

1 **OVERVIEW OF DEFERRAL AND VARIANCE ACCOUNTS**

2 3 **1.0 PURPOSE**

4 This evidence provides an overview of the variance and deferral accounts for OPG's
5 regulated facilities and presents the amounts recorded in the accounts for 2011 and 2012.
6 These accounts were established pursuant to O. Reg. 53/05 and the OEB's decisions in EB-
7 2007-0905, EB-2009-0038, EB-2009-0174, EB-2010-0008, EB-2011-0090 and EB-2011-
8 0432.

9 10 **2.0 PROPOSED CLEARANCE OF ACCOUNTS**

11 OPG is seeking approval to clear audited December 31, 2012 balances in most of its
12 variance and deferral accounts through payment riders, as described in Ex. H1-2-1. The
13 balances in all accounts are shown in Ex. H1-1-1, Table 1. OPG is proposing to defer
14 clearance of the Hydroelectric Incentive Mechanism ("HIM") Variance Account, the
15 Hydroelectric Surplus Baseload Generation ("SBG") Variance Account, and the hydroelectric
16 portion of the Capacity Refurbishment Variance Account for the reasons provided below. The
17 projected year-end 2012 balance for recovery is \$104.5M for the regulated hydroelectric
18 facilities and \$1,218.1M for the nuclear facilities, as shown in Ex. H1-2-1, Tables 1 and 2,
19 respectively.

20 21 **3.0 OVERVIEW**

22 The OEB has approved variance and deferral accounts for OPG listed below. Entries into
23 these accounts for 2011 and 2012 have been calculated in accordance with the applicable
24 OEB decisions and orders.

25 26 Deferral and Variance Accounts Common to Hydroelectric and Nuclear

- 27 • Ancillary Services Net Revenue Variance Account – Hydroelectric and Nuclear Sub
28 Accounts
- 29 • Income and Other Taxes Variance Account
- 30 • Tax Loss Variance Account
- 31 • Capacity Refurbishment Variance Account

- 1 • Pension and OPEB (Other Post Employment Benefits) Cost Variance Account
- 2 • Impact for USGAAP Deferral Account
- 3
- 4 Hydroelectric Deferral and Variance Accounts
- 5 • Hydroelectric Water Conditions Variance Account
- 6 • Hydroelectric Incentive Mechanism Variance Account
- 7 • Hydroelectric Surplus Baseload Generation Variance Account
- 8 • Hydroelectric Interim Period Shortfall (Rider D) Variance Account¹
- 9 • Hydroelectric Deferral and Variance Over/Under Recovery Variance Account
- 10
- 11 Nuclear Deferral and Variance Accounts
- 12 • Pickering A Return to Service Deferral Account (*terminated on December 31, 2011*)
- 13 • Nuclear Liability Deferral Account
- 14 • Nuclear Development Variance Account
- 15 • Transmission Outages and Restrictions Variance Account¹
- 16 • Nuclear Fuel Cost Variance Account¹
- 17 • Bruce Lease Net Revenues Variance Account
- 18 • Nuclear Interim Period Shortfall (Rider B) Variance Account¹
- 19 • Nuclear Deferral and Variance Over/Under Recovery Variance Account

20

21 Exhibit H1-1-1, Table 1 shows the year-end balances in each account for 2009, 2010 and
22 2011, and projected balances for 2012. Exhibit H1-1-1, Tables 1a through 1c are continuity
23 tables which show the opening balance for each account, additions recorded during the
24 period (labelled "Transactions"), amortization subtracted for the period, interest added for the
25 period, any transfers between accounts during the period, and the closing balance for each
26 account. The 2010 year-end balances and the resulting amortization for March 1, 2011
27 through December 31, 2012 are as approved by the OEB in the EB-2010-0008 Payment
28 Amounts Order. Exhibit H1-1-1, Tables 2 through 15 provide supporting calculations showing

¹ Accounts will be terminated on December 31, 2012 as per EB-2010-0008.

