

DEFERRAL AND VARIANCE ACCOUNTS

1.0 PURPOSE

This evidence describes OPG's deferral and variance accounts. These accounts were established pursuant to O. Reg. 53/05 and to the OEB's decisions in EB-2007-0905, EB-2009-0174, EB-2010-0008, EB-2011-0090, EB-2012-0002, EB-2013-0321, EB-2014-0369, EB-2014-0370 and EB-2015-0374.

2.0 OVERVIEW

The audited balances in each of the deferral and variance accounts are shown in Ex. H1-1-1 Table 1.¹ The unqualified Independent Auditors' Report prepared by Ernst & Young LLP is presented as Attachment 1. The Schedule of Regulatory Balances as at December 31, 2015 is presented as Attachment 2.

OPG proposes to clear the audited balances in all deferral and variance accounts as at December 31, 2015, except for the Pension & OPEB Cash Versus Accrual Differential Deferral Account². OPG's proposal is consistent with the OEB's expectation that "all accounts should be reviewed and disposed of in a cost of service proceeding unless there is a compelling reason to not do so" (EB-2013-0321 Decision, p. 125). The total year-end 2015 debit balance in the accounts proposed for clearance is \$211.3M for the regulated hydroelectric facilities and \$1,162.4M for the nuclear facilities. Adjusted for 2016 amortization amounts approved in EB-2014-0370, these balances are \$107.9M for the regulated hydroelectric facilities and \$629.4M for the nuclear facilities and largely relate to unamortized portions of the Pension and OPEB Cost Variance Account previously approved for recovery in EB-2012-0002 and EB-2014-0370 over periods extending beyond December 31, 2016. Details regarding proposed account clearance and riders are presented in Ex. H1-2-1.

¹ A debit entry or balance is an amount to be collected from ratepayers. A credit entry or balance is an amount to be returned to ratepayers.

² Clearance of this account is subject to the outcome of the OEB's generic proceeding on pension and OPEB costs (EB-2015-0040).

1 OPG proposes to continue all existing deferral and variance accounts, using the
2 methodologies that have been used to record entries into these accounts to date, as
3 approved by the OEB. These methodologies were used to determine account additions
4 recorded during 2015.

5

6 As described in Ex. A1-3-3, OPG is proposing to file a mid-term production review application
7 in the first quarter of 2019 that would include a request to dispose of applicable audited
8 deferral and variance account balances. Most accounts brought forward as part of that
9 application would reflect amounts accumulated over the period January 1, 2016 to December
10 31, 2018 as well as any remaining unamortized portions, as at December 31, 2018, of
11 previously approved amounts with recovery period extending beyond December 31, 2018.

12

13 Section 3.0 lists OPG's existing deferral and variance accounts. Section 4.0 describes the
14 proposed approach to determine reference amounts for additions to deferral and variance
15 accounts. Section 5.0 describes the existing deferral and variance accounts and how
16 additions to the accounts have been and are proposed to be determined. Section 6.0
17 proposes a set of new deferral and variance accounts. Finally, section 7.0 discusses the
18 application of interest to the balances in the accounts.

19

20 **3.0 LISTING OF EXISTING ACCOUNTS**

21 The OEB has authorized deferral and variance accounts for OPG as listed below. OPG
22 proposes to continue all of its existing deferral and variance accounts:

- 23 • Hydroelectric Water Conditions Variance Account
- 24 • Ancillary Services Net Revenue Variance Account – Hydroelectric and Nuclear
25 Sub-Accounts
- 26 • Hydroelectric Incentive Mechanism Variance Account
- 27 • Hydroelectric Surplus Baseload Generation Variance Account
- 28 • Income and Other Taxes Variance Account
- 29 • Capacity Refurbishment Variance Account
- 30 • Pension and OPEB Cost Variance Account
- 31 • Hydroelectric Deferral and Variance Over/Under Recovery Variance Account

- 1 • Gross Revenue Charge Variance Account
- 2 • Pension & OPEB Cash Payment Variance Account
- 3 • Pension & OPEB Cash Versus Accrual Differential Deferral Account
- 4 • Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account
- 5 • Nuclear Liability Deferral Account
- 6 • Nuclear Development Variance Account
- 7 • Bruce Lease Net Revenues Variance Account – Derivative and Non-Derivative
- 8 Sub-Accounts
- 9 • Pickering Life Extension Depreciation Variance Account (proposed to be
- 10 terminated as of the effective date of the payment amounts order of this
- 11 Application)
- 12 • Nuclear Deferral and Variance Over/Under Recovery Variance Account
- 13 • Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015)
- 14 Deferral Account

15

16 Ex. H1-1-1 Table 1 shows the audited 2014 closing balances and the audited 2015 closing
17 balances for each account. Ex. H1-1-1 Tables 2 through 13 provide supporting calculations
18 showing the derivation of 2015 additions into these accounts.

19

20 **4.0 DEFERRAL AND VARIANCE ACCOUNT ADDITIONS AS OF THE EFFECTIVE**
21 **DATE OF THE PAYMENT AMOUNTS ORDER IN THIS PROCEEDING**

22

23 **4.1 Hydroelectric Deferral and Variance Account Additions**

24 OPG proposes that the reference amounts used to determine post-2015 hydroelectric
25 deferral and variance account additions as of the effective date of the payment amounts
26 order in this proceeding will be the forecasts underpinning the hydroelectric payment
27 amounts in 2014 and 2015 approved by the OEB in EB-2013-0321, unless otherwise
28 specified in the account descriptions.

29

30 This treatment would apply to the following accounts:

- 31 • Hydroelectric Water Conditions Variance Account

- 1 • Ancillary Services Net Revenue Variance Account – Hydroelectric
- 2 • Hydroelectric Incentive Mechanism Variance Account
- 3 • Income and Other Taxes Variance Account – Hydroelectric
- 4 • Capacity Refurbishment Variance Account – Hydroelectric
- 5 • Gross Revenue Charge Variance Account
- 6 • Pension & OPEB Cash Payment Variance Account
- 7 • Hydroelectric Capital Structure Variance Account (proposed)

8

9 The proposed treatment applies only to the hydroelectric accounts that are listed above³
10 because the reference amounts for the other hydroelectric variance and deferral accounts
11 are not based on the OEB-approved forecast amounts underpinning OPG's payment
12 amounts.

13

14 **4.2 Nuclear Deferral and Variance Account Additions**

15 The reference amounts used to determine nuclear deferral and variance account additions
16 for 2016 will be the forecasts underpinning the nuclear payment amounts in 2014 and 2015
17 approved by the OEB in EB-2013-0321, unless otherwise specified in the account
18 descriptions.

19

20 OPG proposes that the reference amounts used to determine account additions as of the
21 effective date of the payment amounts order in this Application will be the annual forecasts
22 underpinning the approved nuclear revenue requirements for each year in this proceeding,
23 unless otherwise specified in the account descriptions.

24

25 **5.0 ACCOUNT DESCRIPTIONS AND ENTRIES**

26 This section provides a description and summarizes the need for OPG's deferral and
27 variance accounts and outlines how additions to the accounts are determined. The 2015

³ The proposed treatment does not apply to the following hydroelectric accounts: Hydroelectric Surplus Baseload Generation Variance Account, Pension and OPEB Cost Variance Account – Hydroelectric, Hydroelectric Deferral and Variance Over/Under Recovery Variance Account, Pension & OPEB Cash Versus Accrual Differential Deferral Account – Hydroelectric and the Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account.

1 additions have been determined pursuant to the EB-2014-0370 and EB-2013-0321 payment
2 amount orders.

3

4 **5.1 Hydroelectric Water Conditions Variance Account**

5 The Hydroelectric Water Conditions Variance Account was originally established by O. Reg.
6 53/05. It was subsequently approved by the OEB in EB-2007-0905 and has been approved
7 in all subsequent OPG applications in recognition of the fact that water conditions are subject
8 to a high degree of forecast risk due to factors that are beyond OPG's ability to manage or
9 control, such as weather.

10

11 This account records the financial impact of differences, including changes in gross revenue
12 charge ("GRC") costs, between the actual production amount for the regulated hydroelectric
13 facilities and the reference production amount, arising from changes in actual water
14 conditions.

15

16 For the previously regulated hydroelectric facilities, OPG determines the hydroelectric
17 production impact of changes in water conditions by entering the actual flow values into the
18 same production forecast models used to calculate the OEB-approved production forecast
19 that underpins the payment amounts approved for these facilities by the OEB. All other
20 variables are held constant. Deviations from forecast are determined as the difference
21 between the calculated production resulting from entering actual flows for the month into the
22 forecast model and the energy production forecast approved by the OEB. The revenue
23 impact of the production variance recorded in this account is determined by multiplying the
24 deviation from forecast, as described above, by the approved payment amount in effect.⁴

25

26 Pursuant to the EB-2014-0370 Payment Amounts Order, for each month after 2015, OPG
27 determines the calculated energy production for the previously regulated hydroelectric

⁴ Prior to the effective date of the payment amounts order in this proceeding, the revenue impact of the production variance is determined by multiplying the deviation from forecast by the Eb-2013-0321 previously regulated hydroelectric payment amount of \$40.20/MWh or the EB-2013-0321 newly regulated hydroelectric payment amount of \$41.93/MWh, as applicable. As of the effective date of the payment amounts order in this proceeding, OPG proposes to determine the revenue impact by using the OEB-approved payment amounts in effect during each period pursuant the approved incentive regulation formula.

1 facilities based on actual flows by entering actual water flow values into the 2014 and 2015
2 forecast models that underpin the EB-2013-0321 payment amounts and computing an
3 average of the resulting imputed monthly energy values from the two models.⁵
4

5 Similar to the previously regulated hydroelectric facilities, for the 21 newly regulated
6 hydroelectric facilities (listed in Attachment 3) that use computer models to forecast
7 production by converting water availability using historical median monthly flows, OPG
8 computes deviations of actual monthly flows from these historical median monthly flows in
9 order to determine the production variances for purposes of the variance account. Pursuant
10 to the EB-2014-0370 Payment Amounts Order, in calculating such deviations for a given
11 period after 2015 OPG uses:⁶

- 12 • For January 1 to June 30, the corresponding monthly forecasts for 2015
13 underpinning the EB-2013-0321 payment amounts order; and
- 14 • For July 1 to December 31, the average of the corresponding monthly forecasts for
15 2014 and 2015 underpinning the EB-2013-0321 payment amounts.

16
17 As of the effective date of the payment amounts order in this proceeding, OPG proposes that
18 the above methods used to calculate deviations in energy production due to actual water
19 flows for periods after 2015 continue to be used to calculate such deviations as of the
20 effective date of the payment amounts order in this proceeding.
21
22

23 This account records changes in GRC costs from those that underpin the payment amounts
24 that were approved by the OEB, as a result of differences in energy production calculated as
25 described above. Amounts recorded in the account in respect of these costs are determined
26 by multiplying the production deviation by the applicable gross revenue charge rate. The
27 account also records any variances in the amounts payable to the St. Lawrence Seaway
28 Management Corporation for the conveyance of water in the Welland Ship Canal, as well as

⁵ For each month during 2015, the calculated energy production based on actual flows was determined by entering actual water flow values into the 2015 forecast model underpinning the EB-2013-0321 payment amounts

⁶ For each month during 2015, deviations of actual monthly flows from historical median flows were determined using the 2015 monthly forecasts underpinning the EB-2013-0321 payment amounts

1 any variances in the amounts payable to the Government of Quebec for water rentals, from
2 those reflected in the payment amounts for regulated hydroelectric facilities that were
3 approved by the OEB.

4
5 No computer models exist to forecast production for the 27 of OPG's small regulated
6 hydroelectric stations not listed in Attachment 3. The 27 stations accounted for less than two
7 per cent of total production from all regulated hydroelectric facilities. Given the small size of
8 these 27 facilities, and consistent with the OEB's decision and orders in EB-2013-0321 and
9 EB-2014-0370, such facilities are excluded from the scope of the Hydroelectric Water
10 Conditions Variance Account.

11
12 Due to favourable water supply conditions in 2015, hydroelectric production was higher than
13 the forecast production underpinning current rates. This variance resulted in a credit addition
14 of \$17.1M to the account during 2015. The derivation of the variance is shown in Ex. H1-1-1
15 Table 2.

16
17 **5.2 Ancillary Services Net Revenue Variance Account – Hydroelectric and Nuclear**
18 **Sub Accounts**

19 The Ancillary Services Net Revenue Variance Account was originally established by O. Reg.
20 53/05. It was subsequently approved by the OEB in EB-2007-0905 and has been approved
21 in all subsequent OPG applications. This account recognizes that ancillary services revenues
22 are difficult to forecast accurately, with variances between forecast and actual ancillary
23 revenues reflecting changing demand and system/grid operating requirements.⁷

24
25 Ancillary services for regulated hydroelectric operations include black start capability,
26 operating reserve, regulation service (formerly referred to as automatic generation control),
27 and reactive support/voltage control service. Ancillary services for nuclear operations include
28 reactive support/voltage control service. Nuclear ancillary services revenue is discussed in
29 Ex. G2-1-1.

30

⁷ The methodology used to record entries into this account is the same as previously approved by the OEB.

1 Entries into the account will record variances as follows:

- 2 • From January 1, 2015 until the effective date of the payment amounts order in this
3 proceeding, for both the nuclear and regulated hydroelectric facilities: the variance
4 between the actual ancillary services net revenue and the average of the monthly
5 forecast amounts for 2014 and 2015 underpinning the revenue requirement
6 approved by the OEB in EB-2013-0321. As per the EB-2014-0370 payment amounts
7 order, the monthly reference amount is \$4.62M for hydroelectric facilities (Appendix
8 B, page 6) and \$0.14M for nuclear facilities (Appendix B, page 11)⁸;
- 9 • As of the effective date of the payment amounts order in this proceeding, for the
10 regulated hydroelectric facilities: OPG proposes the variance between the actual
11 regulated hydroelectric ancillary services net revenue and the average of the monthly
12 forecast amounts for 2014 and 2015 underpinning the hydroelectric revenue
13 requirement approved by the OEB in EB-2013-0321. As per the EB-2014-0370
14 payment amounts order, the monthly reference amount is \$4.62M for hydroelectric
15 facilities (Appendix B, page 6);
- 16 • As of the effective date of the payment amounts order in this proceeding, for nuclear
17 facilities: OPG proposes the variance between actual nuclear ancillary services net
18 revenue and forecast amounts underpinning the annual nuclear revenue
19 requirements approved by the OEB in this proceeding.

