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# Deferral and Variance Account Application

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**ONTARIO** **POWER**  
GENERATION



## Scope of OPG's Application

Seeks clearance of deferral and variance account balances, as at December 31, 2014

- Total December 31, 2014 balances are approximately \$2B.
- OPG is seeking to recover all December 31, 2014 balances except balances in the two Pension and OPEB accounts (*Cash vs. Accrual* and *Cash vs. Cash*) established in EB-2013-0321 (projected balances of approximately \$70M).
- A portion of the December 31, 2014 balances (four accounts with a combined balance of approximately \$190M) was approved for recovery in EB-2013-0321.
- OPG is therefore applying to recover the remaining balances of about \$1.75B.
- OPG will file its application based on projected 2014 account balances and will provide audited account balances in February 2015. As the projections are based on 10 months actual experience in 2014, the projected balances are expected to be fairly close to actual balances



# Application Summary

- OPG is applying for:
  - With the exception of the new pension and OPEB accounts approved in EB-2013-0321, OPG will apply to recover the December 31, 2014 balances in all other deferral and variance accounts.
  - 18 month clearance (July 1, 2015 through December 31, 2016) for all above accounts except the Pension and OPEB Cost Variance Account and the Bruce Lease Net Revenues Variance Account.
  - For the Pension and OPEB Cost Variance Account and the Bruce Lease Net Revenues Variance Account, OPG proposes to:
    - a) Continue to dispose of the remaining portion of the December 31, 2012 balances as per the terms of the OEB-approved settlement in EB-2012-0002.
    - b) For amounts accrued in the Pension & OPEB Cost Variance Account after December 31, 2012, clearance will occur over a 24 month period (July 1, 2015 to June 30, 2017.)
  - Riders effective July 1, 2015 through Dec 31, 2016.
  - Separate payment riders for the nuclear and hydroelectric accounts. Common rider will be used for previously and newly regulated hydroelectric account balance recovery.
- As the recovery term extends beyond December 31, 2016 as noted above, the amount OPG plans to recover in the 2015 to 2016 period is approximately \$1.3B.
- Increase in customer bills resulting from this application is estimated to be approximately \$3.08/month for a typical residential customer
- Rider calculations use approved 2014-15 production forecasts.



## Current and Proposed Regulated Hydroelectric Payment Amounts and Riders

	Current		Proposed	
	2014 Nov – Dec (\$/MWh)	2015 Jan – Jun (\$/MWh)	2015 Jul – Dec (\$/MWh)	2016 (\$/MWh)
<b>Previously Regulated Hydro</b>				
Base Payment Amount	40.20	40.20	40.20	40.20
Previously Approved D&V Rider	2.02	6.04	6.04	-
Proposed Rider	-	-	<u>3.78</u>	<u>3.78</u>
Total	42.22	46.24	50.02	43.98
<b>Newly Regulated Hydro</b>				
Base Payment Amount	41.93	41.93	41.93	41.93
EB-2013-0321 Approved D&V Rider	-	-	-	-
Proposed Rider	-	-	<u>3.78</u>	<u>3.78</u>
Total	41.93	41.93	45.71	45.71



## Current and Proposed Nuclear Payment Amounts and Riders

	Current		Proposed	
	2014 Nov – Dec (\$/MWh)	2015 Jan – Jun (\$/MWh)	2015 Jul – Dec (\$/MWh)	2016 (\$/MWh)
<b>Regulated Nuclear</b>				
Base Payment Amount	59.29	59.29	59.29	59.29
Previously Approved D&V Rider	4.18	1.33	1.33	-
Proposed Rider	-	-	15.78	15.78
Total	63.47	60.62	76.40	75.07



## Previously Regulated Hydroelectric – Projected 2014 Year End Balances (\$M)

Account	Projected Year End Balance 2014	Deferred or OEB-Approved for Recovery	Balances Requested for Recovery	Balance Recovered 2015 to 2016 Through Proposed Rider	Balance for Recovery after Dec 31, 2016
	(a)	(b)	(c) = (a) – (b)	(d)	(e) = (c) – (d)
Hydroelectric Water Conditions Variance	9.5	-	9.5	9.5	-
Ancillary Services Net Revenue Variance – Hydroelectric	(10.7)	-	(10.7)	(10.7)	-
Hydroelectric Incentive Mechanism Variance	(7.5)	(5.0)	(2.5)	(2.5)	-
Hydroelectric Surplus Baseload Generation Variance	46.6	19.2	27.4	27.4	-
Income and Other Taxes Variance - Hydroelectric	(0.1)	-	(0.1)	(0.1)	-
Tax Loss Variance - Hydroelectric	-	-	-	-	-
Capacity Refurbishment Variance - Hydroelectric	232.6	112.7	119.9	119.9	-
Gross Revenue Charge Variance Account	-	-	-	-	-
Pension and OPEB Cost Variance - Hydroelectric - Historic	-	-	-	-	-
Pension and OPEB Cost Variance - Hydroelectric - Future	10.5	-	10.5	2.1	8.4
Pension and OPEB Cost Variance - Hydroelectric - post 2012 Additions	35.5	-	35.5	26.6	8.9
Pension and OPEB Cash Versus Accrual Differential Deferral Account	3.3	3.3	-	-	-
Pension and OPEB Cash Payment Variance Account	(0.2)	(0.2)	-	-	-
Impact for USGAAP Deferral - Hydroelectric	-	-	-	-	-
Hydroelectric Deferral and Variance Over/Under Recovery Variance	3.7	-	3.7	3.7	-
<b>Total</b>	<b>323.2</b>	<b>130.1</b>	<b>193.1</b>	<b>175.8</b>	<b>17.3</b>



