UPDATE FOR AUDITED ACTUAL BALANCES FOR DEFERRAL AND VARIANCE ACCOUNTS AND OTHER INFORMATION

1.0 PURPOSE

The purpose of this exhibit is to provide the audited actual deferral and variance account balances at December 31, 2012 and to update OPG's calculation of payment riders proposed for the clearance of these account balances and resulting consumer impacts. The exhibit also provides projections of 2013 Pension and OPEB amounts.

2.0 SUMMARY OF BALANCES, RATE RIDERS AND CONSUMER IMPACT

The tables accompanying this exhibit reproduce those originally filed in Ex. H1-1-1, Ex. H2-1-1 and Ex. I1-1-2. The tables have been updated to reflect audited actual balances and related information. Additional tables showing calculations of consumer impact estimates and Interim Period Shortfall Riders are also included.

Audited actual deferral and variance account balances at December 31, 2012 are presented in Ex. H1-1-2, Table 1, col. (d), along with the projected balances that were originally filed in col. (e) of that table. A continuity schedule showing actual additions, amortization and interest for each account during 2012 is provided at Ex. H1-1-2 Table 1c. Actual balances have been audited by OPG's auditor, Ernst & Young LLP. The auditors' report on the account balances is provided as Attachment 1 to this exhibit. Section 3 discusses the actual audited 2012 balances and entries in the deferral and variance accounts with the more significant balances and those with material differences between the actual balances and the originally filed projections.

Overall, the total audited actual December 31, 2012 balances for recovery are debit balances of $110.9M for regulated hydroelectric and $1,159.2M for nuclear as shown in Ex. H1-1-2 Tables 16 and 17, respectively. Compared to the projected balances originally filed, the total regulated hydroelectric debit balance for recovery has increased by $6.4M from the projection of $104.5M. The total nuclear debit balance for recovery has decreased by $58.9M from the projection of $1,218.1M. The main driver of the increase in the total regulated hydroelectric balance is the higher Hydroelectric Water Conditions Account debit balance. The main drivers of the decrease in the total nuclear balances are lower additions to the Bruce Lease Net Revenues Variance Account and Pension and OPEB Cost Variance Account debit balances, partially offset by higher additions to the debit balance in the Nuclear Liability Deferral Account.

There are no changes to OPG's clearance proposal for the accounts, including amortization periods and methods for calculating the payment riders and Interim Period Shortfall Riders. The calculations of the payment riders, effective January 1, 2013, are shown in Ex. H1-1-2 Table 16 for regulated hydroelectric and Table 17 for nuclear. The resulting riders are $2.60/MWh for regulated hydroelectric and $8.34/MWh for nuclear. As the implementation date of the proposed riders is uncertain, OPG has calculated Interim Period Shortfall Riders assuming implementation dates of March 1, 2013 and April 1, 2013, as presented in Ex. H1-1-2 Table 23.

The increase in OPG's overall weighted average rate remains at 8 percent, as shown in Ex. H1-1-2 Table 21. The bill impact for a typical residential consumer of the above riders is estimated to be $1.66 per month, or a 1.4 per cent increase on a typical monthly bill of $116.30, as shown in Ex. H1-1-2 Table 22. This impact is slightly lower than the increase of $1.70 per month, or 1.5 per cent on a typical monthly bill originally filed.

3.0 DISCUSSION OF VARIANCES FROM 2012 PROJECTED BALANCES

This section discusses the actual audited 2012 balances and entries in the deferral and variance accounts with the more significant balances and those with material differences between the actual balances and the originally filed projections. The main reasons for those differences are provided in this section. For those accounts not specifically discussed below, the explanations of the balances entries in the accounts originally filed remain applicable.

3.1 Deferral and Variance Accounts Common to Hydroelectric and Nuclear

This section discusses the Pension and OPEB Cost Variance Account and the Impact for USGAAP Deferral Account.

3.1.1 Pension and OPEB Cost Variance Account

The 2012 year-end audited debit balance in the Pension and OPEB Cost Variance Account is $15.1M for regulated hydroelectric and $309.1M for nuclear, as compared to the projected balance of $16.7M for regulated hydroelectric and $333.1M for nuclear as shown in Ex. H1-1-2 Table 1. The calculation of the 2012 additions to the account is shown in Ex. H1-1-2 Tables 5 and 5a. The same accounting standards and actuarial methodologies were applied in determining these 2012 additions as those reflected in the EB-2010-0008 payment amounts as well as those applied in determining the 2011 additions. As required by the OEB's EB-2011-0090 decision and order, OPG has included an unqualified audit opinion from Ernst & Young LLP as Attachment 2, which confirms that the 2012 account balance has been recorded on a CGAAP basis using the methodology reflected in EB-2010-0008 (Attachment 2, page 5). As required by the above decision and order, OPG also has provided an independent actuary's report from Aon Hewitt (Attachment 3), which supports:

- the amounts recorded in the variance account for 2012,
- the underlying 2012 actual pension and OPEB amounts, and
- the methodologies, assumptions and calculations used to derive these amounts.

In the charts on pages 5 and 8, Attachment 2 provides the details of the 2012 variance in pension and OPEB costs and associated tax impacts, respectively. These are also shown in Ex. H1-1-2 Tables 5 and 5a, respectively. The December 31, 2011 assumptions used to determine the 2012 costs are provided at page 6 of Attachment 2 in the schedule accompanying the auditors' report and at pages 6 to 8 of the independent actuary's report (Attachment 3). The assumptions are unchanged from those used to determine the 2012 projected costs in the original filing. Therefore, the assumptions for the projected costs presented in Chart 1 of Ex. H2-1-3 and Chart 1 in response to interrogatory L-1-1 Staff-24 continue to apply to the 2012 actual costs. The assumptions found in these charts are reproduced as part of Chart 6 below.

Attachment 3 (pages 5, 9 and 10) provides OPG's total pension and OPEB costs for 2012 in accordance with CGAAP and USGAAP. OPG's total actual pension contributions and OPEB payments for 2012 are provided at pages 9 and 10 of Attachment 3. The additions to the variance account in 2012 are based on the portion of these CGAAP costs and contributions/payments attributable to the prescribed assets. The same methodology was used to attribute these amounts to the regulated hydroelectric and nuclear businesses as that reflected in the EB-2010-0008 approved payment amounts and referenced in response to interrogatory L-1-1 Staff-14.

No amounts were recorded in the Pension and OPEB Cost Variance Account during 2012 related to financial impacts of OPG's adoption of USGAAP.

The 2012 year-end balance in the variance account is slightly lower than the originally filed projected balance due to lower-than-projected account additions during the year. The actual additions are $11.0M for regulated hydroelectric and $214.0M for nuclear, as shown in Ex. H1-1-2, Table 5, compared to a projection of $12.6M for regulated hydroelectric and $237.7M for nuclear. The actual additions reflect the finalization and audit of the year-end 2012 actuarial valuations of the pension and OPEB amounts.

3.1.2 Impact for USGAAP Deferral Account

The 2012 year-end audited debit balance in the Impact for USGAAP Deferral Account is $2.8M for regulated hydroelectric and $60.3M for nuclear, including $0.8M of interest. These are largely consistent with the originally filed projected balances of $2.7M for regulated hydroelectric and $56.7M for nuclear, including $0.8M of interest. The calculation of the actual 2012 additions to the account is shown in Ex. H1-1-2, Table 6. As originally projected, the addition relates to the financial impact on OPG's prescribed assets of the difference in the treatment of long-term disability ("LTD") benefit plan costs under USGAAP as compared to CGAAP, as discussed in Ex. A3-1-2 and related interrogatories. The actual and projected additions were determined in the same manner and using the same methodologies, including those used to attribute amounts to each of regulated hydroelectric and nuclear businesses as described in response to L-6-1 Staff-34 and other interrogatories. The following Chart 1 summarizes the components of the actual addition for the LTD cost impact recorded in the deferral account in 2012, in the same format as Chart 1 at p. 4 of Ex. A3-1-2.

