

SUMMARY OF APPLICATION

This is an application to the Ontario Energy Board for:

- Clearance of certain deferral and variance account balances as of December 31, 2012 through the establishment of nuclear and hydroelectric payment riders;
- Continuation of the Pension and OPEB Cost Variance Account; and
- Adoption of Generally Accepted Accounting Principles of the United States (“USGAAP”) for regulatory purposes.

What is this Proceeding About?

This proceeding has been initiated to clear all of OPG’s deferral and variance account balances except for those in the Hydroelectric Incentive Mechanism (“HIM”) Variance Account, Hydroelectric Surplus Baseload Generation (“SBG”) Variance Account and hydroelectric portion of the Capacity Refurbishment Variance Account. OPG’s reasons for deferring clearance of these three accounts are explained below. For the accounts that OPG seeks to clear, OPG’s pre-filed evidence filed September 24, 2012, presented projected 2012 year-end balances. On February 8, 2013 OPG filed audited December 31, 2012 balances for these accounts, which OPG proposes form the bases of the ordered riders.

OPG is proposing to defer clearance of the HIM account, the SBG account, and the hydroelectric portion of the Capacity Refurbishment Variance Account until the next payment amounts proceeding. OPG believes that clearance of these balances should be deferred because the studies that the OEB ordered in relation to the HIM and SBG accounts remain underway. Review of the accounts can also be more efficiently and comprehensively addressed in the context of the overall Hydroelectric evidence in the next payment amounts application. The 2012 balance of the hydroelectric portion of the Capacity Refurbishment Variance Account relates mostly to the Niagara Tunnel Project (“NTP”) and can be most effectively reviewed in a proceeding that addresses NTP costs. Finally, the balances in these accounts are relatively small. Exhibit. H1-1-1 provides additional discussion of the decision to defer recovery of the balances in these accounts.

1 OPG's application also addresses extending the authority to post entries into the Pension
2 and OPEB Cost Variance Account. This is more fully discussed in Ex. H2-1-3. OPG seeks to
3 extend the duration of this account until the effective date of the next payment amounts
4 order.

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6 Finally, this application also contains OPG's request for approval to adopt USGAAP for
7 regulatory purposes and, if approval is granted, to clear the balances in the Impact for
8 USGAAP Deferral Account as of December 31, 2012.¹

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10 **What Are the Requested Payment Riders?**

11 OPG requests that recovery of the approved balances for all deferral and variance accounts
12 for which clearance is sought occur over two years (January 1, 2013 through December 31,
13 2014), except for the Pension and OPEB Cost Variance Account and the Bruce Lease Net
14 Revenues Variance Account. Given the size of the balances anticipated in these two
15 accounts, OPG proposes to clear them over four years (January 1, 2013 through December
16 31, 2016). The Hydroelectric and Nuclear riders for both 2013 and 2014 based on audited
17 actual 2012 year-end balances are \$2.60/MWh and \$8.34/MWh, respectively. Since the
18 OEB's order will be based on audited account balances that will not be available until
19 February 2013, OPG seeks interim period shortfall riders with an expiry date of December
20 31, 2014.

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22 **What is OPG's Proposal for the Pension and OPEB Cost Variance Account?**

23 OPG proposes that the balance in this account as of December 31, 2012 be cleared as
24 described above. OPG is also requesting authorization to continue posting entries into the
25 account until the effective date of the OEB's next payment amounts order for OPG. If this
26 request is not decided by December 31, 2012, OPG requests interim authority to continue
27 posting entries into this account pending the OEB's decision.

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29 The Pension and OPEB Cost Variance Account has an end-date of December 31, 2012.

¹ The OEB has stated that if approval to adopt USGAAP for regulatory purposes is not granted, then amounts in the Impact for USGAAP Deferral Account are not recoverable (EB-2011-0432, Decision with Reasons, page 7).

1 Given that this account was established by the OEB in EB 2011-0090 as the best remedy to
2 correct an error in OPG's payment amounts decision (EB-2010-0008), if the December 31,
3 2012 end-date is not extended, subsequent payment amounts will be based on an erroneous
4 pension and OPEB cost estimate without a mechanism to correct that error. This would
5 appear to frustrate the original intent of the OEB in establishing the variance account, i.e.,
6 correction of an error in setting payment amounts in EB-2010-0008.

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8 OPG is requesting the authority to continue posting entries into the account to provide the
9 OEB with a mechanism to consider the appropriate level of pension and OPEB costs in a
10 future proceeding based upon the OEB's decision in EB-2011-0090. OPG acknowledges that
11 extending this account does not provide any guarantee that the amounts recorded after
12 December 31, 2012 will be subsequently approved for recovery by OPG.

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14 **What Is OPG's Proposal Regarding USGAAP?**

15 OPG is seeking approval to adopt USGAAP for regulatory purposes. OPG has already been
16 legislated to move to USGAAP for accounting and financial reporting purposes. To avoid the
17 cost and effort of maintaining two different sets of accounting records, to increase the
18 comparability between financial and regulatory reporting and to remove the ongoing
19 uncertainty over this issue for OPG and ratepayers, OPG is requesting that the OEB decide
20 this issue now, rather than waiting until the next payment amounts application.

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22 OPG requests that the OEB approve both the use of USGAAP for regulatory purposes and
23 the clearance of the balances in the Impact for USGAAP Deferral Account as of December
24 31, 2012. OPG proposes that the account be cleared over two years (i.e., January 1, 2013 to
25 December 31, 2014).