20

21 The derivation of the credit entry into the hydroelectric portion of this account for 2015 of
22 \$12.9M, as shown in Ex. H1-1-1 Table 3, is primarily due to higher regulation service
23 revenue and increased operating reserve revenue, partly offset by lower reactive support
24 revenue. The derivation of the debit entry into the nuclear portion of this account for 2015 of
25 \$0.9M is shown in Ex. H1-1-1 Table 3.

26

27

28

⁸ OPG shall ensure that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its pre-filed evidence dated September 27, 2013 and the information based on OPG's 2014-2016 Business Plan. These amounts are outlined in OPG's Impact Statement dated December 6, 2013, as found at EB-2013-0321, Ex. N1-1-1 Chart 1.

1 **5.3 Hydroelectric Incentive Mechanism Variance Account**

2 The Hydroelectric Incentive Mechanism Variance Account was originally approved in EB-
3 2010-0008 and has been approved in all subsequent OPG applications. This account
4 records a credit to ratepayers of 50 per cent of hydroelectric incentive mechanism (“HIM”)
5 revenues above an OEB-specified threshold.⁹

6
7 The threshold specified in EB-2013-0321 (payment amount order, Appendix G, page 7) and
8 in EB-2014-0370 (payment amount order, Appendix B, pages 8-9) was \$51.0M for 2014 and
9 \$58.0M for 2015. After December 31, 2015, the annual threshold was set at \$54.5M in EB-
10 2014-0370 (payment amounts order, Appendix B, page 9) based on the average 2014-2015
11 threshold. OPG proposes that the threshold of \$54.5M continue as of the effective date of the
12 payment amounts order in this proceeding.

13
14 There were no additions to the account for 2015 as actual HIM revenues during 2015 were
15 \$26.5M. These revenues were significantly below the specified threshold of \$58M, as shown
16 in Ex. H1-1-1 Table 4.

17
18 **5.4 Hydroelectric Surplus Baseload Generation Variance Account**

19 The Hydroelectric Surplus Baseload Generation Variance Account was originally approved in
20 EB-2010-0008 and has been approved in all subsequent OPG applications. This account
21 records the financial impact of foregone production at the regulated hydroelectric facilities
22 due to surplus baseload generation (“SBG”) conditions.

23
24 For the same reasons as noted in the description of the Hydroelectric Water Conditions
25 Variance Account above, the 27 small regulated hydroelectric facilities not listed in
26 Attachment 3, which comprised less than two per cent of total regulated hydroelectric
27 production, are excluded from the scope of this account.

28

⁹ The methodology used to record entries into this account is the same as previously approved by the OEB.

1 Entries in the account have been and are proposed to continue to be calculated by
2 multiplying the foregone production volume due to SBG conditions (in MWh) by the approved
3 regulated hydroelectric payment amount in effect, net of the avoided GRC costs.¹⁰

4
5 As described in EB-2013-0321, Ex. E1-2-1, section 3.2, OPG calculates foregone production
6 due to SBG by starting with the total volume of spill and subtracting the volume of spill due
7 to:

- 8 • water conveyance constraints (e.g., Sir Adam Beck Generating Station tunnel
9 capacity constraints);
- 10 • production capability constraints (e.g., unit outages; operating regulatory
11 requirements etc.);
- 12 • market constraints (i.e., IESO dispatch constraints: market or transmission system);
13 and
- 14 • contractual obligations (e.g., regulation service).

15
16 The remaining spill volume is identified as potential SBG spill. From this potential spill
17 volume, OPG excludes spill that occurs when the Ontario market price is above the level of
18 the GRC. The volume of spill remaining after this adjustment is the foregone production due
19 to SBG that is used to record entries in this account.¹¹

20
21 This account records and is proposed to continue to record any variances, as a result of
22 foregone production due to SBG conditions, in the amounts payable to the St. Lawrence
23 Seaway Management Corporation for the conveyance of water in the Welland Ship Canal
24 and any related variances in the amounts payable to Government of Quebec for water
25 rentals.

26

¹⁰ Prior to the effective date of the payment amounts order in this proceeding, the revenue impact of SBG conditions is determined by multiplying the forgone production volume by the OEB-approved previously regulated hydroelectric payment amount of \$40.20/MWh or the OEB-approved newly regulated hydroelectric payment amount of \$41.93/MWh, as applicable. As of the effective date of the payment amounts order in this proceeding, OPG proposes to determine the revenue impact by using the OEB-approved payment amounts in effect for all regulated hydroelectric facilities pursuant to the OEB-approved incentive regulation formula.

¹¹ The methodology used to record entries into this account is the same as previously approved by the OEB.

1 The derivation of the debit addition to this account of \$81.5M for 2015, reflecting
2 approximately 2.8 TWh of total SBG spill, is shown in Ex. H1-1-1 Table 5.

3
4 **5.5 Income and Other Taxes Variance Account**

5 The Income and Other Taxes Variance Account was originally approved in EB-2007-0905
6 and has been approved in all subsequent OPG applications. This account records, and is
7 proposed to continue to record, the financial impact on the revenue requirement of the
8 following¹²:

- 9
- 10 • Any differences in payments in lieu of corporate income or capital taxes that result
11 from a legislative or regulatory change to the tax rates or rules of the *Income Tax Act*
12 (Canada) and the *Taxation Act, 2007* (Ontario) (formerly the *Corporations Tax Act*
13 (Ontario), as modified by the regulations under the *Electricity Act, 1998*, and any
14 differences in payments in lieu of property tax to the Ontario Electricity Financial
15 Corporation that result from changes to the regulations under the *Electricity Act,*
16 *1998*;
 - 17 • Any differences in municipal property taxes that result from a legislative or regulatory
18 change to the tax rates or rules for OPG's prescribed assets under the *Assessment*
19 *Act, 1990*;
 - 20 • Any differences in payments in lieu of corporate income or capital taxes that result
21 from a change in, or a disclosure of, a new assessing or administrative policy that is
22 published in the public tax administration or interpretation bulletins by relevant federal
23 or provincial tax authorities, or court decisions on other taxpayers; and,
 - 24 • Any differences in payments in lieu of income or capital taxes that result from
25 assessments or re-assessments (including re-assessments associated with the
26 application of the tax rates and rules to OPG's regulated operations or changes in
27 assessing or administrative policy including those arising from court decisions on
28 other taxpayers). OPG continues to be subject to tax audits from prior years dating
29 back to 2013.
- 30

¹² The methodology used to record entries into this account is the same as previously approved by the OEB.

1 The reference amounts used to determine entries into the account are as follows:

- 2 • From January 1, 2015 until the effective date of the payment amounts order in this
3 proceeding, for both the nuclear and regulated hydroelectric facilities: the average of
4 the monthly income tax provision for 2014 and 2015 underpinning the revenue
5 requirement that was approved by the OEB in EB-2013-0321. As per the EB-2014-
6 0370 payment amounts order, the monthly reference amount is \$4.83M (Appendix B,
7 page 7);
- 8 • As of the effective date of the payment amounts order in this proceeding, for the
9 regulated hydroelectric facilities: OPG proposes the average of the monthly income
10 tax provision for 2014-2015 underpinning the hydroelectric revenue requirement
11 approved by the OEB in EB-2013-0321;
- 12 • As of the effective date of the payment amounts order in this proceeding, for nuclear
13 facilities: OPG proposes on a monthly basis, 1/12 of the annual income tax provision
14 underpinning the corresponding annual nuclear revenue requirements approved by
15 the OEB in this proceeding.

16

17 The derivation of the credit addition to the nuclear portion of this account of \$4.2M in 2015 is
18 shown in Ex. H1-1-1 Table 6.¹³ That addition to the nuclear portion of this account, which was
19 recorded following the resolution during 2015 of the 2011 taxation year audit to reflect the
20 related increase in the Scientific Research and Experimental Development (“SR&ED”)
21 Investment Tax Credits (“ITCs”) recognition percentage from 75 per cent to 100 per cent for
22 2011. The addition is the same in nature and calculation as the equivalent SR&ED ITCs
23 impacts previously recorded in the account in relation to resolution of prior year tax audits.
24 SR&ED ITCs are discussed further in Ex. F4-2-1.

25

26 **5.6 Capacity Refurbishment Variance Account**

27 The Capacity Refurbishment Variance Account was originally approved in EB-2007-0905
28 and has been approved in all subsequent OPG applications. This account was established
29 pursuant to section 6(2)4 of O. Reg. 53/05 to record variances between the actual capital
30 and non-capital costs and firm financial commitments incurred to increase the output of,

¹³ The credit addition to the regulated hydroelectric portion of the account in 2015 was less than \$0.05M.

1 refurbish or add operating capacity to a prescribed generation facility referred to in section 2
2 of O. Reg. 53/05 and those forecast costs and firm financial commitments underpinning the
3 revenue requirement that was approved by the OEB. In 2015, O. Reg. 53/05 was amended
4 to affirm that the scope of this account includes the capital and non-capital costs and firm
5 financial commitments incurred in respect of the Darlington Refurbishment Program (“DRP”).
6 As required by O. Reg. 53/05, Section 6(2)4, this account will continue to include
7 assessment costs and pre-engineering costs and commitments.¹⁴

8
9 Entries into the account will record variances as follows:

- 10 • Until the effective date of the payment amounts order in this proceeding, for both the
11 nuclear and regulated hydroelectric facilities: the variance between actual capital and
12 non-capital costs and firm financial commitments and those capital and non-capital
13 forecast costs and firm financial commitments underpinning the revenue requirement
14 approved by the OEB in EB-2013-0321¹⁵;
- 15 • As of the effective date of the payment amounts order in this proceeding, for the
16 regulated hydroelectric facilities: OPG proposes the variance between actual capital
17 and non-capital costs and firm financial commitments and the 2014-2015 average
18 forecast capital and non-capital costs and firm financial commitments underpinning
19 the hydroelectric revenue requirement approved by the OEB in EB-2013-0321;
- 20 • As of the effective date of the payment amounts order in this proceeding, for nuclear
21 facilities: OPG proposes the variance between actual capital and non-capital costs
22 and firm financial commitments and those forecast capital and non-capital costs and
23 firm financial commitments underpinning the annual nuclear revenue requirements
24 approved by the OEB in this proceeding.

25
26 The derivation of the debit entry into the regulated hydroelectric portion of this account for
27 2015 of \$1.2M is shown in Ex. H1-1-1 Table 7. That relatively small entry was due to

¹⁴ The methodology used to record entries into this account is the same as previously approved by the OEB.

¹⁵ OPG shall ensure that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its pre-filed evidence dated September 27, 2013 and the information based on OPG’s 2014-2016 Business Plan. These amounts are outlined in OPG’s Impact Statement dated December 6, 2013, as found at EB-2013-0321, Ex. N1-1-1 Chart 1.

1 variances in respect of several projects across the regulated hydroelectric fleet. The
2 December 31, 2015 regulated hydroelectric balance in the account is a debit of \$83.2M, as
3 shown in Ex. H1-1-1 Table 1. The regulated hydroelectric balance relates largely to the
4 Niagara Tunnel Project.

5
6 The derivation of the credit entry into the nuclear portion of this account for 2015 of \$68.9M is
7 shown in Ex. H1-1-1 Table 11. That entry was largely due to a ratepayer credit recorded on
8 account of the tax deduction for DRP-related SR&ED expenditures and non-capital credit
9 additions (i.e., OM&A expenses) to the account associated with the DRP, the Fuel Channel
10 Life Cycle Management Project and Pickering Continued Operations, partly offset by the
11 debit non-capital additions for the Fuel Channel Life Extension Project. The DRP and
12 associated capital expenditures and in-service amounts are discussed in Ex. D2-2-1 and
13 accompanying exhibits. The DRP OM&A expenses are discussed in Ex. F2-7-1. Further
14 information on the Pickering Extended Operations initiative and related fuel channel work can
15 be found in Ex. F2-2-3.

16

17 **5.7 Pension and OPEB Cost Variance Account**

18 The Pension and OPEB Cost Variance Account was originally approved in EB-2011-0090
19 and was continued in subsequent proceedings. This account records the difference between:

20 (1) the pension and OPEB costs, plus related income tax PILs, reflected in the current
21 revenue requirement approved by the OEB (i.e., the reference amount); and,

22 (2) OPG's actual pension and OPEB costs, and associated tax impacts, for the
23 prescribed generation facilities.

24

25 Actual pension and OPEB costs used in the calculation of the difference are calculated on an
26 accrual basis using the same accounting standards as those used to derive the reference
27 amount.

28

29 The balance in this account as at December 31, 2012, including interest accrued to that date,
30 was split into the Historic Recovery and Future Recovery components, as ordered by the
31 OEB in EB-2012-0002. In order to facilitate the presentation of entries into the account, OPG

1 has shown, as a separate component, the account additions post-2012 (“post-2012
2 additions”)¹⁶. The December 31, 2014 balance in the Historic Recovery component was
3 transferred to the Hydroelectric Deferral and Variance Over/Under Recovery Variance
4 Account and the Nuclear Deferral and Variance Over/Under Recovery Variance Account as
5 ordered by the OEB in EB-2013-0321. The two remaining components (i.e., Future Recovery
6 and post-2012) are shown separately in Ex. H1-1-1 Table 1 for the regulated hydroelectric
7 facilities and nuclear facilities.

8
9 As ordered by the OEB in EB-2013-0321 and EB-2014-0370, there were no additions to the
10 account in 2015. The total December 31, 2015 debit balance in the hydroelectric portion of
11 the account is \$42.0M. The 2015 balance in the hydroelectric portion of the account consists
12 of \$9.5M for the Future Recovery component and \$32.5M for the post-2012 additions, as
13 shown in Ex. H1-1-1 Table 1.

14
15 The total December 31, 2015 debit balance in the nuclear portion of the account is \$815.2M.
16 The 2015 balance in the nuclear portion of the account consists of \$193.2M for the Future
17 Recovery component and \$622.0M for the post-2012 additions, as shown in Ex. H1-1-1
18 Table 1.