Chart 1
Components of Actual 2012 Addition to Impact for USGAAP Deferral Account

Line	Cost Component	Amount ($M)
	Transition Costs:	
1	LTD costs recognized on the opening USGAAP balance sheet arising from the 2012 Restatement	31.4
2	Differences in CGAAP and USGAAP costs for 2011 arising from the 2012 Restatement (actual)	9.3
3	Total Transition Costs (lines 1 + 2)	40.7
4	Implementation Costs: Differences in CGAAP and USGAAP costs for 2012 (actual)	6.0
5	Tax Impact	15.6
	TOTAL (lines 3 + 4 + 5)	62.2

3.2 Hydroelectric Deferral and Variance Accounts

The only significant change from the projected balances of the regulated hydroelectric accounts is for the Hydroelectric Water Conditions Variance Account.

3.2.1 Hydroelectric Water Conditions Variance Account

The 2012 year-end audited debit balance in the Hydroelectric Water Conditions Variance Account is $17.1M, compared to the originally filed projected balance of $10.3M, as shown in Ex. H1-1-2, Table 1, due to higher-than-forecast additions to the account during the year. The actual additions for 2012 were $20.4M compared to the forecast of $13.7M. The higher actual additions, the calculation of which is shown in Ex. H1-1-2, Table 2, were due to actual water flows in 2012 being lower than originally projected. The lower actual water flows and the resulting lower calculated production of 17,638 GWh as compared to the projection of 17,951 GWh, reflected a deterioration of water supply conditions affecting the Niagara and St. Lawrence Rivers in the latter half of 2012 due to lower than normal precipitation in the lower Great Lakes basin.

3.3 Nuclear Deferral and Variance Accounts

The main changes from the projected balances of the nuclear accounts are in the Bruce Lease Net Revenues Variance Account, the Nuclear Liability Deferral Account and the Nuclear Development Variance Account.

3.3.1 Bruce Lease Net Revenues Variance Account

The 2012 year-end audited debit balance in the Bruce Lease Net Revenues Variance Account is $310.5M, compared to the projected balance of $368.2M, as shown at Ex. H1-1-2, Table 1, due to lower additions during the year. The calculation of additions to the account is shown in Ex. H1-1-2 Table 14. The actual revenues earned by OPG in 2012 under the Bruce Lease Agreement and associated agreements ("Bruce Lease") and the related costs incurred by OPG in 2012 with respect to the Bruce Nuclear Generating Stations are presented in Ex. H1-1-2 Table 14a. These revenue and cost amounts were determined on the same basis as the original projection in Ex. H1-1-1 Table 14a.

The additions to the account were lower due to higher-than-projected Bruce Lease revenues net of costs for 2012. As shown in the tables referenced above, the costs exceeded revenues by $260.8M in 2012 compared to a projection of costs exceeding revenues by $316.7M.

The difference in revenues net of costs relates primarily to higher-than-forecast supplemental rent revenue as a result of a lower than projected reduction in revenue from the derivative embedded in the Bruce Lease following the extension of the estimated average service life of the Bruce B station from 2014 to 2019. The extension of the Bruce B service life for accounting purposes is discussed in response to interrogatory L-2-2 AMPCO-06. Supplemental rent revenue and changes in the fair value of the derivative are discussed in more detail in section 3.3.1.1 below.

Higher-than-forecast earnings on the nuclear segregated funds also contributed to higher actual net revenues for 2012. As shown in Ex. H1-1-1 Table 14a and Ex. H1-1-2 Table 14a, respectively, the earnings were projected at $322.3M while the actual earnings for the year were $350.9M. The higher earnings primarily reflected the favourable impact of the performance of global financial markets on the value of the Decommissioning Fund.

The above factors resulting in higher-than-projected Bruce Lease net revenues were partly offset by a lower future income tax credit amount of $44.0M compared to a forecasted credit amount of $62.6M. This difference resulted mainly from the lower actual increase in the fair value of the derivative discussed above. The calculation of income taxes reflected in the 2012 actual net revenues is provided in Ex. H1-1-2 Table 14b.

The actual 2012 net revenues also reflected revenues of $5.8M for low and intermediate level waste management services, which were $9.0M lower than the projected revenues of $14.8M as a result of reduced waste volumes received from Bruce Power L.P. ("Bruce Power"). As indicated in the non-confidential version of the response to interrogatory L-2-2 AMPCO-07, the actual volumes were approximately 60 to 70 per cent lower than those projected due to volume reduction initiatives by Bruce Power. The figures for the actual and projected volumes are provided in the confidential version of the response to the above interrogatory. As noted in Ex. H2-1-2, section 4.3 and discussed in the above interrogatory, OPG's revenue projections for the waste management services are based on forecast waste volume information from normal operations received from Bruce Power, and OPG is required to maintain capacity to accept all such waste.

3.3.1.1 Supplemental Rent and Embedded Derivative

The originally filed projection included a reduction in 2012 supplemental rent revenue resulting from the increase in the fair value of the derivative of approximately $306.1M, due to the extension of the Bruce B estimated average service life for accounting purposes. The actual reduction in revenue recognized in accordance with CGAAP and USGAAP by OPG in 2012 associated with the life extension was $248.7M. The lower-than-projected revenue reduction was primarily due to an increase during the second half of 2012 in expected average HOEP values for the 2015-2019 period.

The actual life extension adjustment to the derivative value and the underlying parameters and assumptions were determined using the same methodology and valuation model as described in response to interrogatories L-1-1 Staff-10 and L-1-7 SEC-05 and reflected in the calculation of the originally filed projected adjustment value of $306.1M. The details of the valuation of that adjustment were provided in Attachment 1, p. 3 and Attachment 2, p. 2 to the above interrogatories, respectively.

At page 2, Attachment 4 to this exhibit presents the results of the valuation of the actual adjustment of $248.7M in the same format as Attachment 1, p. 3 of L-1-1 Staff-10. Attachment 5 to this exhibit provides the specific parameters, including forward price data for HOEP, reflected in the calculation of the valuation results in the same format as Attachment 2, p. 2 of L-1-7 SEC-05.

In addition to the above, owing mainly to a higher expected average HOEP for the pre-life extension period of the Bruce B station through to the end of 2014, the fair value of the derivative related to this period decreased by $7.5M during the second half of 2012. At the end of June 2012, the fair value related to the pre-life extension period (including 2012) was calculated at $228.8M, as shown in L-1-1 Staff-10, Attachment 1, p. 2, while the equivalent value at the end of 2012, as shown in Attachment 4, p.1 to this exhibit, is $221.3M (including the amount of the rebate payable of $77.9M for 2012 discussed below).[1] These values were also consistently determined using the above-noted methodology, valuation model, parameters and assumptions.