1 the derivation of entries into each of the accounts during 2011 and 2012. Projections for
2 2012 are based on information as of June 30, 2012.

3
4 All December 31, 2010 balances were approved for recovery over the 22-month period
5 ending December 31, 2012, with the exception of the 46-month period ending December 31,
6 2014 for the Tax Loss Variance Account and the 10-month period ending December 31,
7 2011 for the Pickering A Return to Service ("PARTS") Deferral Account. During January and
8 February 2011, amortization was recorded for the PARTS Deferral Account, as discussed in
9 Section 6.1 below.

10
11 Entries made for January and February 2011 have been calculated with reference to
12 amounts underpinning the payment amounts approved in EB-2007-0905 in accordance with
13 methodologies approved in EB-2009-0174 and EB-2009-0038 and used to derive the OEB-
14 approved account balances as at December 31, 2010. Entries made and projected to be
15 made during the period March 1, 2011 to December 31, 2012 have been calculated with
16 reference to amounts underpinning the payment amounts approved in EB-2010-0008.

17
18 For applicable accounts, the monthly reference amounts for the period March 1, 2011 to
19 December 31, 2012 have been determined as 1/24 of the forecast amounts underpinning the
20 two-year revenue requirement approved in EB-2010-0008. This is referred to as the
21 "standard approach." This approach captures 22/24 of the approved revenue requirement
22 consistent with the effective date of the current payment amounts of March 1, 2011.

23
24 Interest is being applied to the monthly opening balances of each of the accounts. OPG has
25 applied the prescribed interest rate of 1.47 per cent per annum as set by the OEB since
26 January 1, 2011. The projected year-end 2012 balances are calculated assuming that this
27 rate remains in effect until December 31, 2012.

28
29 **4.0 ACCOUNTS COMMON TO HYDROELECTRIC AND NUCLEAR**

30 **4.1 Ancillary Services Net Revenue Variance Account – Hydroelectric and Nuclear**
31 **Sub Accounts**

1 These sub-accounts record variances between actual ancillary services net revenue and the
2 forecasts reflected in the revenue requirement approved by the OEB. The projected 2012
3 year-end balance for the Hydroelectric Ancillary Services Net Revenue Variance Account is
4 \$32.6M as shown in Ex. H1-1-1, Table 1. The projected 2012 year-end balance for the
5 Nuclear Ancillary Service Net Revenue Variance Account is \$1.4M as shown in Ex. H1-1-1,
6 Table 1. The derivation of additions into the hydroelectric and nuclear sub-accounts during
7 2011 and 2012 are shown in Ex. H1-1-1, Tables 3 and 11, respectively.

8
9 For January and February 2011, OPG has recorded differences between actual ancillary
10 services net revenue for those months and the forecast amounts determined in accordance
11 with the methodology approved in EB-2009-0174. As per note 1 in Ex. H1-1-1, Tables 3 and
12 11, starting March 1, 2011, OPG records differences between actual net revenues and the
13 EB-2010-0008 reference forecasts determined using the standard approach discussed in
14 Section 3.0 above.

15
16 For full year 2011, the total ancillary services net revenue reference forecast for OPG's
17 regulated hydroelectric operations is \$37.9M. Owing to increased competition resulting in
18 lower prices for operating reserve and lower than expected automatic generation control
19 revenues due to the elimination of the Global Adjustment charge associated with the use of
20 the Sir Adam Beck Pump Generating Station ("PGS") under O. Reg. 429/04 as amended,
21 actual 2011 ancillary revenue was \$22.2M, resulting in additions of \$15.7M to the
22 Hydroelectric Ancillary Services Net Revenue Variance Account.

23
24 For 2012, the ancillary services net revenue reference forecast for OPG's regulated
25 hydroelectric operations is \$38.9M. For the same reasons noted above for 2011, the 2012
26 hydroelectric ancillary services net revenue is projected to be lower at \$22.3M, resulting in
27 the addition of \$16.6M to the Hydroelectric Ancillary Services Net Revenue Variance
28 Account.