19
20 The Future Recovery component (for both regulated hydroelectric and nuclear facilities) was
21 previously authorized by the OEB to be recovered over the period to December 31, 2024,
22 and the post-2012 additions to June 30, 2021. OPG’s clearance proposal in this Application,
23 set out in Ex. H1-2-1, continues these previously scheduled amortization periods.

24
25 Interest is not recorded or proposed to be recorded on the balance in the Pension and OPEB
26 Cost Variance Account as ordered by the OEB in the EB-2013-0321 and EB-2014-0370.

27
28 OPG is not proposing to record additions to this account during the test period. Rather, OPG
29 is proposing to record additions to the Pension & OPEB Cash Payment Variance Account
30 and the Pension & OPEB Cash Versus Accrual Differential Deferral Account. As described at

¹⁶ These additions were recorded for the period from January 1, 2013 to October 31, 2014.

1 Ex. F4-3-2, this approach is consistent with OPG's proposal to maintain the same treatment
2 for pension and OPEB costs as that resulting from the OEB's EB-2013-0321 Decision,
3 pending the outcome of the OEB's generic proceeding on pension and OPEB costs (EB-
4 2015-0040).

5

6 **5.8 Hydroelectric Deferral and Variance Over/Under Recovery Variance Account**

7 The Hydroelectric Deferral and Variance Over/Under Recovery Variance Account was
8 originally approved in EB-2009-0174 and has been approved in all subsequent OPG
9 applications. This account records the differences between the amounts approved for
10 recovery in the hydroelectric deferral and variance accounts and the actual amounts
11 recovered based on the actual regulated hydroelectric production and approved riders.
12 Pursuant to the OEB's orders, the account also captures the transfer of the hydroelectric
13 portions of the balances remaining in other accounts as they expire from time to time.¹⁷

14

15 The derivation of the \$13.3M debit addition to the account for 2015 is shown in Ex. H1-1-1
16 Table 9. There were no transfers from expiring accounts in 2015.

17

18 **5.9 Gross Revenue Charge Variance Account**

19 The Gross Revenue Charge Variance Account was originally approved in EB-2013-0321. It
20 records the cost impact of a gross revenue charge reduction under Ontario Regulation
21 124/02, once approved by the Ontario Ministry of Natural Resources and Forestry, pertaining
22 to production increases at OPG's Sir Adam Beck plants due to the operation of the new
23 Niagara tunnel.

24

25 The impact for 2014 and 2015, if any, will be determined by applying the approved reduction
26 to the forecast gross revenue charge costs included in the hydroelectric revenue requirement
27 that was approved by the OEB in EB-2013-0321 for 2014 and 2015, holding all other
28 variables constant. The impact will be calculated as of the later of November 1, 2014 and the
29 effective date of the approved gross revenue charge reduction.

30

¹⁷ The methodology used to record entries into this account is the same as previously approved by the OEB.

1 Post-2015, the impact will be determined by applying the approved reduction to the 2014-
2 2015 forecast gross revenue charge costs included in the revenue requirement that were
3 approved by the OEB in EB-2013-0321, averaged as applicable, holding all other variables
4 constant.

5

6 As no decision on the GRC reduction had been issued by the Ministry of Natural Resources
7 and Forestry in 2015, there were no entries into the account during that year.

8

9 **5.10 Pension & OPEB Cash Payment Variance Account**

10 The Pension & OPEB Cash Payment Variance Account was approved in EB-2013-0321. It
11 records the difference between OPG's actual registered pension plan contributions ("RPP")
12 and other post employment benefit ("OPEB") plan payments (including the long-term
13 disability benefit plan) attributed to the prescribed generating facilities, and such forecast
14 amounts underpinning the revenue requirement approved by the OEB in EB-2013-0321 (the
15 "reference amount").

16

17 As described at Ex. F4-3-2, OPG proposes to maintain the same treatment for recovering
18 pension and OPEB costs during the test period as that resulting from the EB-2013-0321
19 Decision (pp. 87-89), pending the outcome of the OEB's EB-2015-0040 consultation on
20 pension and OPEB costs. In particular, OPG proposes to include pension and OPEB cash
21 amounts in the test period nuclear revenue requirements, and, for both regulated
22 hydroelectric and nuclear facilities, to record differences between actual and forecast cash
23 amounts in the Pension & OPEB Cash Payment Variance Account. OPG also proposes to
24 defer the difference between actual accrual costs and actual cash amounts in the Pension &
25 OPEB Cash Versus Accrual Differential Deferral Account discussed below.

26

27 Entries into the account will be recorded as follows:

- 28 • For the period November 1, 2014 until the effective date of the payment amounts
29 order in this proceeding, for both the nuclear and regulated hydroelectric facilities:
30 the difference between actual RPP contributions and OPEB payments (including the
31 long-term disability benefit plan) attributed to the prescribed generating facilities and

1 such forecast amounts underpinning the revenue requirement approved by the OEB
2 in EB-2013-0321. As per the EB-2014-0370 payment amounts order (Appendix B,
3 pages 15-16), the monthly reference amounts are \$27.15M for OPG's RPP
4 contributions (\$23.38M for the nuclear facilities, \$1.32M for the previously regulated
5 hydroelectric facilities, and \$2.44M for the newly regulated hydroelectric facilities)
6 and \$7.73M for OPG's OPEB payments (\$6.66M for the nuclear facilities, \$0.38M for
7 the previously regulated hydroelectric facilities, and \$0.69M for the newly regulated
8 hydroelectric facilities);

- 9 • As of the effective date of the payment amounts order in this proceeding, for the
10 regulated hydroelectric facilities: OPG proposes the difference between OPG's actual
11 RPP contributions and OPEB payments (including the long-term disability benefit
12 plan) attributed to the prescribed generating facilities and such forecast amounts
13 underpinning the hydroelectric revenue requirement approved by the OEB in EB-
14 2013-0321. As per the EB-2014-0370 payment amounts order (Appendix B, pages
15 15-16), the monthly reference amounts for OPG's RPP contributions are \$1.32M for
16 the previously regulated hydroelectric facilities and \$2.44M for the newly regulated
17 hydroelectric facilities and for OPG's OPEB payments are \$0.38M for the previously
18 regulated hydroelectric facilities and \$0.69M for the newly regulated hydroelectric
19 facilities;
- 20 • As of the effective date of the payment amounts order in this proceeding, for the
21 nuclear facilities: OPG proposes the difference between OPG's actual RPP
22 contributions and OPEB payments (including the long-term disability benefit plan)
23 attributed to the prescribed generating facilities and such forecast amounts
24 underpinning the annual nuclear revenue requirements approved by the OEB in this
25 proceeding.

26
27 Pursuant to the OEB's decision in EB-2013-0321, interest applies to this variance account.
28 OPG records interest on the balance of the variance account effective November 1, 2014, in
29 accordance with Appendix B of the EB-2014-0370 Payment Amounts Order.

1 OPG is proposing to clear the total December 31, 2015 debit balance in this account of
2 \$27.7M. The total December 31, 2015 debit balance in the hydroelectric portion of the
3 account is \$4.3M, as shown in Ex. H1-1-1 Table 1. The derivation of the \$4.1M debit addition
4 to the account in 2015 is shown in Ex. H1-1-1 Table 8.

5
6 The total December 31, 2015 debit balance in the nuclear portion of the account is \$23.4M,
7 as shown in Ex. H1-1-1 Table 1. The derivation of the \$17.0M debit addition to the account in
8 2015 is shown in Ex. H1-1-1 Table 8. The cash amounts for pension and OPEB are
9 discussed in Ex. F4-3-2.

10 11 **5.11 Pension and OPEB Cash Versus Accrual Differential Variance Account**

12 The Pension & OPEB Cash Versus Accrual Differential Deferral Account was approved in
13 EB-2013-0321. The account records differences between: (i) OPG's actual pension and
14 OPEB costs for its prescribed generating facilities determined using the accrual accounting
15 method applied in OPG's audited consolidated financial statements; and, (ii) OPG's actual
16 registered pension plan contributions and other post employment benefit plan payments
17 (including the long-term disability benefit plan) attributed to OPG's prescribed generating
18 facilities.

19
20 As discussed above and at Ex. F4-3-2, OPG proposes to maintain the same treatment for
21 recovering pension and OPEB costs during the test period as that resulting from the EB-
22 2013-0321 Decision (pp. 87-89), pending the outcome of the OEB's EB-2015-0040
23 consultation on pension and OPEB costs. In particular, OPG proposes to include pension
24 and OPEB cash amounts in the test period nuclear revenue requirements, and, for both
25 regulated hydroelectric and nuclear facilities, to record differences between actual accrual
26 costs and actual cash amounts in the Pension & OPEB Cash Versus Accrual Differential
27 Deferral Account.

28
29 Entries into the account will record variances as follows:

- 30 • From November 1, 2014 until the effective date of the payment amounts order in this
31 proceeding, for both the nuclear and regulated hydroelectric facilities: the difference

1 between OPG's actual pension and OPEB costs for its prescribed generating
2 facilities determined using the accrual accounting method applied in OPG's audited
3 consolidated financial statements and OPG's actual RPP contributions and OPEB
4 payments (including the long-term disability benefit plan) attributed to OPG's
5 prescribed generating facilities;

- 6 • As of the effective date of the payment amounts order in this proceeding, for both the
7 nuclear and regulated hydroelectric facilities: OPG proposes the difference between
8 OPG's actual pension and OPEB costs for its prescribed generating facilities
9 determined using the accrual accounting method applied in OPG's audited
10 consolidated financial statements and OPG's actual RPP contributions and OPEB
11 payments (including the long-term disability benefit plan) attributed to OPG's
12 prescribed generating facilities.

13
14 OPG proposes to make these entries in the same manner as pursuant to the EB-2013-0321
15 and EB-2014-0370 payment amount orders.

16
17 Pursuant to the OEB's decision in EB-2013-0321, no interest is applied or proposed to apply
18 to this variance account.

19
20 OPG is not proposing to clear the total December 31, 2015 debit balance in this account of
21 \$315.2M. Clearance of the balance in this account is subject to the completion of the OEB's
22 generic proceeding on pension and OPEB costs, which has not concluded at the time of filing
23 this Application. Consistent with the OEB's findings in EB-2013-0321, OPG is proposing that
24 the future consideration of recovery of the difference between accrual costs and cash
25 amounts for the test period be limited to the outcome of the generic consultation and not be
26 subject to a future prudence review beyond the proceeding for this Application.

27
28 The total December 31, 2015 debit balance in the regulated hydroelectric portion of the
29 account is \$44.2M, as shown in Ex. H1-1-1 Table 1. The derivation of the \$39.5M debit
30 addition to the account in 2015 is shown in Ex. H1-1-1 Table 8.

31

1 The total December 31, 2015 debit balance in the nuclear portion of the account is \$271.1M,
2 as shown in Ex. H1-1-1 Table 1. The derivation of the \$239.8M debit addition to the account
3 in 2015 is shown in Ex. H1-1-1 Table 8.

4

5 Actual accrual costs and cash amounts for pension and OPEB plans are discussed in Ex.
6 F4-3-2, which includes, as Attachment 1, an independent actuary's report from Aon Hewitt, in
7 support of the November 2014 through December 2015 pension and OPEB amounts
8 underpinning the additions recorded in this account.

9

10 **5.12 Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account**

11 The Niagara Tunnel Project Pre-December 2008 Disallowance Variance Account was
12 approved in EB-2014-0369. Effective November 1, 2014, this account records the difference
13 between the annual revenue requirement impact of the original Niagara Tunnel Project rate
14 base addition disallowance of \$28.0 million in EB-2013-0321 and the varied disallowance of
15 \$6.4 million per EB-2014-0369.

16

17 As the account was approved in 2016, there were no entries in the account in 2015.¹⁸ As of
18 the effective date of the payment amounts for this proceeding, this account is proposed to
19 continue to record the above impact because OPG does not propose to adjust the base EB-
20 2013-0321 regulated hydroelectric rates, which are proposed to form the basis of the
21 hydroelectric payment amounts starting in 2017, for the reduced disallowance.

22

23 **5.13 Nuclear Liability Deferral Account**

24 The Nuclear Liability Deferral Account was originally approved in EB-2007-0905 pursuant to
25 O. Reg. 53/05 and has been approved in all subsequent OPG applications. In accordance
26 with section 5.2(1) of O. Reg. 53/05, this account records the revenue requirement impact on
27 the prescribed facilities of any change in OPG's nuclear decommissioning and used fuel and
28 waste management liabilities arising from an approved reference plan under the Ontario

¹⁸ Entries recorded in 2016 will be calculated retrospectively as of November 1, 2014 pursuant to the EB-2014-0369 decision and order.

1 Nuclear Funds Agreement (“ONFA”) measured against the forecast impact reflected in the
2 revenue requirement approved by the OEB.

3

4 Ontario Regulation 53/05 defines the “nuclear decommissioning liability” as “the liability of
5 Ontario Power Generation Inc. for decommissioning its nuclear generating facilities and the
6 management of its nuclear waste and nuclear fuel.” An “approved reference plan” is defined
7 as “a reference plan, as defined in the Ontario Nuclear Funds Agreement, which has been
8 approved by Her Majesty the Queen in the right of Ontario in accordance with that
9 agreement.”

10

11 Entries into the account will record the revenue requirement impact of any change in OPG’s
12 nuclear liabilities arising from an approved ONFA reference plan measured against the
13 forecast impact reflected in the revenue requirement approved by the OEB¹⁹, as follows:

14

- 15 • Until the effective date of the payment amounts order in this proceeding the revenue
16 requirement approved by the OEB in EB-2013-0321 will be used to record entries
17 into the account;
- 18 • As of the effective date of the payment amounts order in this proceeding: OPG
19 proposes to use the annual nuclear revenue requirements approved by the OEB in
20 this proceeding to record entries into the account.

21

22 As discussed in Ex. C2-1-1, the next ONFA reference plan, effective for 2017 to 2021, is
23 being developed and will be subject to the Province’s review. Once the updated reference
24 plan is effective, OPG expects to record entries into this account.²⁰

25

¹⁹ The methodology used to record entries into this account is the same as previously approved by the OEB.