The actual annual arithmetic average of HOEP for 2012 was below $30/MWh at $22.80/MWh (as also shown in response to undertaking JT1.1). As such, in accordance with the Bruce Lease, OPG is required to provide a rent rebate to Bruce Power of $77.9M for 2012 supplemental rent payments received by OPG. As explained at Ex. H2-1-2, p. 4, lines 13-16 and in response to interrogatory L-1-1 Staff-09, the payment of the rebate does not typically

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[1] Although the derivative liability is reduced by the amount of the unconditional rebate payable at the end of 2012 via a transfer of the payable to an accrued liability (see footnote 2), the cited value of $221.3M for derivative at year-end 2012 (presented in Attachment 4, p.1) has not been reduced by the 2012 rebate amount in order to provide an appropriate basis of comparison with the mid-year derivative value of $228.8M.

impact the amount of revenue recognized for accounting purposes; this is the case for the 2012 rent rebate. Rather, the payment of the rebate results in a reduction in the derivative liability, as it does for 2012.[2] The journal entries recorded during 2012 in respect of the impact of the embedded derivative on supplemental rent revenue and the rent rebate are summarized in Attachment 6 in the same format as the projected entries originally provided in response to interrogatory L-1-1 Staff-09 (b).

Chart 2 below provides the components of actual supplemental rent revenue for 2010, 2011 and 2012 recognized by OPG in accordance with CGAAP and USGAAP. The information is provided as an update to, and in the same format as, Chart 1 in response to interrogatory L-1-1 Staff-11 (a) and includes 2010 information in response to a request for such information made at the Technical Conference for this proceeding. (Tr. Technical Conference pp. 93 - 94)

Chart 2
Components of Supplemental Rent Revenue

$M	**2010 Actual**	**2011 Actual**	**2012 Actual**
Supplemental Rent Revenue – Un-refurbished Units	179.4	184.5	188.9
Supplemental Rent Revenue – Refurbished Units	–	–	2.5
Adjustment for changes in the fair value of the derivative embedded in the Bruce Lease	(45.0)	(23.5)	(283.5)
Net Supplemental Rent Revenue	**134.4**	**161.0**	**(92.1)**

The actual 2012 supplemental rent revenue of $2.5M for the refurbished units (Bruce A, Units 1 and 2) reflects the beginning of commercial operation of these units in Q4 2012. As noted at page 2, lines 14-16 of the response to interrogatory L-1-1 Staff-11 (a), the originally

[2] As the actual physical cash disbursement for the 2012 rebate occurs in 2013, the reduction of the derivative liability at the end of 2012 was recorded as an increase to an accrued payable (consistent with the principles of accrual accounting). Derivative accounting does not apply to this unconditional liability.

filed projection assumed an earlier commercial operation date and therefore included a higher forecast revenue amount of $8.0M for these units.

3.3.2 Nuclear Liability Deferral Account

The 2012 year-end audited debit balance in the Nuclear Liability Deferral Account is $208.0M compared to the projected balance of $181.7M, as shown in Ex. H1-1-2, Table 1. The balance is higher than projected due to higher actual additions to the account, the calculation of which is shown in Ex. H1-1-2 Table 9. The actual additions for 2012 were $206.2M compared to a forecast of $180.0M. The difference is due to a higher income tax impact component of the 2012 additions, which reflected lower actual contributions to the segregated funds per the segregated fund contribution schedule approved by the Province in December 2012 based on the 2012 ONFA Reference Plan.[3]

Updated continuity schedules showing actual 2012 amounts for OPG's nuclear asset retirement obligation ("ARO"), nuclear segregated funds, and asset retirement costs ("ARC") for each of prescribed facilities and Bruce facilities are provided in Ex. H1-1-2 Tables 18 and 19, respectively. Ex. H1-1-2 Table 20 includes the details of the actual 2012 year-end adjustments to the ARO and ARC, which were recorded at a discount rate of 3.50%.

3.3.3 Nuclear Development Variance Account

The 2012 year-end debit balance in the Nuclear Development Variance Account is $30.2M as compared to the projected balance of $37.2M originally filed, as shown in Ex. H1-1-2, Table 1, due to lower-than-projected additions during the year. The calculation of the additions is found at Ex. H1-1-2 Table 10. The lower 2012 additions were primarily due to lower costs for vendor selection/project planning and stakeholder consultation for New Nuclear at Darlington ("NND") as shown in Chart 3 below. An updated discussion of NND expenditures can be found in the updated response to interrogatory L-1-7 SEC-17.

[3] As noted in Ex. H2-1-1, segregated fund contributions are deductible by OPG in calculating taxable income and therefore affect income taxes.

Chart 3
Expenditures for New Nuclear at Darlington

2011 + 2012 Combined - $M	Total Per Initial Filing	Updated Total	Variance
Regulatory Hearings	3.3	2.7	0.6
Regulatory Compliance	14.8	14.1	0.7
Site Readiness	5.1	4.4	0.7
Vendor Selection/Project Planning	19.4	17.4	2.0
Stakeholder Consultation	6.9	3.8	3.1
Total	**49.4**	**42.5**	**6.9**

4.0 UPDATED PROJECTIONS OF 2013 PENSION AND OPEB AMOUNTS

Using the same methodology as described in Ex. H2-1-3, section 4.2, OPG's updated projection of the total 2013 additions to the Pension and OPEB Cost Variance Account is $399.0M. The details of the projected 2013 additions are provided in Chart 4 below, which is presented in the same format as Chart 2 in Ex. H2-1-3. The calculations of the amounts in Chart 4 can be found in the updated response to interrogatory L-1-7 SEC-23. In addition, as requested at the Technical Conference for this proceeding (Tr. Technical Conference p. 72), Chart 5 below provides a breakdown, by cost component, of the projected 2013 pension and OPEB cost variances from Chart 4 in the same format as provided at page 2 of the response to interrogatory L-2-1 Staff-23.

The above projections were developed using updated estimates of OPG's 2013 pension and OPEB costs based on the actual values of the benefit obligations and pension fund assets as at December 31, 2012 and the final assumptions made at that time.[4] These assumptions, including the actual discount rates as of the end of 2012, are provided in Chart 6 below. This chart is presented in the same format as Chart 1 provided in the response to interrogatory L-2-1 Staff-24. The discount rates as of the end of 2012 were provided by an independent actuary and were determined in the manner described in the responses to interrogatories L-2-1 Staff-24 and L-4-7 SEC-32.

The increase in the estimated 2013 additions to the variance account as compared to the originally filed projection of $367.2M is primarily due to a further decline in discount rates noted in the response to interrogatory L-2-1 Staff-24 (a). The discount rates continue to reflect the downward trend in long-term bond rates under the current financial market conditions.

Based on the above projections, the estimated 2013 financial impact on the prescribed assets of the difference in the accounting treatment of the LTD benefit plan costs as a result of OPG's adoption of USGAAP, noted in section 4.1 above, is a reduction in the costs of approximately $3.2M to be credited to customers as projected additions to the Impact for USGAAP Deferral Account in 2013.

Chart 4
2013 Projected Additions to the Pension and OPEB Cost Variance Account[1]

$M	**Regulated Hydro**	**Nuclear**	**Total**
Pension Costs	12.8	223.8	236.6
OPEB Costs	5.3	84.0	89.3
Tax Impact	3.8	69.2	73.0
Total	**21.9**	**377.0**	**399.0**

[1] Numbers may not add due to rounding

[4] These final assumptions apply equally to the determination of OPG's 2013 pension and OPEB costs under both CGAAP and USGAAP, with the exception that the discount rate assumptions for LTD benefit plan costs under USGAAP must be determined as of 2013 year-end.