29
30
31

1 **4.2 Income and Other Taxes Variance Account**

2 This account records the financial impact on the regulated hydroelectric and nuclear revenue
3 requirement of variations in payments in lieu of corporate income and capital taxes for OPG's
4 prescribed assets resulting from changes to the tax rates or rules, assessments or re-
5 assessments, new tax policies, and court decisions. The account also records variations in
6 municipal property taxes and payments in lieu of property tax for the prescribed assets
7 resulting from legislative or regulatory changes, including changes in municipal property tax
8 rates or rules.

9
10 For January and February 2011, OPG has recorded six entries into this account as listed
11 below, four of which [(i), (iii), (iv) and (vi)] have been recorded for the same reasons and
12 using the same methodologies as the equivalent entries in 2010 and previous years.² These
13 entries were calculated relative to the same reference amounts as the 2010 entries. For
14 March 2011 through December 2012, OPG is only recording entries (ii) and (v) relative to the
15 approved EB-2010-0008 forecast tax amounts. The impacts of the other entries are already
16 incorporated into the approved EB-2010-0008 forecast.³

17
18 The six entries are:

- 19 (i) a ratepayer credit related to 50 per cent of the Scientific Research and Experimental
20 Development ("SR&ED") Investment Tax Credits ("ITCs") and 100 per cent of the tax
21 benefit of SR&ED capital expenditures recognized by OPG based on the results of a
22 tax audit prior to 2011;
- 23 (ii) a ratepayer credit related to the increase in the recognition of the SR&ED ITCs to 75
24 per cent based on the completion of the 2002 to 2005 income tax audit in 2011;
- 25 (iii) a ratepayer credit for the reduction in income tax rates effective January 1, 2010;
- 26 (iv) recovery from ratepayers of income taxes for the unburned nuclear fuel adjustment
27 resulting from the resolution of a matter pertaining to a prior year tax audit;
- 28 (v) a ratepayer credit related to the nuclear waste management capital expenditures
29 adjustment resulting from the resolution of a prior year tax audit; and

² EB-2010-0008, Ex. H1-1-1, section 4.2 for entries (i), (iii) and (vi) and Ex. H1-1-2, section 3.2 for entry (iv).

³ In addition, a total net credit of \$0.4M is projected to be recorded over the period March 1, 2011 to December 31, 2012 for the carry-over effects related to entry (i), as shown in Ex. H1-1-1, Table 4, line 4, columns (b) and (c).

1 (vi) a ratepayer credit for the reduction in capital tax rates effective January 1, 2010.

2
3 As shown in Ex. H1-1-1, Table 4, column (a), the impact of these entries for the first two
4 months of 2011 is a net credit to ratepayers of \$10.3M. For the remainder of 2011 and 2012,
5 OPG has recorded or is projecting a net credit to ratepayers of \$17.2M and \$5.5M,
6 respectively, as presented in Ex. H1-1-1 Table 4, line 34, columns (b) and (c).

7
8 Entry (ii) recognizes a credit to ratepayers for an additional 25 per cent of the benefit of
9 SR&ED ITCs for the period from April 1, 2008 to December 31, 2012 that were previously
10 credited to ratepayers at 50 per cent (either through entry (i) into the Income & Other Taxes
11 Variance Account or through the EB-2010-0008 payment amounts).⁴ The amounts for SR&ED
12 ITCs previously were credited to ratepayers at 50 per cent based on OPG's assessment of
13 their recoverability for accounting purposes.⁵ In 2011, as a consequence of the completion of
14 the income tax audit of prior taxation years, OPG increased the recognition of these ITCs for
15 accounting purposes to 75 per cent.