²⁰ Until such time as new payment amounts reflecting the December 31, 2015 changes in nuclear station end-of-life dates and impacts arising from the associated nuclear liability adjustment effective on December 31, 2015 (see Ex. C2-1-1) are in effect, and therefore the additions are being recorded in the Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account (discussed in section 5.18), any additions to the Nuclear Liability Deferral Account related to the 2017 ONFA Reference Plan will be calculated such that they do not duplicate impacts recorded in the Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015) Deferral Account

1 For entries prior to the effective date of the payment amounts in this proceeding, OPG
2 records the return on rate base in the account using the weighted average accretion rate on
3 its nuclear liabilities of 5.37 per cent. This rate was established in EB-2013-0321 As of the
4 effective date of the OEB's payment amounts order in this proceeding, a weighted average
5 accretion rate of 5.11 per cent is being proposed by OPG (see Ex. C2-1-1). The annual
6 weighted average accretion rate approved by the OEB for the "lesser of Unfunded Nuclear
7 Liabilities and Asset Retirement Cost" provision in OPG's approved capital structure shall
8 apply as of the effective date of the payment amounts order in this proceeding.

9
10 As previously ordered by the OEB, OPG will continue not to record any interest on the
11 balance of the Nuclear Liability Deferral Account.

12
13 There are no account additions for 2015 as the nuclear liabilities impact arising from the
14 current approved ONFA Reference Plan effective January 1, 2012 is included in the OEB-
15 approved 2015 revenue requirement.

16 17 **5.14 Nuclear Development Variance Account**

18 The Nuclear Development Variance Account was established in accordance with section 5.4
19 of O. Reg. 53/05. The account was originally approved in EB-2007-0905 and has been
20 approved in all subsequent OPG applications. This account records variances between the
21 actual non-capital costs incurred and firm financial commitments made in the course of
22 planning and preparation for the development of proposed new nuclear generation facilities
23 and those forecast costs and firm financial commitments reflected in the revenue
24 requirement approved by the OEB (the "reference amount").²¹

25
26 Entries into the account will record differences, as follows:

- 27
28 • From January 1, 2015 until the effective date of the payment amounts order in this
29 proceeding: the difference between actual non-capital costs and firm financial
30 commitments and those forecast costs and firm financial commitments reflected in

²¹ The methodology used to record entries into this account is the same as previously approved by the OEB.

1 the revenue requirement approved by the OEB in EB-2013-0321. As per the EB-
2 2014-0370 payment amounts order, the monthly reference amount is \$0 (Appendix
3 B, page 11);

- 4 • As of the effective date of the payment amounts order in this proceeding: OPG
5 proposes the difference between actual non-capital costs and firm financial
6 commitments and those forecast costs and firm financial commitments reflected in
7 the annual revenue requirements approved by the OEB in this proceeding.

8

9 The derivation of the \$1.3M debit addition to the account for 2015 is shown in Ex. H1-1-1
10 Table 10.

11

12 **5.15 Bruce Lease Net Revenues Variance Account**

13 The Bruce Lease Net Revenues Variance Account was originally approved by the OEB in
14 EB-2007-0905 in order to ensure that OPG recovers its actual costs associated with the
15 Bruce facilities and that the payment amount is adjusted to reflect the actual revenues net of
16 costs earned from the Bruce lease. This account has been approved in all subsequent OPG
17 applications.

18

19 This account continues to record differences between (i) the forecast revenues and costs
20 related to the Bruce lease that are factored into the nuclear revenue requirement approved
21 by the OEB (the “reference amount”), and (ii) OPG’s actual revenues and costs in respect of
22 the Bruce facilities.²²

23

24 The variance recorded in this account is measured by comparing the Bruce lease net
25 revenues credited to customers monthly through the approved nuclear payment amount to
26 the actual monthly Bruce lease net revenues realized by OPG. The monthly Bruce lease net
27 revenues credited to customers is equal to the rate of recovery reflected in the nuclear
28 revenue requirement approved by the OEB multiplied by OPG’s actual nuclear production.
29 The rate of recovery is calculated by dividing the forecast Bruce lease net revenues reflected

²² The methodology used to record entries into this account is the same as previously approved by the OEB.

1 in the OEB-approved nuclear revenue requirement by the OEB-approved nuclear production
2 forecast.

3
4 Pursuant to the EB-2012-0002 payment amounts order and continued in subsequent
5 proceedings, this account was divided into two sub-accounts as follows:

6
7 Derivative Sub-Account: The Derivative Sub-Account captures impacts related to changes in
8 the fair value of the derivative liability for the conditional supplemental rent rebate provision
9 of the Bruce lease (including associated income tax impacts on Bruce lease net revenues
10 calculated in accordance with generally accepted accounting principles for unregulated
11 entities) and the rent rebates associated with supplemental rent revenue.

12
13 Pursuant to EB-2012-0002 and EB-2014-0370, the amortization of the Derivative Sub-
14 Account was set equal to the amount of the supplemental rent rebate forecast to be payable
15 to Bruce Power by OPG for each year and associated income tax impacts, adjusted by the
16 difference between amounts previously recovered for the derivative and the actual rent
17 rebates paid by OPG to Bruce Power and associated income taxes.²³ The amortization
18 amounts approved in EB-2014-0370 reflected a forecast rebate payable (and associated
19 income taxes) for 2015 and 2016.

20
21 As discussed in Ex. G2-2-1, pursuant to the 2015 amendment to the Bruce lease agreement,
22 the provision for a conditional supplemental rent rebate was removed effective December 4,
23 2015. As a result, the derivative liability was fully reversed by the end of 2015. The reversal
24 had the effect of increasing Bruce lease net revenues in 2015 and triggered a corresponding
25 reduction in the amount recorded as recoverable from ratepayers in the Derivative Sub-
26 Account.

27
28 Taking into account the above impacts and EB-2014-0370 approved amortization amounts,
29 by the end of 2016, OPG expects the Derivative Sub-Account to have a credit balance of

²³ To the extent that the actual supplemental rent rebate amounts paid to Bruce Power and associated income tax impacts differ from the approved amortization amounts, such differences are reflected in the Derivative Sub-Account for future disposition.

1 \$68.6M, as shown in Ex. H1-2-1 Table 2, col. (c), line 6. The credit largely represents the
2 amount that the OEB authorized to be collected for the Bruce Derivative for the post-
3 December 3, 2015 period through the EB-2014-0370 rate riders that is no longer
4 necessary.²⁴ OPG proposes to return this over-collection amount to ratepayers over the
5 2017-2018 period as part of its deferral and variance account clearance proposal in this
6 Application. There will be no further additions to the account and the account balance is
7 expected to be nil once the proposed clearance is complete.

8
9 Non-Derivative Sub-Account: The Non-Derivative Sub-Account captures variances in non-
10 derivative elements of the Bruce lease net revenues, including the cost impact of any
11 changes in OPG's liability for decommissioning the Bruce nuclear generating facilities and
12 the management of nuclear waste and nuclear fuel related to the Bruce stations.

13
14 Entries into the account will record variances, as follows:

- 15 • From January 1, 2015 until the effective date of the payment amounts order in this
16 proceeding: the difference between actual revenues and costs in respect of the
17 Bruce facilities and such forecast revenues and costs reflected in the revenue
18 requirement approved by the OEB in EB-2013-0321. As per the EB-2014-0370
19 payment amounts order, the monthly reference amount is \$3.35M (Appendix B, page
20 12)²⁵;
- 21 • As of the effective date of the payment amounts order in this proceeding: OPG
22 proposes the difference between actual revenues and costs in respect of the Bruce
23 facilities and such forecast revenues and costs reflected in the annual revenue
24 requirements approved by the OEB in this proceeding.

25

²⁴ For the period from January 1, 2015 to December 3, 2015, as anticipated in EB-2014-0370, the supplemental rent rebate was triggered and subsequently paid by OPG (on a pro-rated basis) in accordance with the terms of the Bruce lease agreement in effect prior to the 2015 amendment.

²⁵ OPG shall ensure that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its pre-filed evidence dated September 27, 2013 and the information based on OPG's 2014-2016 Business Plan. These amounts are outlined in OPG's Impact Statement dated December 6, 2013, as found at EB-2013-0321, Ex. N1-1-1 Chart 1.

1 In accordance with the EB-2014-0370 payment amounts order, no interest is applied to either
2 of the sub-accounts of the Bruce Lease Net Revenues Variance Account during the period
3 from January 1, 2015 to December 31, 2016. As the Derivative Sub-Account will not record
4 further additions as described above, OPG proposes for this treatment to continue until the
5 account is fully cleared. OPG proposes that interest on the Non-Derivative Sub-Account
6 resume as of the effective date of the payments amounts order in this Application.²⁶

7
8 The 2015 credit addition of \$168.7M to the Derivative Sub-Account is shown in Ex. H1-1-1
9 Table 12. This entry is the net amount of a credit entry of \$224.0M (after tax) for the Bruce
10 derivative reversal in December 2015, and debit entries from earlier in the year of
11 approximately \$55.4M (after tax) that represented increases in the fair value of the Bruce
12 derivative liability due to increases in probability-weighted expectations of rebates becoming
13 payable in future years.

14
15 The derivation of the 2015 debit addition of \$20.6M to the Non-Derivative Sub-Account is
16 shown in Ex. H1-1-1 Table 12.

17
18 **5.16 Pickering Life Extension Depreciation Variance Account**

19 The Pickering Life Extension Depreciation Variance Account was originally approved in EB-
20 2012-0002 to record a credit amount of \$46.9M per year for the period from January 1, 2013
21 until the effective date of new nuclear payment amounts (excluding riders), reflecting the
22 then-revised service lives, for depreciation purposes, of the Pickering stations. As the
23 payment amounts authorized in the EB-2013-0321 payment amounts order reflected these
24 revised service lives, effective November 1, 2014, OPG records only amortization in the
25 account. No interest is recorded on the balance in this account, as ordered by the OEB.

26
27 The December 31, 2015 balance in the account is \$5.2M, as shown in Ex. H1-1-1 Table 1.
28 The December 31, 2015 balance in the account is expected to be fully amortized by

²⁶ If the effective date of the payment amounts order is subsequent to January 1, 2017 and since the EB-2014-0370 Payment Amounts Order specifically requires that no interest be recorded on the Bruce Lease Net Revenues Variance Account until December 31, 2016, OPG expects to resume recording interest in the account starting on January 1, 2017 until such time as the payment amounts order is issued in this proceeding.

1 December 31, 2016 pursuant to the EB-2014-0370 payment amounts order (Ex. H1-2-1
2 Table 2, line 14). As such, OPG proposes to terminate this account as of the effective date of
3 the payment amounts order in this proceeding and to transfer any remaining balance
4 (expected to be nil) to the Nuclear Deferral and Variance Over/Under Recovery Variance
5 Account.

6

7 **5.17 Nuclear Deferral and Variance Over/Under Recovery Variance Account**

8 The Nuclear Deferral and Variance Over/Under Recovery Variance Account was originally
9 approved in EB-2009-0174 and has been approved in all subsequent OPG applications. This
10 account records the difference between the amounts approved for recovery in the nuclear
11 deferral and variance accounts and the actual amounts recovered based on the actual
12 nuclear production and approved riders. Pursuant to OEB's orders, the account also
13 captures the transfer of the nuclear portions of the balances remaining in other accounts as
14 they expire from time to time.²⁷

15

16 The derivation of the \$43.5M debit addition to the account for 2015 is shown in Ex. H1-1-1
17 Table 13. There were no transfers from expiring accounts in 2015.

18

19 **5.18 Impact Resulting from Changes in Station End-of-Life Dates (December 31,
20 2015) Deferral Account**

21 The Impact Resulting from Changes in Station End-of-Life Dates (December 31, 2015)
22 Deferral Account was approved in EB-2015-0374. Effective January 1, 2016, this account
23 records the revenue requirement impact arising from changes to nuclear liabilities and
24 depreciation and amortization expense resulting from changes to station end-of-life ("EOL")
25 dates for Bruce, Pickering and Darlington nuclear generating stations that are effective
26 December 31, 2015.

27

28 Pursuant to the EB-20105-0374 decision and order, the account entries will continue until the
29 effective date of the payment amounts order for this proceeding incorporating the extended
30 nuclear station EOL dates in nuclear payment amounts.

²⁷ The methodology used to record entries into this account is the same as previously approved by the OEB.

1
2 No interest is recorded on the balance of this account as per the EB-2015-0374 decision and
3 order nor is proposed to be recorded in the future.

4
5 Further details relating to the impact (a ratepayer credit) being recorded in this account
6 effective January 1, 2016 as well as the 2017-2021 projected revenue requirement impact of
7 the December 31, 2015 changes to the nuclear liabilities reflecting the above changes to
8 station EOL dates are provided in Ex. C2-1-1.

9

10 **6.0 PROPOSED NEW ACCOUNTS**

11 OPG proposes the following new deferral and variance accounts. Each account satisfies the
12 OEB's deferral and variance account eligibility criteria of causation, materiality and prudence.

13

14 **6.1 Rate Smoothing Deferral Account**

15 The Rate Smoothing Deferral Account is established in accordance with section 5.5 of O.
16 Reg. 53/05. Effective January 1, 2017, this account will record the difference between: (i) the
17 total annual nuclear revenue requirement approved by the OEB; and, (ii) the portion of that
18 revenue requirement in (i) that is used in connection with setting the nuclear payment
19 amounts in each year ("the annual deferral amount").

20

21 According to O. Reg. 53/05, the annual deferral amount will be recorded in this account from
22 January 1, 2017 until the DRP ends (the "deferral period"). The regulation requires the OEB
23 to determine the revenue requirement for OPG's nuclear facilities on a five-year basis for the
24 first ten years of the deferral period and, thereafter, on such periodic basis as the OEB
25 determines. The regulation also requires the OEB to determine the annual deferral amount
26 with a view to making more stable the year-over-year changes in the nuclear payment
27 amount.

28

29 OPG proposes to set the annual deferral amount to achieve annual smoothed payment
30 amount increases of 11 per cent over the January 1, 2017 to December 31, 2021 period
31 when combined with the OEB-approved nuclear production forecast in this Application. OPG

1 will record 1/12th of the annual deferral amount each month. OPG's rate smoothing proposal
2 is described at Ex. A1-3-3 and the proposed annual deferral amounts are shown in Ex. A1-3-
3 3, Chart 4.