Chart 5
Components of 2013 Projected Pension and OPEB Cost Variances[1]

Components of Net Periodic Pension and Benefit Cost *$M*	2013 Pension Variance Amount	2013 OPEB Variance Amount
Employer current service cost	105.6	40.9
Interest cost	(7.0)	3.9
Expected return on plan assets	(30.6)	n/a
Amortization of past service costs	(3.8)	(1.1)
Amortization of net actuarial loss (gain)	172.4	45.6
Total	**236.6**	**89.3**

[1] Numbers may not add due to rounding

Chart 6
Pension and OPEB Assumptions

Assumption	2011 Actual	2012 Actual[1]	2013 Projection	2011 OEB-Approved	2012 OEB-Approved
Discount rate for pension	**5.80% per annum**	**5.10% per annum**	**4.30% per annum**	6.80% per annum	6.80% per annum
Discount rate for other post retirement benefits	**5.80% per annum**	**5.20% per annum**	**4.40% per annum**	7.00% per annum	7.00% per annum
Discount rate for long- term disability	**4.70% per annum**	**4.00% per annum**	**3.50% per annum**	5.25% per annum	5.25% per annum
Expected long-term rate of return on pension fund assets	**6.5% per annum**	**6.5% per annum**	**6.25% per annum**	7.0% per annum	7.0% per annum
Inflation rate	**2.0% per annum**	**2.0% per annum**	**2.0% per annum**	2.0% per annum	2.0% per annum
Salary schedule escalation rate	**3.0% per annum**	**3.0% per annum**	**2.5% per annum**	3.0% per annum	3.0% per annum
Rate of return used to project year-end pension fund asset values	**N/A**	**N/A**	**N/A**	9.0% in 2009 and 7.0% per annum in 2010	9.0% in 2009 and 7.0% per annum in each of 2010 and 2011

[1] The actual assumptions for 2012 are unchanged from the assumptions for 2012 projections presented in Ex. H2-1-3, Chart 1 and L-1-1 Staff-24.

LIST OF ATTACHMENTS

Attachment 1:	Independent Auditors' Report on OPG's Deferral and Variance Account Balances as at December 31, 2012
Attachment2:	Independent Auditors' Report on the Pension and OPEB Cost Variance Account as at December 31, 2012
Attachment 3:	Aon Hewitt's "Report on the Accounting Cost for Post Employment Benefit Plans for Fiscal Year 2012 and in Support of Pension and OPEB Cost Variance Calculations" for Ontario Power Generation Inc.
Attachment 4:	Year-End 2012 Derivative Valuation
Attachment 5:	Parameter Values for Year-End 2012 Derivative Valuation
Attachment 6:	2012 Journal Entries for Embedded Derivative Liability

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, 2012 (the "Schedule"). The Schedule has been prepared by management to present the balances of the regulatory assets and liabilities of **Ontario Power Generation Inc.** representing the variance and deferral accounts authorized for **Ontario Power Generation Inc.** by the decisions and orders of the Ontario Energy Board, including those pursuant to *Ontario Regulation 53/05* under the *Ontario Energy Board Act, 1998,* using the basis of accounting described in Note 1 to the Schedule.

Management's responsibility for the schedule of regulatory balances
Management is responsible for the preparation and the fair presentation of this Schedule in accordance with the basis of accounting described in Note 1 to the Schedule (this includes determining that the basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances) 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 auditor considers internal control relevant to the entity's preparation and fair presentation 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 fairly, in all material respects, the balances of the regulatory assets and liabilities of **Ontario Power Generation Inc.** as at December 31, 2012 representing the variance and deferral accounts authorized for **Ontario Power Generation Inc**. by the decisions and orders of the Ontario Energy Board, including those authorized pursuant to *Ontario Regulation 53/05*, under the *Ontario Energy Board Act, 1998*, using the basis of accounting 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.

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.

[Original Signed By]
Ernst & Young LLP
ERNST & YOUNG LLP
Chartered Accountants
Licensed Public Accountants

TORONTO, CANADA
February 6, 2013

SCHEDULE OF REGULATORY BALANCES
AS AT DECEMBER 31, 2012

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 its baseload hydroelectric generation facilities and all of the nuclear generation facilities it 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 these decisions and orders and *Ontario Regulation 53/05*, and are recognized by OPG as regulatory assets and liabilities in its consolidated financial statements, which are prepared in accordance with United States generally accepted accounting principles ("US GAAP") beginning January 1, 2012.

OPG's significant accounting policies related to accounting for rate regulated operations are outlined in Note 3 to its consolidated financial statements as at and for the year ended December 31, 2011, prepared in accordance with Canadian generally accepted accounting principles as determined in Part V of the Canadian Institute of Chartered Accountants Handbook – Accounting, with significant changes to the policies resulting from OPG's required conversion to US GAAP effective January 1, 2012 discussed in Note 2 to its condensed interim consolidated financial statements as at and for the three months ended March 31, 2012.

During the year ended December 31, 2012, OPG recorded additions to the variance and deferral accounts authorized by the OEB's decisions and orders, including those authorized pursuant to *Ontario Regulation 53/05*, and amortized the approved regulatory balances as at December 31, 2010 based on recovery periods established by the OEB's decision and order under case number EB-2010-0008. OPG also recorded interest on outstanding regulatory balances during the year ended December 31, 2012 at the interest rate of 1.47 percent per annum prescribed by the OEB.

The regulatory assets representing the balances in the authorized variance and deferral accounts recorded by OPG as at December 31, 2012 were as follows:

(millions of dollars)	**2012**
Regulatory assets	
Pension and OPEB Cost Variance Account – Nuclear	**309**
Pension and OPEB Cost Variance Account – Hydroelectric	**15**
Bruce Lease Net Revenues Variance Account	**311**
Tax Loss Variance Account – Nuclear	**254**
Tax Loss Variance Account – Hydroelectric	**48**
Nuclear Liability Deferral Account	**208**
Impact for USGAAP Deferral Account – Nuclear	**60**
Impact for USGAAP Deferral Account – Hydroelectric	**3**
Ancillary Services Net Revenue Variance Account – Nuclear	**2**
Ancillary Services Net Revenue Variance Account – Hydroelectric	**34**
Nuclear Development Variance Account	**30**
Hydroelectric Water Conditions Variance Account	**17**
Capacity Refurbishment Variance Account – Nuclear	**13**
Capacity Refurbishment Variance Account – Hydroelectric	**1**
Nuclear Deferral and Variance Over/Under Recovery Variance Account	**7**
Hydroelectric Surplus Baseload Generation Variance Account	**4**
Total regulatory assets	**1,316**

See accompanying note to the schedule

The regulatory liabilities representing the balances in the authorized variance and deferral accounts recorded by OPG as at December 31, 2012 were as follows:

(millions of dollars)	**2012**
Regulatory liabilities	
Income and Other Taxes Variance Account – Nuclear	**33**
Income and Other Taxes Variance Account – Hydroelectric	**2**
Hydroelectric Deferral and Variance Over/Under Recovery Variance Account	**4**
Hydroelectric Incentive Mechanism Variance Account	**2**
Total regulatory liabilities	**41**

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 regulatory assets and liabilities representing the balances in the variance and deferral accounts authorized by the OEB, including those authorized pursuant to *Ontario Regulation 53/05*. These regulatory assets and liabilities 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]

Donn W. J. Hanbidge
Chief Financial Officer

February 6, 2013

See accompanying note to the schedule

NOTE TO THE SCHEDULE OF REGULATORY BALANCES AS AT DECEMBER 31, 2012

1. BASIS OF ACCOUNTING

Beginning on January 1, 2012, OPG records regulatory assets and liabilities in accordance with US GAAP. 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 the Company assesses that there is sufficient assurance that incurred costs will be recovered in the future, those costs are deferred and reported as a regulatory asset. When the Company is required to refund amounts to ratepayers in the future, including amounts related to costs that have not been incurred and for which the OEB has provided recovery through current regulated prices, the Company records a regulatory liability. Certain of the regulatory assets and liabilities recognized by the Company relate to variance and deferral accounts authorized by the OEB, including those authorized pursuant to *Ontario Regulation 53/05.* Variance accounts capture differences between actual costs and revenues, and the corresponding forecast amounts approved in the setting of regulated prices. 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.