16
17 Entry (v) also stems from the completion of the audit of prior years, which resulted in certain
18 cash expenditures for nuclear waste management and decommissioning, which OPG had
19 treated as deductible when incurred, being deemed to be capital for tax purposes. As a
20 result, these amounts are not deductible when incurred (increasing the regulatory taxes for
21 the prescribed facilities) and instead result in additional Capital Cost Allowance deductions
22 over time. The projected net impact of these adjustments to taxable income on regulatory
23 income taxes for the period from April 1, 2008 to December 31, 2012 is recorded in the
24 Income and Other Taxes Variance Account, as shown at Ex. H1-1-1, Table 4, lines 21-30.

25 26 **4.3 Tax Loss Variance Account**

27 The Tax Loss Variance Account was established effective April 1, 2008 in EB-2009-0038.
28 The account records the variance between the tax loss amount underpinning the EB-2007-

⁴ While the ITCs reduce expenses in the year recognized, they are taxable in the following year. Therefore, the increase in the recognition of the ITCs by 25 per cent also results in a higher amount of taxes to be recovered by OPG. As such, as in EB-2010-0008, the additional taxes form part of the SR&ED ITCs entry into the Income & Other Taxes Variance Account in the year incurred.

⁵ EB-2010-0008 Ex. F4-2-1, section 7.1

1 0905 payment amounts, and the tax loss amount resulting from the re-analysis of prior period
2 tax returns based on the OEB's directions in the EB-2009-0038 Decision and Order. In EB-
3 2010-0008, the OEB accepted the above re-analysis and the methodology for determining
4 regulatory income taxes as submitted by OPG and approved the December 31, 2010
5 balance in the account on that basis.

6
7 As the EB-2007-0905 payment amounts continued for January and February 2011, OPG
8 continued to record additions to the account on the same basis as above. The additions for
9 these two months total \$32.5M, or \$16.25M per month. The same monthly addition was
10 recorded during 2010. It is calculated as 1/21 of the revenue requirement reduction of
11 \$341.2M for the 21-month period of April 1, 2008 to December 31, 2009 resulting from the
12 OEB's directions in EB-2007-0905. The additions of \$32.5M were allocated to regulated
13 hydroelectric and nuclear in the same proportions as the December 31, 2010 account
14 balance and as originally reflected in the EB-2007-0905 Payment Amounts Order, which are
15 16 per cent and 84 per cent, respectively.

16
17 The approved recovery period for the December 31, 2010 balance is 46 months ending
18 December 31, 2014. Starting on March 1, 2011, OPG has not recorded entries in the account
19 other than for amortization and interest, as per EB-2010-0008. The December 31, 2012
20 balance, including the January and February 2011 additions, is projected to be \$48.2M for
21 regulated hydroelectric and \$253.3M for nuclear as shown in Ex. H1-1-1, Table 1. OPG's
22 proposal is to clear these balances over two years, ending December 31, 2014, as discussed
23 in Ex. H1-2-1. This is consistent with the EB-2010-0008 approved recovery period.

24 25 **4.4 Capacity Refurbishment Variance Account**

26 This account was established pursuant to section 6(2)4 of O. Reg.53/05 to record variances
27 between the actual capital and non-capital costs and firm financial commitments incurred to
28 increase the output of, refurbish or add operating capacity to a prescribed generation facility
29 and the forecast amounts included in the approved payment amounts. In this application,
30 OPG is proposing to clear only entries related to nuclear facilities for 2011 and 2012, which

1 are discussed in Ex. H2-2-1. The derivation of these entries is shown in Ex. H1-1-1, Table 12
2 and the projected 2012 balance is shown in Ex. H1-1-1, Table 1.

3

4 The December 31, 2012 balance in this account related to regulated hydroelectric facilities is
5 projected to be \$1.0M, as shown in Ex. H1-1-1, Table 1. OPG is proposing to defer recovery
6 of this amount as the majority of the balance relates to the Niagara Tunnel Project (“NTP”).
7 Reviewing the hydroelectric portion of this account in the context of a proceeding that
8 addresses NTP costs would be more efficient and productive.