4
5 The regulation stipulates that the OEB shall ensure that OPG recovers the balance recorded
6 in the deferral account and shall authorize recovery of the account balance on a straight line
7 basis over a period not to exceed ten years commencing at the end of the deferral period.
8 The regulation also stipulates that the deferral account shall record interest on the balance of
9 the account at a long-term debt rate reflecting OPG's cost of long-term borrowing approved
10 by the OEB from time to time, compounded annually. OPG will record interest based on the
11 monthly opening balance in the account.

12

13 **6.2 Mid-term Nuclear Production Variance Account**

14 As set out in detail in Ex. A1-3-3, OPG seeks approval to file an application in the first half of
15 2019 to review and update the nuclear production forecast and corresponding fuel costs for
16 the July 1, 2019 to December 31, 2021 period. To effect this proposal, OPG proposes
17 establishing the Mid-term Nuclear Production Variance Account to record the impact of the
18 production variance from July 1, 2019 to December 2021. The production variance will be the
19 difference between: (i) the nuclear production forecast approved in this Application and, (ii)
20 the nuclear production forecast approved in the mid-term review application. To determine
21 entries into the account, the monthly production variance will be multiplied by the approved
22 smoothed nuclear payment amount. The resulting amount would then be reduced by an
23 amount determined as the monthly production variance multiplied by the average fuel cost in
24 the approved revenue requirement for the applicable year.

25

26 OPG's 2017-2021 nuclear production forecast is presented in Ex. E2-1-1. OPG's rate
27 smoothing and mid-term production review proposals are described at Ex. A1-3-3. As
28 described in Ex. A1-3-3, the purpose of this account is to mitigate the significant production
29 risk associated with setting nuclear payment amounts over the five-year term of this
30 Application. That production risk is expected to increase during the second half of the five-
31 year term in light of the DRP and work to enable Pickering Extended Operations.

1

2 This account would protect both customers and OPG symmetrically, depending on whether
3 OPG's nuclear production forecast approved at the mid-term production review application is
4 higher or lower than the nuclear production forecast approved in this Application. If
5 production is higher than currently forecast, the higher production would result in a credit
6 balance in the account, to be refunded to customers. If production is lower than forecast,
7 OPG may not recover its revenue requirement and a debit balance in the account would be
8 required. Mitigating this risk benefits both customers and the company.

9

10 Since the inception of regulation by the OEB, there have been a number of variances
11 between OEB-approved production forecasts and actual production. It has proven difficult to
12 forecast nuclear production in the past where OPG's Pickering and Darlington facilities were
13 operating in a comparatively steady state when compared to the operating circumstances
14 that will be facing these facilities during the upcoming application period. Even with the mid-
15 term production review, the proposed ratemaking methodology will result in a substantial
16 increase in production forecast risk compared to previous applications.²⁸

17

18 This account is proposed to take effect on July 1, 2019.

19

20 **6.3 Nuclear ROE Variance Account**

21 OPG proposes establishing the Nuclear ROE Variance Account to record the nuclear
22 revenue requirement impact of the difference between the return on equity ("ROE") approved
23 by the OEB for the nuclear business in 2018 to 2021 in this proceeding as part of the
24 revenue requirements for those years and the actual annually updated ROE specified by the
25 OEB.

26

27 OPG's Application incorporates an ROE of 9.19 per cent for each year of the test period for
28 the nuclear business, as this is the latest rate published by the OEB. The OEB's cost of
29 capital parameters, including prescribed ROE, are updated on an annual basis. For the

²⁸ In previous applications, OPG's payment amounts have been based on forecast production of two years or less.

1 period January 1, 2018 to December 31, 2021, entries into this account would record the
2 annual nuclear revenue requirement impact of the difference between the OEB's annually
3 updated prescribed ROE and the annual ROE incorporated into the 2018 to 2021 annual
4 revenue requirements approved by the OEB. .

5
6 To facilitate calculating the annual nuclear revenue requirement impact of the difference,
7 OPG proposes to multiply the difference in ROE in each of 2018 to 2021 by the forecast
8 nuclear rate base financed by capital structure for each year in 2018 to 2021 that is approved
9 by the OEB in this Application.

10
11 OPG's ROE proposal is described at Ex. C1-1-1. This account is necessary to reduce the
12 significant risk associated with relying on long-term forecasts of ROE, which protects both
13 customers and OPG symmetrically. This type of account has been approved by the OEB in
14 previous proceedings (e.g. in Hydro One's EB-2013-0416/EB-2014-0247 application).

15
16 This account is proposed to take effect on January 1, 2018.

17 18 **6.4 Hydroelectric Capital Structure Variance Account**

19 OPG proposes establishing the Hydroelectric Capital Structure Variance Account to record
20 the hydroelectric revenue requirement impact of the difference between the capital structure
21 approved by the OEB in this proceeding and the capital structure approved by the OEB in
22 EB-2013-0321 that is underpinning the hydroelectric payment amounts in this proceeding for
23 2017 to 2021.

24
25 OPG's Application for hydroelectric to apply the price-cap formula (described in Ex. A1-3-2)
26 to 2014-2015 hydroelectric payment amounts implicitly incorporates the capital structure of
27 45 per cent equity and 55 per cent debt that was approved by the OEB in EB-2013-0321 that
28 would underpin the proposed hydroelectric payment amounts in the test period. However, in
29 this Application OPG is proposing a capital structure of 49 per cent equity and 51 per cent
30 debt, as described in Ex. C1-1-1. As of the effective date of the payment amounts order in
31 this proceeding, entries into this account would record the annual hydroelectric revenue

1 requirement impact of the difference between the 45 per cent equity/55 per cent debt capital
2 structure approved by the OEB in EB-2013-0321 and the capital structure approved in this
3 proceeding.

4
5 To facilitate calculating the annual hydroelectric revenue requirement impact of the
6 difference, OPG proposes to multiply the difference in capital structure each year by the
7 average 2014-2015 regulated hydroelectric rate base forecast approved by the OEB in EB-
8 2013-0321.

9
10 OPG's capital structure proposal is described at Ex. C1-1-1. This account is necessary to
11 apply OPG's regulated operations-wide capital structure to the nuclear and regulated
12 hydroelectric businesses consistently during the test period.

13
14 This account is proposed to take effect on the effective date of the payment amounts
15 established pursuant to this Application.

16

17 **7.0 INTEREST**

18 OPG proposes to record interest on all deferral and variance accounts unless specified
19 otherwise in the account descriptions above. For these accounts, OPG proposes to apply
20 interest to the monthly opening balances of these accounts at the interest rate set by the
21 OEB from time to time pursuant to its interest policy for deferral and variance accounts,
22 unless specified otherwise in the account descriptions above.

23

24 The 2015 year-end balances were calculated using the current prescribed rate of 1.10 per
25 cent per annum, where applicable.

ATTACHMENTS

1

2

3 Attachment 1: Independent Auditors' Report prepared by Ernst & Young LLP
4 Chartered Professional Accountants

5

6 Attachment 2: Schedule of Regulatory Balances as at December 31, 2015

7

8 Attachment 3: Regulated Stations with Modeled Production Forecasts

INDEPENDENT AUDITORS' REPORT

To the management of
Ontario Power Generation Inc.

We have audited the accompanying schedule of regulatory balances of **Ontario Power Generation Inc.** as at December 31, 2015 (the "Schedule"). The Schedule has been prepared by management to present the balances of the variance and deferral accounts of Ontario Power Generation Inc. authorized for Ontario Power Generation Inc. by the decisions and orders of the Ontario Energy Board, in accordance with the basis of accounting as described in Note 1 to the Schedule.

Management's responsibility for the schedule of regulatory balances

Management is responsible for the preparation of this Schedule in accordance with the basis of accounting as described in Note 1 to the Schedule and for such internal control as management determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule presents, in all material respects, the balances of the variance and deferral accounts of Ontario Power Generation Inc. as at December 31, 2015 authorized for Ontario Power Generation Inc. by the decisions and orders of the Ontario Energy Board in accordance with the basis of accounting as described in Note 1 to the Schedule

Basis of accounting and restriction on distribution

Without modifying our opinion, we draw attention to Note 1 to the Schedule, which describes the basis of accounting. The Schedule is prepared solely for the use of Ontario Power Generation Inc. and for filing with the Ontario Energy Board as part of the regulatory process. As a result, the Schedule may not be suitable for another purpose.

- 2 -

Our auditors' report is intended solely for **Ontario Power Generation Inc.** and for filing with the Ontario Energy Board as part of the regulatory process and should not be used for any other purpose.

Toronto, Canada
April 7, 2016

[Original Signed by]

ERNST & YOUNG LLP
Chartered Professional Accountants
Licensed Public Accountants

SCHEDULE OF REGULATORY BALANCES AS AT DECEMBER 31, 2015

The *Ontario Energy Board Act, 1998* and *Ontario Regulation 53/05* provide that Ontario Power Generation Inc. (“OPG” or the “Company”) receives regulated prices for electricity generated from most of the Company’s hydroelectric generating facilities and all of the nuclear generating facilities that the Company operates. OPG’s regulated prices for the generation from these facilities are determined by the Ontario Energy Board (“OEB”).

The OEB’s decisions and orders have authorized OPG to establish certain variance and deferral accounts, including those authorized pursuant to *Ontario Regulation 53/05*. The balances in these accounts are calculated in accordance with the OEB’s decisions and orders and *Ontario Regulation 53/05*. In accordance with United States generally accepted accounting principles (“US GAAP”), OPG’s consolidated financial statements recognize regulatory assets and liabilities for balances in the variance and deferral accounts.

In its November 2014 decision on OPG’s application for new regulated prices under case number EB-2013-0321, the OEB approved the December 31, 2013 balances in the following variance and deferral accounts: the Hydroelectric Incentive Mechanism Variance Account, the Hydroelectric Surplus Baseload Generation Variance Account, the nuclear capital and hydroelectric portions of the Capacity Refurbishment Variance Account, and the Nuclear Development Variance Account. To effect recovery of the approved balances, the OEB established rate riders for OPG’s regulated generation for the period from January 1, 2015 to December 31, 2015.

In its June 2015 and September 2015 decisions on OPG’s application for clearance of variance and deferral account balances under case number EB-2014-0370, the OEB approved most of the Company’s December 31, 2014 variance and deferral account balances. To effect recovery of the approved balances, the OEB established rate riders for OPG’s regulated generation for the period from July 1, 2015 to December 31, 2016, which are in addition to the rate riders established under case number EB-2013-0321.

During 2015, OPG recorded additions to the variance and deferral accounts as authorized by the OEB and amortized the balances in the accounts authorized by the OEB in the EB-2013-0321 Payment Amounts Order and the EB-2014-0370 Payment Amounts Order. Where authorized by the OEB, OPG recorded interest on the unamortized balances in the applicable variance and deferral accounts at the OEB-prescribed rate of 1.47 percent per annum during the period from January 1, 2015 to March 31, 2015 and 1.10 percent per annum during the period from April 1, 2015 to December 31, 2015.

As at December 31, 2015, the balances to be recovered from (refunded to) ratepayers in the variance and deferral accounts authorized for OPG were as follows:

<i>(millions of dollars)</i>	2015
Regulated Hydroelectric	
Hydroelectric Surplus Baseload Generation Variance Account	114
Capacity Refurbishment Variance Account – Hydroelectric	83
Pension & OPEB Cash Versus Accrual Differential Deferral Account – Hydroelectric	44
Pension and OPEB Cost Variance Account – Hydroelectric – Post 2012 Additions	33
Pension and OPEB Cost Variance Account – Hydroelectric – Future Recovery – EB-2012-0002 Approved	10
Pension & OPEB Cash Payment Variance Account – Hydroelectric	4
Ancillary Services Net Revenue Variance Account – Hydroelectric	(24)
Hydroelectric Water Conditions Variance Account	(23)
Hydroelectric Deferral and Variance Over/Under Recovery Variance Account	17
Hydroelectric Incentive Mechanism Variance Account	(2)
Income and Other Taxes Variance Account – Hydroelectric ¹	-
Gross Revenue Charge Variance Account	-
Total – Regulated Hydroelectric	256
Nuclear	
Pension and OPEB Cost Variance Account – Nuclear – Future Recovery – EB-2012-0002 Approved	193
Pension and OPEB Cost Variance Account – Nuclear – Post 2012 Additions	622
Pension & OPEB Cash Versus Accrual Differential Deferral Account – Nuclear	271
Pension & OPEB Cash Payment Variance Account – Nuclear	24
Nuclear Liability Deferral Account	190
Bruce Lease Net Revenues Variance Account – Derivative Sub-Account	(4)
Bruce Lease Net Revenues Variance Account – Non-Derivative Sub-Account – EB-2012-0002 Approved	19
Bruce Lease Net Revenues Variance Account – Non-Derivative Sub-Account – Post 2012 Additions	103
Nuclear Deferral and Variance Over/Under Recovery Variance Account	82
Capacity Refurbishment Variance Account – Nuclear – Non-Capital Portion	(31)
Capacity Refurbishment Variance Account – Nuclear – Capital Portion	(33)
Income and Other Taxes Variance Account – Nuclear	(13)
Pickering Life Extension Depreciation Variance Account	5
Nuclear Development Variance Account	3
Ancillary Services Net Revenue Variance Account – Nuclear	2
Total – Nuclear	1,433

¹The account balance is less than \$0.5 million, which rounds to nil million.

This schedule of regulatory balances has been prepared solely for the use of OPG's management and for filing with the OEB, and is considered by OPG's management to be a fair and reasonable representation of the balances in the authorized variance and deferral accounts as at December 31, 2015. These balances have been determined in accordance with the basis of accounting described in Note 1 to this schedule.

On behalf of Ontario Power Generation Inc.

[Original signed by]

Ken Hartwick
 SVP Finance, Strategy, Risk & Chief Financial Officer
 April 7, 2016

See accompanying note to the schedule

**NOTE TO THE SCHEDULE OF REGULATORY BALANCES
AS AT DECEMBER 31, 2015**

1. BASIS OF ACCOUNTING

The schedule of the regulatory balances presents the balances as at December 31, 2015 in all variance and deferral accounts authorized for OPG. These balances represent the regulatory assets and liabilities for these accounts recorded by OPG in accordance with US GAAP for the purposes of its consolidated financial statements, as modified to include a return on equity amount as part of cost of capital additions recorded in the accounts for recovery from, or refund to, ratepayers and to reflect the approved variance and deferral amortization amounts applicable to the year ended December 31, 2015 that are set out in the OEB's EB-2013-0321 Payment Amounts Order of December 18, 2014 and the EB-2014-0370 Payment Amounts Order of October 8, 2015. All dollar amounts are presented in Canadian dollars.