The schedule of regulatory balances presents those regulatory assets and liabilities of OPG as at December 31, 2012 that represent the balances in the variance and deferral accounts authorized by the decisions and orders of the OEB, including those authorized pursuant to *Ontario Regulation 53/05.* The schedule does not include other regulatory assets and liabilities recognized by OPG in accordance with US GAAP in its consolidated financial statements. As such, the schedule excludes the regulatory asset recognized by OPG for the amount of deferred income taxes that are expected to be included in future regulated prices and recovered from, or paid to, customers. The schedule also excludes the regulatory asset recognized by OPG for the portion related to regulated operations of the unamortized amounts recorded in accumulated other comprehensive income ("AOCI") in respect of OPG's pension and other post employment benefit plans that have not yet been reclassified from AOCI to benefit costs.

The consolidated financial statements of OPG as at and for the year ended December 31, 2011, prepared in accordance with Canadian GAAP, and its condensed interim consolidated financial statements as at and for the three, six and nine months ended March 31, 2012, June 30, 2012 and September 30, 2012, respectively, prepared in accordance with US GAAP, have been filed with the Ontario Securities Commission.

INDEPENDENT AUDITORS' REPORT

To the management of Ontario Power Generation Inc.

We have audited the accompanying schedule of the Pension and OPEB Cost Variance Account of **Ontario Power Generation Inc.** as at December 31, 2012 and 2011 (the "Schedule"). The Schedule has been prepared by management to present the balance of the regulatory asset of **Ontario Power Generation Inc.**, representing the Pension and OPEB Cost Variance Account established by the decision and order of the Ontario Energy Board under case number EB-2011-0090, using the basis of accounting described in Note 1 to the Schedule.

Management's responsibility for the schedule of the Pension and OPEB Cost Variance Account
Management is responsible for the preparation and the fair presentation of this Schedule in accordance with the basis of accounting described in Note 1 to the Schedule (this includes determining that this basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances) 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 auditor considers internal control relevant to the entity's preparation and fair presentation 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 fairly, in all material respects, the balance of the regulatory asset of **Ontario Power Generation Inc.** as at December 31, 2012 and 2011, representing the Pension and OPEB Cost Variance Account established by the decision and order of the Ontario Energy Board under case number EB-2011-0090, using the basis of accounting 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.

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.

[Original Signed By]
Ernst & Young LLP
ERNST & YOUNG LLP
Chartered Accountants
Licensed Public Accountants

TORONTO, CANADA
February 6, 2013

SCHEDULE OF THE PENSION AND OPEB COST VARIANCE ACCOUNT AS AT DECEMBER 31, 2012 AND 2011

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 its baseload hydroelectric generation facilities and all of the nuclear generation facilities that it operates (collectively the "Prescribed Facilities"). OPG's regulated prices for the generation from these facilities are determined by the Ontario Energy Board ("OEB").

In March 2011 and April 2011, respectively, under case number EB-2010-0008, the OEB issued its decision and order establishing new regulated prices for OPG's regulated generation effective March 1, 2011. In June 2011, the OEB established the Pension and OPEB Cost Variance Account in its decision and order granting OPG's motion to review and vary the part of the OEB's March 2011 decision related to pension and other post employment benefits ("OPEB") costs, under case number EB-2011-0090. Pursuant to the decision and order on the motion, the variance account records the difference between OPG's actual pension and OPEB costs attributed to the Prescribed Facilities, calculated in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as determined in Part V of the Canadian Institute of Chartered Accountants Handbook – Accounting, and related tax impacts, and those reflected in the regulated prices established by the OEB's EB-2010-0008 decision and order. The OEB's June 2011 decision and order authorized the variance account to be in effect for the period from March 1, 2011 to December 31, 2012.

For the period from March 1, 2011 to December 31, 2012, OPG recorded additions to the Pension and OPEB Cost Variance Account in accordance with the OEB's June 2011 decision and order. During this period, OPG also recorded interest on the balance of the account at the interest rate of 1.47 percent per annum prescribed by the OEB.

The balance of the variance account is recognized as a regulatory asset in OPG's consolidated financial statements, which are prepared in accordance with United Stated generally accepted accounting principles ("US GAAP") beginning on January 1, 2012. OPG's significant accounting policies related to accounting for rate regulated operations are outlined in Note 3 to its consolidated financial statements as at and for the year ended December 31, 2011 prepared in accordance with Canadian GAAP, with significant changes to the policies resulting from OPG's required conversion to US GAAP effective January 1, 2012 discussed in Note 2 to its condensed interim consolidated financial statements as at and for the three months ended March 31, 2012.

The regulatory asset representing the balance of the Pension and OPEB Cost Variance Account, as calculated on the basis of OPG's pension and OPEB costs determined in accordance with Canadian GAAP, was recorded by OPG as at December 31, 2012 and 2011 as follows:

(millions of dollars)	**2012**	**2011**
Pension and OPEB Cost Variance Account – Nuclear		
Pension and OPEB cost variance *(Note 2)*	**254**	71
Tax impact variance *(Note 3)*	**51**	20
Interest	**4**	1
	309	92
Pension and OPEB Cost Variance Account – Regulated Hydroelectric		
Pension and OPEB cost variance *(Note 2)*	**12**	3
Tax impact variance *(Note 3)*	**3**	1
Interest	**-**	-
	15	4
Total Pension and OPEB Cost Variance Account balance	**324**	96

See accompanying notes to the schedule

This schedule of the Pension and OPEB Cost Variance Account 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 regulatory asset for the balance of the Pension and OPEB Cost Variance Account as at December 31, 2012 and 2011. This regulatory asset has 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]

Donn W. J. Hanbidge
Chief Financial Officer

February 6, 2013

See accompanying notes to the schedule

NOTES TO THE SCHEDULE OF THE PENSION AND OPEB COST VARIANCE ACCOUNT AS AT DECEMBER 31, 2012 AND 2011

1. BASIS OF ACCOUNTING

OPG records regulatory assets and liabilities in accordance with US GAAP. 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 the Company assesses that there is sufficient assurance that incurred costs will be recovered in the future, those costs are deferred and reported as a regulatory asset. When the Company is required to refund amounts to ratepayers in the future, including amounts related to costs that have not been incurred and for which the OEB has provided recovery through current regulated prices, the Company records a regulatory liability. Certain of the regulatory assets and liabilities recognized by the Company relate to variance and deferral accounts authorized by the OEB, including those authorized pursuant to *Ontario Regulation 53/05.* Variance accounts capture differences between actual costs and revenues, and the corresponding forecast amounts approved in the setting of regulated prices. 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.

The schedule of the Pension and OPEB Cost Variance Account (the "Schedule") presents the balance of OPG's regulatory asset as at December 31, 2012 and 2011 for the Pension and OPEB Cost Variance Account established by the OEB's decision and order under case number EB-2011-0090. The Schedule does not include other regulatory assets and liabilities recognized by OPG in its consolidated financial statements in accordance with US GAAP beginning on January 1, 2012 and in accordance with Canadian GAAP prior to that date.