9

10 **4.5 Pension and OPEB Cost Variance Account**

11 The Pension and OPEB Cost Variance Account was established in EB-2011-0090 and
12 records the difference between (i) the pension and OPEB costs, plus related income tax
13 PILs, reflected in the EB-2010-0008 decision and the resulting payment amounts order, and
14 (ii) OPG’s actual pension and OPEB costs, and associated tax impacts, for the test period for
15 the prescribed generation facilities.

16

17 The December 31, 2012 balance in this account is projected to be \$349.8M, with \$16.7M for
18 regulated hydroelectric and \$333.1M for nuclear as shown in Ex. H1-1-1, Table 1. The
19 derivation of this account’s entries is shown in Ex. H1-1-1, Tables 5 and 5a. Supporting
20 evidence for this account is presented in Ex. H2-1-3.

21

22 **4.6 Impact for USGAAP Deferral Account**

23 In EB-2011-0432, the OEB established the Impact of USGAAP Deferral Account to capture
24 the financial impacts of OPG’s transition to and implementation of USGAAP from January 1,
25 2012 to the effective date of the next payment amounts order. Exhibit A3-1-2 provides
26 information on the impacts of OPG’s adoption of USGAAP and explains the resulting 2012
27 entries into the Impact for USGAAP Deferral Account presented in Ex. H1-1-1, Table 6. The
28 December 31, 2012 balance in this account is projected to be \$59.3M, with \$2.7M for
29 attributed to regulated hydroelectric and \$56.7M as shown in Ex. H1-1-1, Table 1, attributed
30 to nuclear based on the attribution of the underlying financial impacts. OPG proposes to
31 record interest in the account as noted in Section 3.0, above. OPG notes the direction in the

1 EB-2011-0432 Decision and Order that the carrying charges for the amounts recorded in the
2 account would be assessed by a future OEB panel (p. 5) and proposes that the rate that
3 applies to all other accounts should also be used here. The interest amount for 2012 is
4 estimated at \$0.8M and is included in the projected balances

5 6 **5.0 HYDROELECTRIC ACCOUNTS**

7 **5.1 Hydroelectric Water Conditions Variance Account**

8 The Hydroelectric Water Conditions Variance Account captures the financial impact of
9 differences between forecast and actual water conditions on OPG's regulated hydroelectric
10 production. OPG's 2011 and 2012 entries are based on the same methodology used to
11 derive the OEB-approved December 31, 2010 account balance. The December 31, 2012
12 balance in this account is projected to be \$10.3M as shown in Ex. H1-1-1, Table 1. The
13 derivation of the entries into the account for 2011 and 2012 is shown in Ex. H1-1-1, Table 2.

14
15 In order to determine the production impact of changes in water conditions for 2011 and
16 2012, the actual (2011) and projected (2012) flow values are entered into the same
17 hydroelectric production model used to determine the EB-2010-0008 approved forecast
18 production (for March 2011 to December 2012) and the EB-2007-0905 approved forecast
19 (for January and February 2011), holding all other variables constant. The resulting
20 calculated production based on actual/projected water flows is compared to the original
21 energy production based on forecast flows to determine the deviation.

22
23 The revenue impact of the production variances for January and February 2011, determined
24 in accordance with the EB-2009-0174 Decision and Order, was calculated by multiplying the
25 deviation from forecast by the approved hydroelectric payment amount of \$36.66/MWh then
26 in effect. The revenue impact starting in March 2011 is determined using the approved EB-
27 2010-0008 payment amount of \$35.78/MWh. The impact of the production variances on
28 gross revenue charge costs is also recorded in the account, and is calculated by multiplying
29 the production deviation by the applicable gross revenue charge rate.

1 In 2011, owing to favourable water supply conditions (i.e., precipitation) affecting the Niagara
2 and St. Lawrence Rivers, the calculated actual production exceeded the forecasts by 121
3 GWh, resulting in a net credit to customers of \$2.2M being recorded into the Hydroelectric
4 Water Conditions Variance Account.

