-approved settlement proposal in EB-2023-0336 (EB-2023-0336 Decision and Order, June 13, 2024, App. B, p. 17).

6 From Ex. E2-1-1, Table 1, cols. (h) to (l), line 5.