The consolidated financial statements of OPG as at and for the year ended December 31, 2011, prepared in accordance with Canadian GAAP, and its condensed interim consolidated financial statements as at and for the three, six and nine months ended March 31, 2012, June 30, 2012 and September 30, 2012, respectively, prepared in accordance with US GAAP, have been filed with the Ontario Securities Commission.

2. PENSION AND OTHER POST EMPLOYMENT BENEFITS COSTS

OPG's post employment benefit programs consist of a contributory defined benefit registered pension plan, a defined benefit supplementary pension plan, other post retirement benefits which include group life insurance and health care benefits, and long-term disability ("LTD") benefits. For the purposes of this Schedule, OPEB includes all post employment benefit plans of OPG with the exception of the registered pension plan. OPG does not maintain separate pension and OPEB plans for the Prescribed Facilities.

As per the OEB's decision and order under case number EB-2011-0090, OPG's pension and OPEB costs for the purposes of the Pension and OPEB Cost Variance Account are required to be calculated in accordance with Canadian GAAP. The pension and OPEB cost variance component of the balance of the Pension and OPEB Cost Variance Account as at December 31, 2012 and 2011 was calculated by comparing the portion of OPG's actual pension and OPEB costs calculated in accordance with Canadian GAAP and attributed to its nuclear and regulated hydroelectric generation facilities for the year ended December 31, 2012 and the ten-month period ended December 31, 2011 to the respective forecast amounts of such costs included in the regulated prices established by the OEB's EB-2010-0008 decision and order.

The pension and OPEB cost variance was determined as follows:

	January 1, 2012 to December 31, 2012					
	Nuclear			Regulated Hydroelectric		
(millions of dollars)	**Actual**	**Forecast**	**Variance**	**Actual**	**Forecast**	**Variance**
Registered pension plan costs	**272**	**138**	**134**	**14**	**7**	**7**
Other post employment benefits costs	**212**	**163**	**49**	**10**	**8**	**2**
Total pension and OPEB costs	**484**	**301**	**183**	**24**	**15**	**9**

	March 1, 2011 to December 31, 2011					
	Nuclear			Regulated Hydroelectric		
(millions of dollars)	**Actual**	**Forecast**	**Variance**	**Actual**	**Forecast**	**Variance**
Registered pension plan costs	162	115	47	8	6	2
Other post employment benefits costs	160	136	24	8	7	1
Total pension and OPEB costs	322	251	71	16	13	3

OPG's actual pension and OPEB costs for the years ended December 31, 2012 and 2011 were attributed to the Prescribed Facilities using a combination of specific identification and allocation of the applicable total OPG-wide amounts. The methodology used to attribute these amounts to the Prescribed Facilities is as outlined in OPG's application to, and approved in the decision and order of, the OEB under case number EB-2010-0008. The portion of the costs attributed to the Prescribed Facilities for the purposes of calculating the balance of the Pension and OPEB Cost Variance Account did not include amounts related to the post employment benefit plans of the Nuclear Waste Management Organization ("NWMO"). The actual costs for the ten-month period ended December 31, 2011 were determined by applying a factor of 10/12 to the actual costs for the year ended December 31, 2011.

OPG's total pension and OPEB obligations and related costs for the purposes of calculating the balance of the Pension and OPEB Cost Variance Account were determined in accordance with Canadian GAAP using the accounting standards and methodology outlined in OPG's application to, and approved by, the OEB under case number EB-2010-0008.

In accordance with Canadian GAAP, OPG's obligations for its pension and OPEB plans were calculated on an accrual basis. The obligations for pension and other post retirement benefits were determined using the projected benefit method pro-rated on service. The obligation for LTD benefits was determined using the projected benefit method on a terminal basis. These pension and OPEB obligations are impacted by factors including discount rates, adjustments arising from plan amendments, changes in assumptions, experience gains or losses, salary levels, inflation, and cost escalation. OPG's pension and OPEB costs and obligations in accordance with Canadian GAAP have been calculated annually by independent actuaries using management's best estimate assumptions.

Assumptions are significant inputs to actuarial models used to calculate OPG's pension and OPEB obligations and related costs in accordance with Canadian GAAP. Assumptions for discount rates and inflation are two critical elements in the determination of these costs and obligations. In addition, the assumption for the expected rate of return on pension plan assets is a critical assumption in the determination of OPG's registered pension plan costs in accordance with Canadian GAAP. These assumptions, as well as other assumptions involving demographic factors such as retirement age, mortality, and employee turnover, are evaluated periodically by OPG's management in consultation with independent actuaries. During the evaluation process, the assumptions are updated to reflect past experience and expectations for the future. Actual results in any given period will often differ from actuarial assumptions because of economic and other factors. The impact of these updates and differences is accumulated and amortized over future periods in determining the costs in accordance with Canadian GAAP.

In accordance with Canadian GAAP, the discount rates, which are representative of the AA corporate bond yields, are used to calculate the present value of the expected future cash flows on the measurement date to determine the projected benefit obligation for the Company's employee benefit plans. The expected rate of return on registered pension plan assets is based on current and expected asset allocation of the plan portfolio, as well as the expected return considering long-term historical risks and returns associated with each asset class within the portfolio. Pension plan assets are valued using market-related values for purposes of determining the amortization of actuarial gains or losses and the expected return on plan assets. The market-related value recognizes gains and losses on equity assets relative to a six percent assumed real return over a five-year period.

OPG's pension and OPEB costs calculated in accordance with Canadian GAAP include current service costs, interest costs on the obligations, the expected return on pension plan assets, adjustments for plan amendments, and adjustments for actuarial gains or losses, which result from changes in assumptions and experience gains and losses. Past service costs arising from pension and OPEB plan amendments, including LTD benefits, are amortized on a straight-line basis over the expected average remaining service life to full eligibility of the employees covered by the plan, and the resulting amortization is included as a component of recognized pension and OPEB costs. For each plan, including LTD benefits, the excess of the net cumulative unamortized gain or loss, over ten percent of the greater of the benefit obligation and the market-related value of the plan assets, is amortized over the expected average remaining service life of the employees, as the associated economic benefit is expected to be realized over that period. The resulting amortization is included as a component of the recognized costs.

Separate assumptions are not made to derive the Prescribed Facilities' pension and OPEB costs as OPG does not maintain separate benefit plans for these facilities. The main assumptions used to derive OPG's total actual pension and OPEB obligations and costs in accordance with Canadian GAAP, and therefore the portion of the costs attributed to the Prescribed Facilities, as at and for the years ended December 31, 2012 and 2011 are presented below. These assumptions exclude those relating to the post employment benefit plans of the NWMO.

	Registered and Supplementary Pension Plans		**Other Post Retirement Benefits**		**Long-Term Disability Benefits**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Benefit Obligation at Year End						
Rate used to discount future benefits	**4.30%**	5.10%	**4.40%**	5.20%	**3.50%**	4.00%
Inflation rate	**2.00%**	2.00%	**-**	-	**2.00%**	2.00%
Salary schedule escalation rate	**2.50%**	3.00%	**-**	-	**-**	-
Cost for the Year						
Expected long-term rate of return on plan assets	**6.50%**	6.50%	**-**	-	**-**	-
Rate used to discount future benefits	**5.10%**	5.80%	**5.20%**	5.80%	**4.00%**	4.70%
Inflation rate	**2.00%**	2.00%	**-**	-	**2.00%**	2.00%
Salary schedule escalation rate	**3.00%**	3.00%	**-**	-	**-**	-

The disclosure related to OPG's pension and OPEB plans and costs contained in this Schedule is limited to that necessary to describe the information presented in this Schedule. This disclosure does not necessarily include all of the required disclosure under Canadian GAAP or US GAAP pertaining to OPG's pension and OPEB plans and costs. The required disclosure pertaining to OPG's pension and OPEB plans and costs for the year ended December 31, 2011 in accordance with Canadian GAAP is provided in the consolidated financial statements of OPG as at and for the year then ended, with additional disclosures in accordance with US GAAP included in the condensed interim consolidated financial statements of OPG as at and for the three months ended March 31, 2012 to provide a better understanding of the impact of the adoption of US GAAP on OPG's 2011 consolidated financial statement amounts.