5
6 Due to unfavourable water supply conditions (i.e., precipitation) affecting the Niagara and St.
7 Lawrence Rivers in 2012, the projected calculated hydroelectric production is expected to be
8 less than forecast production by 622 GWh. This variance is expected to result in a net
9 addition of \$13.7M to the account.

10

11 **5.2 Hydroelectric Interim Period Shortfall (Rider D) Variance Account**

12 Since January 1, 2010, OPG has been recording only interest and amortization in this
13 account. As ordered in EB-2010-0008, this account will terminate on December 31, 2012 and
14 any balance remaining will be transferred to the Hydroelectric Deferral and Variance
15 Over/Under Recovery Variance account. The transfer of the projected remaining balance of
16 less than \$0.1M is reflected in Ex. H1-1-1, Table 1c.

17

18 **5.3 Hydroelectric Incentive Mechanism Variance Account**

19 The HIM Variance Account is effective March 1, 2011 and records 50 per cent of HIM net
20 revenues above \$10M in 2011 and \$14M in 2012 as a credit to ratepayers. The December
21 31, 2012 balance in this account is projected to be a credit to ratepayers of \$1.4M as shown
22 in Ex. H1-1-1, Table 1. OPG is proposing to defer clearance of this account for the reasons
23 discussed in Section 5.5, below.

24

25 **5.4 Hydroelectric Surplus Baseload Generation Variance Account**

26 The Hydroelectric SBG Variance Account records the financial impact of foregone production
27 at OPG's prescribed hydroelectric facilities due to SBG conditions. The financial impact is the
28 net effect of revenue and cost impacts. The revenue impact is calculated by multiplying the
29 foregone production volume by the approved regulated hydroelectric payment amount of
30 \$35.78/MWh. The cost impact relates to lower gross revenue charge costs resulting from to
31 foregone production and is determined by multiplying the foregone production volume by the

1 applicable gross revenue charge rate.

2 The December 31, 2012 balance in this account is projected to be \$4.9M as shown in Ex.
3 H1-1-1, Table 1. OPG is proposing to defer clearance of this account for the reasons
4 discussed in Section 5.5, below.

5

6 **5.5 OPG's Proposal to Defer Clearance of the HIM and SBG Accounts**

7 OPG is proposing to defer clearance of these accounts to the next payment amounts
8 proceeding for the following reasons:

- 9 • In relation to these two accounts, the OEB ordered OPG to undertake analysis of the
10 operation of the Sir Adam Beck PGS, how these operations affect SBG and the
11 interactions between SBG and the HIM. Review of the balances in these accounts will
12 require the results of this analysis, which is still underway. Review will also necessarily
13 involve a substantial discussion of the operation of the Sir Adam Beck facility, an issue
14 that can be more efficiently and comprehensively addressed in the context of the overall
15 hydroelectric evidence in the next payment amounts application.
- 16 • The balances in these accounts are projected to be relatively small, as noted in Sections
17 5.3 and 5.4 above.

18

19 **5.6 Hydroelectric Deferral and Variance Over/Under Recovery Variance Account**

20 Effective March 1, 2011, the Hydroelectric Deferral and Variance Over/Under Recovery
21 Variance Account records the difference between the amounts approved for recovery in the
22 hydroelectric deferral and variance accounts and the actual amounts recovered resulting
23 from differences between the forecast and actual regulated hydroelectric production. These
24 account entries are calculated as the differences between actual (2011) or projected (2012)
25 production and the corresponding forecasts based on the EB-2010-0008 Payment Amounts
26 Order, multiplied by the approved regulated hydroelectric payment amount rider of
27 (\$1.65/MWh).