## Newly Regulated Hydroelectric – Projected 2014 Year End Balances (\$M)

Account	Projected Year End Balance 2014	Deferred or OEB-Approved for Recovery	Balances Requested for Recovery	Balance Recovered 2015 to 2016 Through Proposed Rider	Balance for Recovery after Dec 31, 2016
	(a)	(b)	(c) = (a) – (b)	(d)	(e) – (c) – (d)
Hydroelectric Water Conditions Variance	3.2	-	3.2	3.2	-
Ancillary Services Net Revenue Variance - Hydroelectric	0.2	-	0.2	0.2	-
Hydroelectric Incentive Mechanism Variance	-	-	-	-	-
Hydroelectric Surplus Baseload Generation Variance	5.4	-	5.4	5.4	-
Income and Other Taxes Variance - Hydroelectric	-	-	-	-	-
Capacity Refurbishment Variance - Hydroelectric	-	-	-	-	-
Pension and OPEB Cash Versus Accrual Differential Deferral Account	5.8	5.8	-	-	-
Pension and OPEB Cash Payment Variance Account	(0.7)	(0.7)	-	-	-
Hydroelectric Deferral and Variance Over/Under Recovery Variance	-	-	-	-	-
<b>Total</b>	<b>13.9</b>	<b>5.2</b>	<b>8.7</b>	<b>8.7</b>	<b>-</b>



## Nuclear- Projected 2014 Year End Balances (\$M)

Account	Projected Year End Balance 2014	Deferred or OEB-Approved for Recovery	Balances Requested for Recovery	Balance Recovered 2015 to 2016 Through Proposed Rider	Balance for Recovery after Dec 31, 2016
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)
<b>Nuclear Liability Deferral</b>	286.3	-	286.3	286.3	-
<b>Nuclear Development Variance</b>	59.0	56.5	2.5	2.5	-
<b>Ancillary Services Net Revenue Variance - Nuclear</b>	1.7	-	1.7	1.7	-
<b>Capacity Refurbishment Variance - Nuclear - Capital Portion</b>	13.1	5.7	7.4	7.4	-
<b>Capacity Refurbishment Variance - Nuclear - Non-Capital Portion</b>	6.7	-	6.7	6.7	-
<b>Bruce Lease Net Revenues Variance - Derivative Sub-Account</b>	129.9	-	129.9	53.8	76.1
<b>Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account</b>	37.3	-	37.3	37.3	-
<b>Bruce Lease Net Revenues Variance - Non-Derivative Sub-Account - Post 2012 Additions</b>	126.8	-	126.8	126.8	-
<b>Income and Other Taxes Variance - Nuclear</b>	(8.5)	-	(8.5)	(8.5)	-
<b>Tax Loss Variance - Nuclear</b>	-	-	-	-	-
<b>Pension and OPEB Cost Variance - Nuclear - Historic</b>	-	-	-	-	-
<b>Pension and OPEB Cost Variance - Nuclear - Future</b>	214.7	-	214.7	42.9	171.7
<b>Pension and OPEB Cost Variance - Nuclear - post 2012 Additions</b>	678.6	-	678.6	509.0	169.7
<b>Pension and OPEB Cash Versus Accrual Differential Deferral Account</b>	62.0	62.0	-	-	-
<b>Pension and OPEB Cash Payment Variance Account</b>	(0.8)	(0.8)	-	-	-
<b>Impact for USGAAP Deferral - Nuclear</b>	-	-	-	-	-
<b>Pickering Life Extension Depreciation Variance</b>	7.8	-	7.8	7.8	-
<b>Nuclear Deferral and Variance Over/Under Recovery Variance</b>	57.4	-	57.4	57.4	-
<b>Total</b>	1,671.9	123.4	1,548.5	1131.1	417.5





# Questions?