3. Income Taxes

Under the *Electricity Act, 1998*, OPG is required to make payments in lieu of corporate income taxes to the Ontario Electricity Financial Corporation. These payments are calculated in accordance with the *Income Tax Act* (Canada) and the *Taxation Act, 2007* (Ontario), as modified by the *Electricity Act, 1998* and related regulations.

For the purposes of determining the balance of the Pension and OPEB Cost Variance Account as at December 31, 2012 and 2011, tax impacts were calculated using the methodology for determining regulatory income taxes outlined in OPG's application to, and approved by, the OEB under case number EB-2010-0008. Under this methodology, OPG follows the taxes payable method for the purposes of calculating the amount of regulatory income taxes for the Prescribed Facilities. In determining regulatory income taxes, OPG applies the statutory income tax rate to the regulatory taxable income of the Prescribed Facilities. Pension and OPEB costs are not deductible for the purposes of determining taxable income and are, therefore, added to regulatory earnings before tax. Pension plan contributions and OPEB payments are deductible in determining taxable income and are, therefore, deducted from regulatory earnings before tax.

The tax impact variance component of the balance of the Pension and OPEB Cost Variance Account as at December 31, 2012 and 2011 was calculated by comparing the actual regulatory income tax impact associated with the actual pension and OPEB costs discussed in Note 2, pension plan contributions and OPEB payments attributed to the Prescribed Facilities for the year ended December 31, 2012 and the ten-month period ended December 31, 2011 to the respective forecast income tax impacts included in the regulated prices established by the OEB's EB-2010-0008 decision and order.

The actual regulatory income tax impact was calculated by applying the statutory corporate income tax rates of 25 percent and 26.5 percent, respectively, to the net amount of additions to regulatory earnings before tax related to actual pension and OPEB costs, pension plan contributions and OPEB payments attributed to the Prescribed Facilities for the year ended December 31, 2012 and the ten-month period ended December 31, 2011. Additionally, the actual regulatory income tax impact included an amount, known as the "tax gross-up" and calculated at the respective income tax rates of 25 and 26.5 percent, related to taxes that will be payable by OPG upon recovery of the tax impact variance component of the Pension and OPEB Cost Variance Account. The methodology used to calculate the tax impact component of the Pension and OPEB Cost Variance Account, including the application of the tax gross-up, is as reflected in OPG's Notice of Motion under case number EB-2011-0090.

The tax impact variance was determined as follows:

	January 1, 2012 to December 31, 2012	
(millions of dollars except where noted)	**Nuclear**	**Regulated Hydroelectric**
Additions to regulatory earnings before tax		
Registered pension plan costs *(Note 2)*	**272**	**14**
Other post employment benefits costs *(Note 2)*	**212**	**10**
	484	**24**
Deductions from regulatory earnings before tax		
Registered pension plan contributions	**(283)**	**(14)**
Other post employment benefits payments	**(75)**	**(4)**
	(358)	**(18)**
Actual net addition to regulatory earnings before tax	**126**	**6**
Combined Canadian federal and provincial statutory income tax rate	**25%**	**25%**
Actual tax impact, including tax gross-up[1]	**42**	**2**
Forecast tax impact, including tax gross-up	**11**	**-**
Tax impact variance	**31**	**2**

[1] The amount is computed by dividing the product of the net addition to regulatory earnings before tax and the statutory income tax rate by one minus the statutory income tax rate.

	March 1, 2011 to December 31, 2011	
(millions of dollars except where noted)	**Nuclear**	**Regulated Hydroelectric**
Additions to regulatory earnings before tax		
Registered pension plan costs *(Note 2)*	162	8
Other post employment benefits costs *(Note 2)*	160	8
	322	16
Deductions from regulatory earnings before tax		
Registered pension plan contributions	(187)	(9)
Other post employment benefits payments	(54)	(3)
	(241)	(12)
Actual net addition to regulatory earnings before tax	81	4
Combined Canadian federal and provincial statutory income tax rate	26.5%	26.5%
Actual tax impact, including tax gross-up[1]	29	1
Forecast tax impact, including tax gross-up	9	-
Tax impact variance	20	1

[1] The amount is computed by dividing the product of the net addition to regulatory earnings before tax and the statutory income tax rate by one minus the statutory income tax rate.

OPG's registered pension plan contributions and OPEB payments for the years ended December 31, 2012 and 2011 were attributed to the Prescribed Facilities in proportion to the respective attributed benefit costs discussed in Note 2. This methodology was reflected in OPG's application to the OEB under case number EB-2010-0008. The portion of the pension contributions and OPEB payments attributed to the Prescribed Facilities for the purposes of calculating the balance of the Pension and OPEB Cost Variance Account did not include amounts related to the benefit plans of the NWMO. The actual contributions and payments for the ten-month period ended December 31, 2011 were determined by applying a factor of 10/12 to such actual contributions and payments attributed to the Prescribed Facilities for the year ended December 31, 2011.

OPG made contributions to its registered pension plan during 2012 and 2011 based on the most recently filed actuarial funding valuation of the plan, which was prepared as of January 1, 2011.

Actuarial Report

Ontario Power Generation Inc.

Report on the Accounting Cost for Post Employment Benefit Plans for Fiscal Year 2012 and in Support of Pension and OPEB Cost Variance Calculations

January 1, 2012 to December 31, 2012

Contents

Introduction

This report summarizes the accounting costs for fiscal year 2012 for the post employment benefit plans sponsored by Ontario Power Generation Inc. (“OPG”). In addition, Aon Hewitt has prepared this report to provide an independent actuary’s confirmation of information for the post employment benefit plans sponsored by OPG in relation to the balance in OPG’s Pension and OPEB Cost Variance Account for the year ended December 31, 2012. We understand this report is expected to be filed with the Ontario Energy Board ("OEB").

This report covers the following plans sponsored by OPG:

- Ontario Power Generation Inc. Pension Plan (“RPP”);
- Ontario Power Generation Inc. Supplementary Pension Plan (“SPP”) ;
- Non-pension Post Retirement Plan which provides other post retirement benefits (“OPRB”) including retiree medical, dental, life insurance, and retirement bonus benefits, and
- Post Employment Plan which provides long-term disability benefits (“LTD”) including sick leave benefits before LTD begins and the continuation of medical, dental and life insurance while on LTD.

Collectively SPP, OPRB and LTD are known as Other Post Employment Benefits (“OPEB”).

The results cover the fiscal year from January 1, 2012 to December 31, 2012. The results have been developed in accordance with US generally accepted accounting principles (“US GAAP”) under ASC 715, 712 and 710 and Canadian generally accepted accounting principles (“Canadian GAAP”) under CICA Handbook–Accounting (Part V), Section 3461 (“CICA 3461”).