28

29 Prior to March 1, 2011, in accordance with the EB-2009-0174 Decision and Order, the
30 account recorded the over-collection of regulated hydroelectric variance account balances

1 effective January 1, 2010 that were being recovered through the regulated hydroelectric
2 payment amount of \$36.66/MWh approved in EB-2007-0905.

3
4 As noted in Section 5.2 above, the projected balance in the Hydroelectric Deferral and
5 Variance Over/Under Recovery Variance Account at December 31, 2012 also reflects the
6 remaining December 31, 2012 balance in the Hydroelectric Interim Period Shortfall (Rider D)
7 Variance Account .

8
9 The December 31, 2012 balance in this account is projected to be a credit to ratepayers of
10 \$3.4M as shown in Ex. H1-1-1, Table 1. The derivation of the entries into this account is
11 shown in Ex. H1-1-1, Table 7.

12 13 **6.0 NUCLEAR ACCOUNTS**

14 **6.1 Pickering A Return to Service Deferral Account**

15 OPG has been recording only interest and amortization in this account since 2007. In
16 January and February 2011, OPG continued to record amortization entries based on the
17 December 31, 2007 balance of \$183.8M approved for recovery over 45 months in EB-2007-
18 0905, as the nuclear payment rider A continued to be in effect. The EB-2010-0008 approved
19 account balance of \$33.2M as at December 31, 2010 was ordered to be cleared by
20 December 31, 2011. OPG therefore recorded amortization in this amount during the period
21 March to December 2011. The derivation of the amortization amounts for 2011 is shown in
22 Ex. H1-1-1, Table 8.

23
24 As ordered in EB-2010-0008, the PARTS Deferral Account was terminated as of December
25 31, 2011 and the remaining balance of \$8.0M was transferred to the Nuclear Deferral and
26 Variance Over/Under Variance Account. The transfer is shown in Ex. H1-1-1, Table 1b.

27 28 **6.2 Nuclear Liability Deferral Account**

29 The Nuclear Liability Deferral Account has been authorized in accordance with section 5.2(1)
30 of O. Reg. 53/05 in order to capture the revenue requirement impact on the prescribed
31 facilities of any change in OPG's nuclear decommissioning and used fuel and waste

1 management liabilities arising from an approved reference plan under the Ontario Nuclear
2 Funds Agreement (“ONFA”). In 2011, the only entries in the account were for amortization
3 and interest, as shown in Ex. H1-1-1 Tables, 1a and 1b. In 2012, OPG is recording additions
4 related to the changes in the above liabilities arising from the current approved ONFA
5 Reference Plan effective January 1, 2012. These are projected at \$180.0M for 2012 as
6 shown in Ex. H1-1-1, Table 9. The current approved ONFA Reference Plan and the resulting
7 additions to the account are discussed in Ex. H2-1-1. The December 31, 2012 balance in this
8 account including interest is projected to be \$181.7M as shown in Ex. H1-1-1, Table 1.

9
10 **6.3 Nuclear Development Variance Account**

11 The Nuclear Development Variance Account was established in accordance with section 5.4
12 of O. Reg. 53/05. The account records differences between actual non-capital costs incurred
13 and firm financial commitments made in the course of planning and preparation for the
14 development of proposed new nuclear generation facilities and the amounts included in
15 approved payment amounts for these activities as discussed in Ex. H2-2-1. The December
16 31, 2012 balance in this account is projected to be \$37.2M as shown in Ex. H1-1-1, Table 1.
17 The derivation of the 2011 and 2012 entries into this account is shown in Ex. H1-1-1, Table
18 10.

19
20 **6.4 Transmission Outages and Restrictions Variance Account**

21 As the previously approved balance in this account was fully amortized at December 31,
22 2010, only residual interest is being amortized to December 31, 2012. As ordered in EB-
23 2010-0008, the Transmission Outages and Restrictions Variance Account will be terminated
24 on December 31, 2012 and the remaining balance transferred to the Nuclear Deferral and
25 Variance Over/Under Recovery Variance Account. The transfer of the projected year-end
26 2012 balance of less than \$0.1M is reflected at Ex. H1-1-1, Table 1c.