For the purposes of its consolidated financial statements prepared in accordance with US GAAP, as required by FASB Accounting Standards Codification Topic 980, *Regulated Operations*, OPG limits the portion of cost of capital additions recognized as a regulatory asset to the amount calculated using the average rate of capitalized interest applied by OPG to construction and development in progress balances. The amortization expense related to the regulatory assets for variance and deferral accounts that include cost of capital additions are correspondingly limited in OPG's consolidated financial statements to amounts calculated using the average rate of capitalized interest applied to OPG's construction and development in progress balances.

In accordance with US GAAP, OPG's consolidated financial statements recognize amortization of regulatory assets and liabilities for variance and deferral accounts on a straight-line basis based on recovery or repayment periods approved by the OEB, with the objective of matching the amortization expense with OPG's revenue from recovery or repayment of these balances through rate riders authorized by the OEB. In a given reporting period, this can result in self-correcting, inter-period differences between the amortization expense recorded in accordance with US GAAP and the amortization amounts set out in the OEB's payment amounts order(s) applicable to that period. These timing differences reverse across reporting periods such that the total amortization expense recognized in OPG's consolidated financial statements during the period covered by the OEB's payment amounts order(s) corresponds to the total amortization approved in that payment amounts order(s).

US GAAP recognizes that rate regulation can create economic benefits and obligations that are required to be obtained from, or settled with, the ratepayers. When OPG assesses that there is sufficient assurance that incurred costs in respect of its regulated facilities will be recovered in the future, those costs are deferred and reported as a regulatory asset in the Company's consolidated financial statements. When OPG is required to refund amounts in respect of its regulated facilities to ratepayers in the future, including amounts related to costs that have not been incurred and for which the OEB has provided recovery through regulated prices, the Company records a regulatory liability in its consolidated financial statements. The measurement of regulatory assets and liabilities is subject to certain estimates and assumptions, including assumptions made in the interpretation of *Ontario Regulation 53/05* and the OEB's decisions. The estimates and assumptions made in the interpretation of the regulation and the OEB's decisions are reviewed as part of the OEB's regulatory process.

OPG's most recent annual consolidated financial statements filed with the Ontario Securities Commission are as at and for the year ended December 31, 2015.

REGULATED STATIONS WITH MODELED PRODUCTION FORECASTS

River System	Station
Niagara	Sir Adam Beck 1 Sir Adam Beck 2 Sir Adam Beck PGS
Welland	DeCew Falls 1 DeCew Falls 2
St. Lawrence	R.H. Saunders
Madawaska	Mountain Chute Barrett Chute Calabogie Stewartville Arnprior
Ottawa	Otto Holden Des Joachims Chenaux Chats Falls
Abitibi	Abitibi Canyon Otter Rapids
Montreal	Lower Notch
Nipigon	Pine Portage Cameron Falls Alexander
Aguasabon	Aguasabon
Kamanistikwia	Silver Falls Kakabeka Falls
English	Manitou Falls Caribou Falls
Winnipeg	Whitedog Falls

River System	Station
Montreal	Indian Chute
Matabitchuan	Matabitchuan
Mississippi	High Falls
Rideau	Merrickville
Otonabee	Lakefield Auburn
Trent	Seymour Ranney Falls Hagues Reach Meyersburg Sills Island Frankford Sidney
Beaver	Eugenia Falls
Muskoka	Trethewey Hanna Chute South Falls Ragged Rapids Big Eddy
Severn	Big Chute
South	Elliot Chute Bingham Chute Nipissing
Sturgeon	Crystal Falls
Wanapitei	Stinson Coniston McVittie

Numbers may not add due to rounding.

Filed: 2016-05-27

EB-2016-0152

Exhibit H1

Tab 1

Schedule 1

Table 1

Table 1
Deferral and Variance Accounts
Closing Account Balances - 2014 to 2015 (\$M)

Line No.	Account	Audited Year End Balance 2014 ¹	Audited Year End Balance 2015 ³
		(a)	(b)
	Regulated Hydroelectric:		
1	Hydroelectric Water Conditions Variance	(8.5)	(23.0)
2	Ancillary Services Net Revenue Variance - Hydroelectric	(16.5)	(24.2)
3	Hydroelectric Incentive Mechanism Variance	(7.5)	(1.7)
4	Hydroelectric Surplus Baseload Generation Variance	67.1	114.4
5	Income and Other Taxes Variance - Hydroelectric	(0.2)	(0.1)
6	Capacity Refurbishment Variance - Hydroelectric	232.6	83.2
7	Pension and OPEB Cost Variance - Hydroelectric - Future	10.5	9.5
8	Pension and OPEB Cost Variance - Hydroelectric - Post 2012 Additions	35.5	32.5
9	Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric ²	4.6	44.2
10	Pension & OPEB Cash Payment Variance - Hydroelectric ²	0.2	4.3
11	Hydroelectric Deferral and Variance Over/Under Recovery Variance	4.5	16.5
12	Total	322.4	255.5
	Nuclear:		
13	Nuclear Liability Deferral	285.7	190.5
14	Nuclear Development Variance	58.8	3.3
15	Ancillary Services Net Revenue Variance - Nuclear	1.7	2.1
16	Capacity Refurbishment Variance - Nuclear - Capital Portion	13.2	(32.5)
17	Capacity Refurbishment Variance - Nuclear - Non-Capital Portion	1.3	(30.8)
18	Bruce Lease Net Revenues Variance - Derivative Sub-Account	153.8	(4.5)
19	Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account - EB-2012-0002	37.3	18.7
20	Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account - Post 2012 Additions	123.8	103.1
21	Income and Other Taxes Variance - Nuclear	(13.2)	(13.1)
22	Pension and OPEB Cost Variance - Nuclear - Future	214.7	193.2
23	Pension and OPEB Cost Variance - Nuclear - Post 2012 Additions	678.6	622.0
24	Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear ²	31.3	271.1
25	Pension & OPEB Cash Payment Variance - Nuclear ²	6.2	23.4
26	Pickering Life Extension Depreciation Variance	7.8	5.2
27	Nuclear Deferral and Variance Over/Under Recovery Variance	56.4	81.7
28	Total	1,657.5	1,433.4
29	Grand Total (line 12 + line 28)	1,979.9	1,688.9

Notes:

- 1 From EB-2014-0370, Payment Amounts Order, App. A, Table 1, col. (a) and Table 2, col. (a), unless otherwise noted.
- 2 2014 balance from EB-2014-0370, Ex. H1-1-2, Table 1, col. (d).
- 3 From Ex. H1-1-1, Table 1a, col. (f).

Table 1a
 Deferral and Variance Accounts
 Continuity of Account Balances - Actual 2014 to 2015 (\$M)

Line No.	Account	Audited Year End Balance 2014 ¹	Actual 2015				(a)+(b)+(c)+(d)+(e) Audited Year End Balance 2015
			Transactions (b)	Amortization ³ (c)	Interest ⁴ (d)	Transfers (e)	
Hydroelectric:							
1	Hydroelectric Water Conditions Variance	(8.5)	(17.1)	2.8	(0.2)	0.0	(23.0)
2	Ancillary Services Net Revenue Variance - Hydroelectric	(16.5)	(12.9)	5.5	(0.3)	0.0	(24.2)
3	Hydroelectric Incentive Mechanism Variance	(7.5)	0.0	5.8	(0.1)	0.0	(1.7)
4	Hydroelectric Surplus Baseload Generation Variance	67.1	81.5	(35.2)	1.0	0.0	114.4
5	Income and Other Taxes Variance - Hydroelectric	(0.2)	(0.0)	0.1	(0.0)	0.0	(0.1)
6	Capacity Refurbishment Variance - Hydroelectric	232.6	1.2	(152.7)	2.1	0.0	83.2
7	Pension and OPEB Cost Variance - Hydroelectric - Future	10.5	0.0	(1.1)	0.0	0.0	9.5
8	Pension and OPEB Cost Variance - Hydroelectric - Post 2012 Additions	35.5	0.0	(3.0)	0.0	0.0	32.5
9	Pension & OPEB Cash Versus Accrual Differential Deferral - Hydroelectric ²	4.6	39.5	0.0	0.0	0.0	44.2
10	Pension & OPEB Cash Payment Variance - Hydroelectric ²	0.2	4.1	0.0	0.0	0.0	4.3
11	Hydroelectric Deferral and Variance Over/Under Recovery Variance	4.5	13.3	(1.5)	0.1	0.0	16.5
12	Total	322.4	109.7	(179.2)	2.6	0.0	255.5
Nuclear:							
13	Nuclear Liability Deferral	285.7	0.0	(95.2)	0.0	0.0	190.5
14	Nuclear Development Variance	58.8	1.3	(57.3)	0.4	0.0	3.3
15	Ancillary Services Net Revenue Variance - Nuclear	1.7	0.9	(0.6)	0.0	0.0	2.1
16	Capacity Refurbishment Variance - Nuclear - Capital Portion	13.2	(37.5)	(8.2)	(0.1)	0.0	(32.5)
17	Capacity Refurbishment Variance - Nuclear - Non-Capital Portion	1.3	(31.5)	(0.4)	(0.1)	0.0	(30.8)
18	Bruce Lease Net Revenues Variance - Derivative Sub-Account	153.8	(168.7)	10.4	0.0	0.0	(4.5)
19	Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account - EB-2012-0002	37.3	0.0	(18.7)	0.0	0.0	18.7
20	Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account - Post 2012 Additions	123.8	20.6	(41.3)	0.0	0.0	103.1
21	Income and Other Taxes Variance - Nuclear	(13.2)	(4.2)	4.4	(0.1)	0.0	(13.1)
22	Pension and OPEB Cost Variance - Nuclear - Future	214.7	0.0	(21.5)	0.0	0.0	193.2
23	Pension and OPEB Cost Variance - Nuclear - Post 2012 Additions	678.6	0.0	(56.5)	0.0	0.0	622.0
24	Pension & OPEB Cash Versus Accrual Differential Deferral - Nuclear ²	31.3	239.8	0.0	0.0	0.0	271.1
25	Pension & OPEB Cash Payment Variance - Nuclear ²	6.2	17.0	0.0	0.2	0.0	23.4
26	Pickering Life Extension Depreciation Variance	7.8	0.0	(2.6)	0.0	0.0	5.2
27	Nuclear Deferral and Variance Over/Under Recovery Variance	56.4	43.5	(18.8)	0.6	0.0	81.7
28	Total	1,657.5	81.4	(306.3)	0.9	0.0	1,433.4
29	Grand Total (line 12 + line 28)	1,979.9	191.0	(485.5)	3.5	0.0	1,688.9

Notes:

- From EB-2014-0370, Payment Amounts Order, App. A, Table 1, col. (a) and Table 2, col. (a), unless otherwise noted.
- 2014 balance from EB-2014-0370, Ex. H1-1-2, Table 1, col. (d).
- Calculated as the value from EB-2014-0370 Payment Amounts Order, App. A, Tables 1 and 2, cols. (b) and (e).
- Per the EB-2014-0370 Payment Amounts Order, no interest is recorded on the Pension & OPEB Cash Versus Accrual Differential Deferral Account, Pension and OPEB Cost Variance Account, Bruce Lease Net Revenues Variance (from January 1, 2015 to December 31, 2016), Nuclear Liability Deferral Account, and Pickering Life Extension Depreciation Variance Account.

Numbers may not add due to rounding.

Filed: 2016-05-27
 EB-2016-0152
 Exhibit H1
 Tab 1
 Schedule 1
 Table 2

Table 2
 Hydroelectric Water Conditions Variance Account
Summary of Account Transactions - 2015

Line No.	Particulars	Actual 2015
		(a)
	<u>Previously Regulated Hydroelectric:</u>	
1	Forecast Production - EB-2013-0321 ¹ (GWh)	21,028.2
2	Actual Calculated Production (GWh)	21,641.4
3	Difference (GWh) (line 1 - line 2)	(613.2)
4	Payment Amount per EB-2013-0321 (\$/MWh) ²	40.20
5	Revenue Impact (\$M) (line 3 x line 4 / 1000)	(24.7)
6	GRC/Water Rental Costs (\$M)	8.1
7	Addition to Variance Account (\$M) (line 5 + line 6)	(16.5)
	<u>Newly Regulated Hydroelectric:</u>	
8	Forecast Production - EB-2013-0321 ^{1,3} (GWh)	11,894.8
9	Actual Calculated Production ³ (GWh)	11,906.3
10	Difference (GWh) (line 8 - line 9)	(11.5)
11	Payment Amount per EB-2013-0321 (\$/MWh) ²	41.93
12	Revenue Impact (\$M) (line 10 x line 11 / 1000)	(0.5)
13	GRC/Water Rental Costs (\$M)	(0.1)
14	Addition to Variance Account (\$M) (line 12 + line 13)	(0.5)
15	Total Addition to Variance Account (\$M) (line 7 + line 14)	(17.1)

Notes:

- Value determined as set out in EB-2014-0370 Payments Amounts Order, App. B, pp. 4-5. Previously Regulated value is from EB-2013-0321 Payment Amounts Order, App. A, Table 4, line 1, col. (b).
- From EB-2014-0370 Payments Amounts Order, App. B, pp. 4-5 and EB-2013-0321 Payment Amounts Order, App. B, Table 1, line 3, col. (a) for Previously Regulated and App. C, Table 1, line 3, col. (c) for Newly Regulated.
- In accordance with EB-2014-0370 Payment Amounts Order, App. B, pp. 4-5 and EB-2013-0321 Payment Amounts Order, App. G, pp. 2-3, the value represents production for the 21 Newly Regulated hydroelectric facilities subject to the variance account.

Numbers may not add due to rounding.

Filed: 2016-05-27
 EB-2016-0152
 Exhibit H1
 Tab 1
 Schedule 1
 Table 3

Table 3
 Ancillary Services Net Revenue Variance Account
 Summary of Account Transactions - 2015 (\$M)

Line No.	Particulars	Actual 2015
		(a)
	Previously Regulated Hydroelectric:	
1	Forecast Revenue - EB-2013-0321 ¹	32.5
2	Actual Revenue	43.3
3	Addition to Variance Account (line 1 - line 2)	(10.8)
	Newly Regulated Hydroelectric:	
4	Forecast Revenue - EB-2013-0321 ²	22.9
5	Actual Revenue	29.8
6	Addition to Variance Account Before Adjustment (line 4 - line 5)	(6.8)
7	Less: EB-2013-0321 Impact Statement (Ex. N1) Adjustment ³	(4.7)
8	Addition to Variance Account (line 6 - line 7)	(2.1)
9	Hydroelectric Addition to Variance Account (line 3 + line 8)	(12.9)
	Nuclear:	
10	Forecast Revenue - EB-2013-0321 ⁴	1.9
11	Actual Revenue ⁵	1.5
12	Addition to Variance Account Before Adjustment (line 10 - line 11)	0.4
13	Less: EB-2013-0321 Impact Statement (Ex. N1) Adjustment ³	(0.6)
14	Nuclear Addition to Variance Account (line 12 - line 13)	0.9

Notes:

- 1 Calculated as \$2.71M/month x 12 months per EB-2013-0321 Payment Amounts Order, App. G, page 4 and as shown in EB-2014-0370 Payment Amounts Order, App. B, Page 6.
- 2 Calculated as \$1.91M/month x 12 months per EB-2013-0321 Payment Amounts Order, App. G, page 4 and as shown in EB-2014-0370 Payment Amounts Order, App. B, Page 6.
- 3 The adjustments are per the EB-2013-0321 Payment Amounts Order (App. G, page 4) requirement that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its EB-2013-0321 pre-filed evidence and the information based on OPG's 2014-2016 Business Plan, which was provided in the EB-2013-0321 Impact Statement at Ex. N1. The total of the adjustments represent a 12-month portion of the \$8M test period increase (EB-2013-0321 Ex. N1-1-1, Chart 1) in forecast newly regulated hydroelectric and nuclear ancillary services net revenues between OPG's EB-2013-0321 pre-filed evidence and its 2014-2016 Business Plan. This difference was not included in the updated revenue requirement in the Ex. N1 impact statement. The monthly adjustment amount for newly regulated hydroelectric and nuclear is calculated below. No adjustment is necessary for the previously regulated hydroelectric ancillary services net revenue since, as discussed in section 2.4 of EB-2013-0321 Ex. N1-1-1, the revenue requirement was updated for the 2014-2016 Business Plan values.

Line No.	Particulars	2014 [#] (a)	2015 (b)	Total (c)
	Newly Regulated Hydroelectric:			
1a	Forecast Revenue - EB-2013-0321 OPG's Pre-filed Evidence ^{##}	11.3	23.1	34.4
2a	Forecast Revenue - OPG's 2014-2016 Business Plan	13.6	27.8	41.4
3a	Difference (line 1a - line 2a)	(2.3)	(4.7)	(7.0)
4a	Monthly EB-2013-0321 Impact Statement (Ex. N1) Adjustment (line 3a / 18 months)			(0.4)
	Nuclear:			
5a	Forecast Revenue - EB-2013-0321 Pre-filed Evidence ⁺	1.9	1.9	3.8
6a	Forecast Revenue - 2014-2016 Business Plan	2.4	2.5	4.9
7a	Difference (line 5a - line 6a)	(0.5)	(0.6)	(1.1)
8a	Monthly EB-2013-0321 Impact Statement (Ex. N1) Adjustment (line 7a / 24 months)			(0.0)

- # Newly regulated hydroelectric values are for the 6-month period from July 1, 2014 to December 31, 2014.
 ## From EB-2013-0321 Ex. G1-1-1 Table 1, line 6: 2014 value is col. (e) multiplied by 6/12, and 2015 value is from col. (f).
 + From EB-2013-0321 Ex. L 9.1-17 SEC 132, Atch 1, Table 3, line 2 col. (b)

- 4 Calculated as \$0.14M/month x 12 months per EB-2013-0321 Payment Amounts Order, App. G, page 10 and as shown in EB-2014-0370 Payment Amounts Order, App. B, Page 11.
- 5 As shown in G2-1-1 Table 1, line 8, col (c).

Numbers may not add due to rounding.

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Table 4
 Hydroelectric Incentive Mechanism Variance Account
Summary of Account Transactions - 2015 (\$M)

Line No.	Particulars	Actual 2015
		(a)
1	Total Actual Regulated Hydroelectric Incentive Mechanism Net Revenue¹	26.5
2	Threshold per EB-2014-0370²	58.0
3	Actual Hydroelectric Incentive Mechanism Net Revenue In Excess of Threshold (line 1 - line 2; nil if line 1 < line 2)	0.0
4	Percentage²	50%
5	Addition to Variance Account (line 3 x line 4)	0.0

Note:

- 1 As reported in OPG's 2015 Management's Discussion & Analysis (Ex. A2-1-1, Att. 3, p. 37)
- 2 2015 threshold and percentage from EB-2014-0370 Payment Amounts Order, App. B, pages 8-9.

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 - 2015

Line No.	Particulars	Actual 2015
		(a)
	<u>Previously Regulated Hydroelectric:</u>	
1	Actual Foregone Production Due to SBG Conditions (GWh)	1,892
2	Payment Amount per EB-2013-0321 (\$/MWh)¹	40.20
3	Revenue (\$M) (line 1 x line 2 / 1000)	76.1
4	GRC/Water Rental Costs (\$M)	(27.3)
5	Addition to Variance Account (\$M) (line 3 + line 4)	48.8
	<u>Newly Regulated Hydroelectric:</u>	
6	Actual Foregone Production Due to SBG Conditions (GWh)	948
7	Payment Amount per EB-2013-0321 (\$/MWh)²	41.93
8	Revenue (\$M) (line 6 x line 7 / 1000)	39.7
9	GRC/Water Rental Costs (\$M)	(7.0)
10	Addition to Variance Account (\$M) (line 8 + line 9)	32.7
11	Total Addition to Variance Account (\$M) (line 5 + line 10)	81.5

Notes:

- From EB-2013-0321 Payment Amounts Order, App. B, Table 1, line 3, col. (a), and EB-2014-0370 Payment Amounts Order, App B, page 9.
- From EB-2013-0321 Payment Amounts Order, App. C, Table 1, line 3, col. (c), and EB-2014-0370 Payment Amounts Order, App B, page 9.

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 - 2015 (\$M)

Line No.	Particulars	Actual 2015		
		Previously Regulated Hydroelectric	Nuclear	(a)+(b) Total
		(a)	(b)	(c)
	Increase of SR&ED ITCs Recognition Percentage from 75% to 100% in 2015 for 2011 ¹			
1	Actual SR&ED ITCs, net of Tax on ITCs, at 75%	(0.2)	(12.5)	(12.7)
2	Actual SR&ED ITCs, net of Tax on ITCs, at 100% (line 1 x 4/3)	(0.2)	(16.7)	(16.9)
3	Total Addition to Variance Account (line 2 - line 1)	(0.0)	(4.2)	(4.2)

Notes:

- Recorded in 2015 following the resolution, during 2015, of the 2011 taxation year audit. Amount at line 1 represents SR&ED ITCs, net of tax on ITCs, for 2011 previously credited to ratepayers at 75% through the EB-2010-0008 payment amounts and the December 31, 2012 balance of the Income and Other Taxes Variance Account.

Table 7
 Capacity Refurbishment Variance Account - Hydroelectric
Summary of Account Transactions - 2015 (\$M)

Line No.	Particulars	Actual 2015
		(a)
	<u>Non-Capital Addition:</u>	
1	Sir Adam Beck I GS Unit G10 Upgrade - Removal Costs Variance	0.6
2	Less: EB-2013-0321 Impact Statement (Ex. N1) Adjustment ¹	0.1
3	Total Non-Capital Addition to Variance Account - Hydroelectric (line 1 - line 2)	0.5
	<u>Capital Additions:</u>	
4	Sir Adam Beck I GS Unit G10 Upgrade	(0.4)
5	Otto Holden GS - Replace Headgates and Rehabilitate Gains	(0.3)
6	Des Joachims GS - Replace Main Output Transformers	0.5
7	Des Joachims GS - Turbine Runner Replacement	0.2
8	Otto Holden GS - Replace Sluiceways & Rehabilitate Sluiceways System	0.5
9	Capital Additions to Variance Account Before Adjustment (lines 4 through 8)	0.4
10	Less: EB-2013-0321 Impact Statement (Ex. N1) Adjustment ¹	(0.2)
11	Total Capital Addition to Variance Account for Other Projects (line 9 - line 10)	0.7
12	Total Addition to Variance Account - Regulated Hydroelectric (line 3 + line 11)	1.2

Notes:

- The adjustment is per the EB-2013-0321 Payment Amounts Order, App. G, page 10 and the EB-2014-0370 Payment Amounts Order, App. B, page 12 requirements, which are the same in nature as those described in Ex. H1-1-1 Table 3, Note 3 and Ex. H1-1-1 Table 12, Note 6.

Numbers may not add due to rounding.

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 Table 8

Table 8
 Pension & OPEB Cash Payment Variance Account and Pension & OPEB Cash Versus Accrual Differential Deferral Account
Summary of Account Transactions - 2015 (\$M)

Line No.	Particulars	Note	Actual 2015		
			Regulated Hydroelectric (a)	Nuclear (b)	(a)+(b) Total (c)
1	Forecast Pension Contributions - EB-2013-0321	1	45.1	280.6	325.8
2	Forecast OPEB Payments - EB-2013-0321	1	12.8	79.9	92.7
3	Total Forecast Pension and OPEB Cash Amounts (line 1 + line 2)		58.0	360.5	418.5
4	Actual Pension Contributions	2	46.8	284.5	331.3
5	Actual OPEB Payments	2	15.2	93.1	108.3
6	Total Actual Pension and OPEB Cash Amounts (line 4 + line 5)		62.1	377.5	439.6
7	Total Addition to Pension & OPEB Cash Payment Variance Account (line 6 - line 3)		4.1	17.0	21.1
8	Actual Pension Accrual	3	68.3	414.4	482.7
9	Actual OPEB Accrual	3	33.3	202.8	236.2
10	Total Actual Pension and OPEB Accrual (line 8 + line 9)		101.6	617.3	718.9
11	Total Addition to Pension & OPEB Cash Versus Accrual Differential Deferral Account (line 10 - line 6)		39.5	239.8	279.3

Notes:

- 1 From EB-2013-0321 Payment Amounts Order, App. G, page 13-14 and EB-2014-0370 Payment Amounts Order, App. B, page 15-16 (Regulated Hydroelectric amounts are the sum of Previously Regulated and Newly Regulated amounts).
- 2 Total Regulated amounts in col. (c) as shown (rounded) in Note 10 to the 2015 audited financial statements for OPG's Prescribed Facilities (Ex. A2-1-1, Att. 5). Nuclear amounts also found at Ex. F4-3-2, Chart 1.
- 3 Nuclear amounts found at Ex. F4-3-2, Chart 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 - 2015

Line No.	Particulars	Note	Actual 2015
			(a)
1	Previously Regulated Hydroelectric Rider 2015 (\$/MWh)-EB-2013-0321	1	6.04
2	Regulated Hydroelectric Rider 2015/2016-A (\$/MWh)-EB-2014-0370	2	3.19
3	Regulated Hydroelectric Interim Period Shortfall Rider 2015/2016-B (\$/MWh)-EB-2014-0370	3	0.64
4	Jan 2015 - Dec 2015 Previously Regulated Hydroelectric Production Forecast Used to Set Rider 2015 (TWh)	4	21.0
5	Jan 2015 - Dec 2015 Previously Regulated Hydroelectric Actual Production (TWh)	5	19.4
6	Actual Production Variance for Previously Regulated Hydroelectric Rider 2015 (TWh) (line 4 - line 5)		1.7
7	Oct 2015 - Dec 2015 Hydroelectric Production Forecast Used to Set Rider 2015/2016-A and B (TWh)	6	8.1
8	Oct 2015 - Dec 2015 Actual Hydroelectric Production (TWh)	7	7.3
9	Actual Production Variance for Rider 2015/2016-A and B (TWh) (line 7 - line 8)		0.9
10	Addition to Variance Account (\$M) Rider 2015 (line 6 x line 1)		10.0
11	Addition to Variance Account (\$M) Rider 2015/2016-A (line 9 x line 2)		2.8
12	Addition to Variance Account (\$M) Interim Period Shortfall Rider 2015/2016-B (line 9 x line 3)		0.6
13	Total Additions to Variance Account (\$M) (line 10 + line 11 + line 12)		13.3

Notes:

- 1 From EB-2013-0321 Payment Amounts Order, App. B, Table 1, line 4, col. (a) and EB-2014-0370 Payment Amounts Order, page 3.
- 2 From EB-2014-0370 Payment Amounts Order, App. A, Table 1, line 12, col. (g).
- 3 Interim period shortfall rider effective October 1, 2015, from EB-2014-0370 Payment Amounts Order, App. A, Table 3, line 4, col. (a).
- 4 EB-2013-0321 Payment Amounts Order, App. A Table 4, line 1 Col. (b).
- 5 Reported in OPG's 2015 Management's Discussion & Analysis (Ex. A2-1-1, Att. 3, p. 14).
- 6 Calculated as the production forecast used to set the hydroelectric payment rider in EB-2014-0370 Payment Amounts Order, App. A Table 3, line 3, col. (a) x 3/18.
- 7 Previously Regulated and Newly Regulated hydroelectric production for Q4 2015 reported in OPG's 2015 Management's Discussion & Analysis (Ex. A2-1-1, Att. 3, p. 73)

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Table 10
Nuclear Development Variance Account
Summary of Account Transactions - 2015 (\$M)

Line No.	Particulars	Note	Actual 2015
			(a)
1	Forecast Costs - EB-2013-0321	1	0.0
2	Actual Costs	2	1.3
3	Addition to Variance Account (line 2 - line 1)		1.3

Note:

- 1 The 2015 forecast is nil as per the EB-2013-0321 Payment Amounts Order, App. G, page 9 and EB-2014-0370 Payment Amounts Order, App. B, page 11 as no such costs were reflected in the EB-2013-0321 approved revenue requirement.
- 2 From Ex. F2-1-1, Table 1, Line 6, col. (c).