27
28 **6.5 Nuclear Fuel Cost Variance Account**

29 This account recorded the difference between forecast and actual nuclear fuel expenses for
30 the period up to February 28, 2011. In EB-2010-0008, the OEB terminated the recording of
31 additions into this account effective March 1, 2011. The variances for January and February

1 2011 of \$5.8M were determined using the methodology approved in EB-2009-0174. The
2 methodology involved comparing the nuclear fuel cost rate (\$/MWh), as reflected in the
3 approved revenue requirement and production forecast, against the actual nuclear fuel cost
4 rate (\$/MWh). The monthly variance was determined by multiplying the difference in the
5 nuclear fuel cost rate by the actual production. The derivation of additions for January and
6 February 2011 is shown at Ex. H1-1-1, Table 13 and is also discussed in Ex. H2-2-1, Section
7 4.0.

8 Only interest and amortization are being recorded after February 28, 2011. As ordered in EB-
9 2010-0008, the account will be terminated as of December 31, 2012 with the remaining
10 balance transferred to the Nuclear Deferral and Variance Over/Under Recovery Variance
11 Account. The transfer of year-end 2012 projected balance of \$6.0M is shown at Ex. H1-1-1,
12 Table 1c.

13

14 **6.6 Bruce Lease Net Revenues Variance Account**

15 The Bruce Lease Net Revenues Variance Account was established by the OEB to capture
16 differences between the forecast revenues and costs related to the Bruce lease that are
17 factored into the approved nuclear revenue requirement, and OPG's actual revenues and
18 costs in respect of Bruce facilities. The December 31, 2012 balance in this account is
19 projected to be \$368.2M as shown in Ex. H1-1-1, Table 1. The derivation of the entries in this
20 account is shown in Ex. H1-1-1, Table 14 and discussed in Ex. H2-1-2.

21

22 **6.7 Nuclear Interim Period Shortfall (Rider B) Variance Account**

23 Since January 1, 2010, OPG has been recording only interest and amortization in this
24 account. The account will be terminated as of December 31, 2012 and the remaining account
25 balance transferred to the Nuclear Deferral and Variance Over/Under Recovery Variance
26 Account. The transfer of the projected remaining balance of \$0.1M is shown in Ex. H1-1-1,
27 Table 1c.

28

29 **6.8 Nuclear Deferral and Variance Over/Under Recovery Variance Account**

30 The Nuclear Deferral and Variance Over/Under Recovery Variance Account records the
31 difference between the amounts approved for recovery in the nuclear deferral and variance

1 accounts and the actual amounts recovered through the nuclear payment rider resulting from
2 differences between the forecast and actual nuclear production. The December 31, 2012
3 balance in the account is projected to be \$5.1M as shown in Ex. H1-1-1, Table 1. The
4 derivation of the 2011 and 2012 entries in this account is shown in Ex. H1-1-1, Table 15.

5

6 OPG recorded a credit to ratepayers of \$9.4M into the account into the account for January
7 and February 2011 based on the difference between the revenue collected as a result of the
8 continuation of the previously established Rider A and the amount of revenue collected for
9 the continued amortization of the PARTS Deferral Account. Effective March 1, 2011, the
10 entries into this account are calculated in the same manner as for the Hydroelectric Deferral
11 and Variance Over/Under Recovery Variance Account discussed in Section 5.6 above.

12

13 As noted in the corresponding sections above, the projected balance in the Nuclear Deferral
14 and Variance Over/Under Recovery Variance Account at December 31, 2012 also reflects
15 the remaining December 31, 2011 balance of the PARTS Deferral Account and the projected
16 remaining December 31, 2012 balances of the Transmission Outages and Restrictions
17 Variance Account, the Nuclear Fuel Cost Variance Account and the Nuclear Interim Period
18 Shortfall (Rider B) Variance Account.