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Table 11
 Capacity Refurbishment Variance Account - Nuclear
 Summary of Account Transactions - 2015 (\$M)

Line No.	Particulars	Note	Actual 2015
			(a)
	Non-Capital Addition to Variance Account:		
	Forecast Non-Capital Costs - EB-2013-0321:		
1	Darlington Refurbishment	1	12.4
2	Fuel Channel Life Cycle Management Project	1	3.7
3	Pickering Continued Operations	1	18.6
4	Fuel Channel Life Extension Project	1	0.0
5	Total (lines 1 through 4)		34.7
	Actual Non-Capital Costs:		
6	Darlington Refurbishment	3	1.6
7	Fuel Channel Life Cycle Management Project	4	2.3
8	Pickering Continued Operations		2.2
9	Fuel Channel Life Extension Project	5	10.0
10	Total (lines 6 through 9)		16.0
	Non-Capital Addition to Variance Account:		
11	Darlington Refurbishment (line 6 - line 1)		(10.9)
12	Fuel Channel Life Cycle Management Project (line 7 - line 2)		(1.4)
13	Pickering Continued Operations (line 8 - line 3)		(16.3)
14	Fuel Channel Life Extension Project (line 9 - line 4)		10.0
15	Non-Capital Addition to Variance Account Before Adjustment (lines 11 through 14)		(18.6)
16	Less: EB-2013-0321 Impact Statement (Ex. N1) Adjustment	2	12.8
17	Total Non-Capital Addition to Variance Account - Nuclear (line 15 - line 16)		(31.5)
	Capital Addition to Variance Account - Darlington Refurbishment:		
18	Forecast Cost of Capital Amount (from Note 6, line 3b, col. (c))	6	11.0
19	Actual 2015 Net Plant Rate Base Amount	7	192.6
20	Weighted Average Cost of Capital	8	6.85%
21	Actual Cost of Capital Amount (line 19 x line 20)		13.2
22	Cost of Capital Variance (line 21 - line 18)		2.2
23	Forecast Depreciation (from Note 6, line 5b, col. (c))	6	4.5
24	Actual Depreciation	9	7.0
25	Depreciation Variance (line 24 - line 23)		2.5
	Income Tax Impact:		
26	Forecast Capital Cost Allowance Deduction	10	66.8
27	Actual Capital Cost Allowance Deduction & SR&ED Qualifying Capital Expenditures		182.0
28	Difference (line 26 - line 27)		(115.2)
29	Net Increase (Decrease) in Regulatory Taxable Income	11	(111.4)
30	Income Tax Rate	12	25.00%
31	Income Tax Impact (line 29 x line 30 / (1 - line 30))		(37.1)
32	Capital Addition to Variance Account Before Adjustment (line 22 + line 25 + line 31)		(32.4)
33	Less: EB-2013-0321 Impact Statement (Ex. N1) Adjustment	13	5.1
34	Total Capital Addition to Variance Account - Nuclear (line 32 - line 33)		(37.5)

For notes see Table 11a.

Table 11a
 Notes to Table 11
 Capacity Refurbishment Variance Account - Nuclear - 2015 (\$M)

Notes:

1 In accordance with the EB-2013-0321 Payment Amounts Order (App. G, p.10), and EB-2014-0370 Payment Amounts Order (App B, p. 12) the forecasts for 2015 have been determined as shown below at line 4a, on the basis of amounts underpinning the EB-2013-0321 payment amounts:

Line No.		Darlington Refurbishment Non-Capital [#]	Fuel Channel Life Cycle Mgmt Project ^{##}	Pickering Continued Operations ⁺	Fuel Channel Life Extension Project ⁺⁺
		(a)	(b)	(c)	(d)
1a	2014 Full Year Forecast Costs - EB-2013-0321	6.6	6.8	37.1	0.0
2a	2015 Full Year Forecast Costs - EB-2013-0321	18.2	0.6	0.0	0.0
3a	Total Forecast Costs - EB-2013-0321	24.9	7.4	37.1	0.0
4a	2015 Average Annual Forecast from EB-2013-0321 ((line 3a / 24 months) x 12 months)	12.4	3.7	18.6	0.0
5a	2014 Full Year Forecast Costs - OPG's 2014-2016 Business Plan	6.6	8.8	39.1	
6a	2015 Full Year Forecast Costs - OPG's 2014-2016 Business Plan	20.4	0.5	0.0	
7a	Total Forecast from OPG's 2014-2016 Business Plan	27.0	9.2	39.1	
8a	2015 Average Annual Forecast - OPG's 2014-2016 Business Plan ((line 7a / 24 months) x 12 months)	13.5	4.6	19.5	
9a	2015 EB-2013-0321 Impact Statement (Ex. N1) Adjustment (cols. (a)-(c): line 8a - line 4a)	1.1	0.9	1.0	9.9

Lines 1a and 2a from EB-2013-0321 Decision with Reasons, p. 55.

Lines 1a and 2a from EB-2013-0321 Ex. F2-3-1, Table 1, line 11, cols. (e) and (f).

+ Line 1a from EB-2013-0321 Ex. F2-2-3, p. 4, Chart 1, "Subtotal" line.

++ The Fuel Channel Life Extension Project was not reflected in OPG's 2013-2015 Business Plan underpinning the EB-2013-0321 payment amounts.

2 The adjustments are per the EB-2013-0321 Payment Amounts Order (App. G, p.10), and EB-2014-0370 Payment Amounts Order (App B, p. 12) requirement that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its EB-2013-0321 pre-filed evidence and the information based on OPG's 2014-2016 Business Plan, which was provided in the EB-2013-0321 Impact Statement at Ex. N1. The adjustments are 12/24 of the higher corresponding costs reflected in the total test period OM&A increase of \$26M (EB-2013-0321 Ex. N1-1-1, Chart 1) between OPG's EB-2013-0321 pre-filed evidence and its 2014-2016 Business Plan. This difference was not included in the updated revenue requirement in the Ex. N1 Impact Statement. The individual 2015 adjustments total \$9.9M and are shown in Note 1, line 9a, cols. (a) to (d). The Fuel Channel Life Cycle Extension Project was considered in OPG's 2014-2016 Business Plan (see EB-2013-0321 Ex. F2-3-3, Attachment 1, Tab 11) as part of the nuclear portfolio project OM&A. In addition to addressing requirements with respect to the EB-2013-0321 Ex. N1 Impact Statement, the adjustment also limits the amount recoverable from ratepayers for project cost variances to the variance in total nuclear portfolio project OM&A from OPG's 2014-2016 Business Plan.

3 As shown in Ex. F2-1-1 Table 1, Line 5, col. (c). These costs are discussed in Ex. F2-7-1.

4 As shown in Ex. F2-3-1 Table 1, Line 10, col. (c).

5 As shown in Ex. F2-3-1 Table 1, Line 11, col. (c).

6 The annual forecast (reference) amounts are determined as follows:

Line No.		2014	2015	((a)+(b)) / 2 Reference Amount
		(a)	(b)	(c)
1b	Forecast Net Plant Rate Base Amount ^a	116.0	204.6	
2b	Weighted Average Cost of Capital ^b	6.86%	6.85%	
3b	Cost of Capital Forecast Amount (line 1b x line 2b)	8.0	14.0	11.0
4b	ROE Component of Cost of Capital Amount ^c	4.9	8.6	6.7
5b	Depreciation ^d	3.0	6.1	4.5
6b	Capital Cost Allowance Deduction ^e	39.3	94.3	66.8

a Cols. (a) and (b) from EB-2013-0321 Ex. L-4-9-1 Staff-048, p. 2, Chart 1.

b Cols. (a) and (b) from EB-2013-0321 Payment Amounts Order, App. A, col. (c), line 6 of Tables 5b and 6b, respectively.

c Calculated as line 1b x equity portion (45%) of the EB-2013-0321 capital structure x EB-2013-0321 ROE rate of 9.36% (2014) and 9.30% (2015) (from EB-2013-0321 Payment Amounts Order, App. A, Tables 5b and 6b, col. (c), line 5).

d From EB-2013-0321 Ex. F4-1-1, Table 2, Note 1 and EB-2013-0321 Ex. L-4-9-1 Staff-048, p. 2, Chart 1.

e From EB-2013-0321 Ex. D2-2-1, p. 29, Note 2.

7 From Ex. B3-1-1 Table 1, col. (i), line 2.

8 From EB-2013-0321 Payment Amounts Order, App. A, Table 6b, col. (c), line 6.

9 From Ex. F4-1-1 Table 3, col. (c), line 2.

10 Col. (a) is from Note 6, col. (c), line 6b.

11 The decrease in regulatory taxable income in col. (a) is calculated as the sum of lines 25 and 28, plus the ROE component of the cost of capital variance at line 22. The ROE component of the variance is the difference between: (i) line 19 multiplied by the EB-2013-0321 OEB-approved equity portion (45%) of the capital structure, multiplied by the OEB-approved ROE rate of 9.30% and (ii) Note 6, line 4b, col. (c).

12 From EB-2013-0321 Payment Amounts Order, App. A, Table 8, line 31.

13 Amounts from EB-2014-0370 Ex. H1-1-2, Table 12, col. (b), line 33 x 6

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 Table 12

Table 12

Bruce Lease Net Revenues Variance Account
Summary of Account Transactions - 2015¹

Line No.	Particulars	Note	Actual 2015
			(a)
1	Actual Total Bruce Lease Net Revenues (\$M)	2	175.8
2	Forecast Bruce Lease Net Revenues - EB-2013-0321 (\$M)	3	40.2
3	Forecast Nuclear Production (TWh)	4	47.8
4	Rate Credited to Customers (\$/MWh) (line 2 / line 3)		0.8
5	Actual Nuclear Production (TWh)	5	44.5
6	Amount Credited to Customers (\$M) (line 4 x line 5)		37.6
7	Total Addition to Variance Account Before Adjustment (\$M) (line 6 - line 1)		(138.2)
8	Less: EB-2013-0321 Impact Statement (Ex. N1) Adjustment (\$M)	6	9.9
9	Total Addition to Variance Account (\$M) (line 7 - line 8)		(148.1)
10	Less: Addition to Derivative Sub-Account (\$M)	7	(168.7)
11	Addition to Non-Derivative Sub-Account (\$M) (line 9 - line 10)		20.6

Notes:

- Bruce Lease Net Revenues are discussed in Ex. G2-2-1.
- From Ex. G2-2-1 Table 1, line 9, col (c).
- Per EB-2013-0321 Payment Amounts Order, App. G, pages 11-12, and EB-2014-0370, App. B, pages 12 and 13" \$3.35/month X 12 months
- Average of 2014 and 2015 annual nuclear production from EB-2013-0321 Payment Amounts Order, App. A, Table 4, line 1, cols. (g) and (h).
- From Ex. E2-1-1 Table 1, line 3 col. (c).
- The adjustments in col. (a) is per the EB-2013-0321 Payment Amounts Order (App. G, page 11) requirement that OPG shall ensure that amounts recorded in the account do not include those that OPG indicated it is not seeking to recover from, or refund to, ratepayers as part of the differences between the revenue requirement in its EB-2013-0321 pre-filed evidence and the information based on OPG's 2014-2016 Business Plan provided in the EB-2013-0321 Impact Statement at Ex. N1. The adjustment represents 12/24 of the \$20M total test period decrease (EB-2013-0321 Ex. N1-1-1, Chart 1) in forecast Bruce Lease net revenues between OPG's EB-2013-0321 pre-filed evidence and the 2014-2016 Business Plan that was not included in the updated revenue requirement in that Impact Statement.
- From Ex. G2-2-1, Table 3, line 10, col. (k) less Ex. G2-2-1, Table 6, line 15, col. (k), Income Tax - Derivative Portion.

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Table 13
 Nuclear Deferral and Variance Over/Under Recovery Variance Account
Summary of Account Transactions - 2015

Line No.	Particulars	Note	Actual 2015
			(a)
1	Nuclear Rider 2015 (\$/MWh)-EB-2013-0321	1	1.33
2	Nuclear Rider 2015/2016-A (\$/MWh)-EB-2014-0370	2	10.84
3	Nuclear Interim Period Shortfall Rider 2015/2016-B (\$/MWh)-EB-2014-0370	3	2.17
4	Jan 2015 - Dec 2015 Nuclear Production Forecast Used to Set Nuclear Rider 2015 (TWh)	4	46.6
5	Jan 2015 - Dec 2015 Actual Nuclear Production (TWh)	5	44.5
6	Actual Production Variance for Nuclear Rider 2015 (TWh) (line 4 - line 5)		2.0
7	Oct 2015 - Dec 2015 Nuclear Production Forecast Used to Set Rider 2015 (TWh)	6	12.0
8	Oct 2015 - Dec 2015 Actual Nuclear Production (TWh)	7	8.8
9	Actual Production Variance for Rider 2015/2016-A and Interim Period Shortfall Rider 2015/2016-B (TWh) (line 7 - line 8)		3.1
10	Addition To Variance Account (\$M) Rider 2015 (line 6 x line 1)		2.7
11	Addition to Variance Account (\$M) Rider 2015/2016-A (line 9 x line 2)		34.0
12	Addition to Variance Account (\$M) Interim Period Shortfall Rider 2015/2016-B (line 9 x line 3)		6.8
13	Addition to Variance Account (\$M) (line 10 through line 12)		43.5

Notes:

- 1 From EB-2013-0321 Payment Amounts Order, App. F, Table 1, line 18, col. (e)
- 2 From EB-2014-0370 Payment Amounts Order, App. A, Table 3, line 1, col. (b).
- 3 From EB-2014-0370 Payment Amounts Order, App. A, Table 3, line 4, col. (b).
- 4 From EB-2013-0321 Payment Amounts Order, App. A, Table 4, line 1 col. (h).
- 5 As shown in Ex. E2-1-1 Table 1, line 3 col. (c).
- 6 Calculated as the production forecast used to set the nuclear payment rider in EB-2014-0370 Payment Amounts Order, App. A Table 3, line 3, col. (b) x 3/18.
- 7 As reported in OPG's 2015 Management's Discussion & Analysis (Ex. A2-1-1, Att. 3, p. 73).