The results in this report do not include amounts related to the benefit plans of the Nuclear Waste Management Organization, which are included in OPG’s consolidated financial statements.

Unless otherwise stated all assumptions, data elements, methodologies, plan provisions, and information about assets reflected in this report are the same as those underlying and/or contained in the December 31, 2011 disclosure reports (“the Reports”) prepared by Aon Hewitt in accordance with Canadian GAAP for the post employment benefit plans sponsored by OPG. These disclosure reports were dated February, 2012 and are titled as follows:

- CICA 3461 Accounting Information Non-pension Post-retirement and Post-employment Benefits Plans; and
- CICA 3461 Accounting Information – Pension Plans.

All figures are shown in Canadian $000s.

Sincerely,

Aon Hewitt Inc.

Linda M. Byron
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

Aon Hewitt Inc.

Gregory W. Durant
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

February 2013

Pension and OPEB Cost Variance Account

In March 2011, OPG filed with the OEB a motion to review and vary the OEB's decision, issued in March 2011 under case number EB-2010-0008, with respect to pension and OPEB costs. In June 2011, under case number EB-2011-0090, the OEB established the Pension and OPEB Cost Variance Account in its decision and order granting OPG's motion. The variance account records the difference between actual pension and OPEB costs under Canadian GAAP for OPG's regulated operations and related tax impacts, and those reflected in the regulated prices established under case number EB-2010-0008. The OEB's June 2011 decision and order authorized the variance account to be in effect for the period from March 1, 2011 to December 31, 2012. The OEB expects OPG to file an independent actuary's report in relation to the amounts recorded in the variance account, including:

1. a description of the methodology followed and the assumptions made by management in determining actual pension and OPEB costs; and
2. a confirmation that this methodology is consistent with that outlined in OPG's application to, and approved by, the OEB under case number EB-2010-0008.

The forecast pension and OPEB costs for the years ending December 31, 2011 and 2012 reflected in the regulated prices established under case number EB-2010-0008 represent the portion of OPG's total forecast pension and OPEB costs for those years attributable to its nuclear and regulated hydroelectric businesses. These forecast costs were based on calculations prepared by the prior actuary, Mercer (Canada) Limited.

Results for Year 2012

This report confirms that OPG's total actual pension and OPEB costs for the year ended December 31, 2012 as determined in accordance with US GAAP and Canadian GAAP are as follows:

(in Canadian $ 000's)	US GAAP	Canadian GAAP
RPP	$ 356,365	$ 356,365
SPP	$ 25,594	$ 25,594
OPRB	$ 227,188	$ 227,188
LTD	$ 31,313	$ 23,885
Total	$ 640,460	$ 633,032

Further details of the above OPG-wide actual costs, by plan, as well as OPG's actual contributions to the RPP fund and benefit payments for OPEB, are provided in Schedules 1 and 2 to this report. The above table and Schedules 1 and 2 do not include amounts recognized under US GAAP in accumulated other comprehensive income during 2012 for actuarial gains or losses and past service costs arising during 2012 in respect of RPP, SPP or OPRB.

The balance of the Pension and OPEB Cost Variance Account calculated and recorded by OPG as at December 31, 2012 is $324 million, as reported in the audited schedule of regulatory balances as at December 31, 2012, dated February 6, 2013, prepared by OPG for filing with the OEB.

The pension and OPEB cost variance component of the balance of the Pension and OPEB Cost Variance Account as at December 31, 2012 was calculated by OPG by comparing the portion of the above actual OPG-wide costs under Canadian GAAP attributed to OPG's nuclear and regulated hydroelectric businesses for the year ended December 31, 2012, as well as the portion of such actual OPG-wide costs for the ten-month period ended December 31, 2011, to the forecast of such costs included in the regulated prices established under case number EB-2010-0008. Aon Hewitt previously reported on the 2011 actual OPG-wide costs for pension and OPEB under Canadian GAAP in support of the December 31, 2011 balance of the Pension and OPEB Cost Variance Account in the report dated June 2012 and titled "Report on the CICA 3461 (CGAAP) Accounting Cost for Post Employment Benefit Plans in Support of Pension and OPEB Cost Variance Calculations" (the "2011 Variance Account Report"). This 2011 Variance Account Report has been filed by OPG with the OEB under case number EB-2012-0002.

Actuarial Methods and Assumptions

Aon Hewitt confirms that the above US and Canadian GAAP OPG-wide costs for the year ended December 31, 2012 were determined using the actuarial methodology and accounting standards described below. We furthermore confirm that the methodology under Canadian GAAP is consistent with the methodology as outlined in OPG's application to, and approved by, the OEB under case number EB-2010-0008 and used to determine the forecast pension and OPEB costs reflected in the regulated prices established by the OEB in that proceeding. This methodology is also consistent with that used to determine the actual OPG-wide Canadian GAAP costs for the year ended December 31, 2011 outlined in the 2011 Variance Account Report. The methodology under US GAAP is consistent with that outlined and used to determine the information for OPG's post employment benefit plans for 2011 under US GAAP provided in Aon Hewitt's report dated April 2012 and titled "Transition Report for US GAAP and Canadian GAAP for Pension, Non-Pension Post Retirement and Post-Employment Benefit Plans". This report has been filed by OPG with the OEB under case number EB-2012-0002.

- Benefit obligations for RPP, SPP and OPRB are determined using the projected benefit method prorated on service;

- Benefit obligations for LTD are determined using the projected benefit method on a terminal basis such that the total estimated future benefit is attributed to the year of service in which a disability occurs based on membership data as of December 31, 2011 contained in the Reports, and as of December 31, 2012 as follows:

Summary of Disabled Members as at December 31, 2012 for LTD Valuation

	Number of Members	Average Age	Average Earnings	Average LTD Monthly Benefit	Number of Members with Health and Dental Coverage
Total	396	54.4	$80,955	$4,122	376

- The discount rates have been determined in accordance with US GAAP and Canadian GAAP (i.e., CICA 3461). The discount rates have been set with reference to those representative of AA corporate bond yields having a duration similar to the liabilities of the plans. The December 31, 2011 discount rates were 5.10% per annum for determining the 2012 RPP and SPP cost, 5.20% per annum for determining the 2012 OPRB cost, and 4.00% per annum for determining the 2012 LTD cost. The 2012 LTD cost under US GAAP is also based on a discount rate of 3.50% per annum as at December 31, 2012, which was used to determine the LTD benefit obligation as at December 31, 2012;

- A building block approach was used in determining the expected long-term rate of return on plan assets. Historical markets are studied and long-term historical relationships between equities and fixed-income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established using target asset allocations, via a building block approach with proper consideration of diversification and rebalancing. The expected rate of return on assets of 6.50% per annum determined using the above approach was used for determining the 2012 RPP cost;

- Other actuarial assumptions are management's best estimate of future events, as determined in consultation with independent actuaries and as set out in the Reports. These assumptions include the inflation rate and the salary scale increase rate, which were established at 2.00% per annum and 3.00% per annum (plus Promotion, Progression, Merit), respectively;

- Actuarial gains or losses for RPP, SPP and OPRB have been amortized using the 10% corridor method, except where immediate recognition is required under US GAAP and Canadian GAAP for non-routine events during the year (none during 2012);

- Past service costs for RPP, SPP and OPRB have been amortized on a straight-line basis over the expected average remaining service lifetime at the amendment date, except where immediate recognition is required under US GAAP and Canadian GAAP for non-routine events during the year (none during 2012);

- For LTD, under Canadian GAAP, the change in the obligation due to changes in economic assumptions is deferred and amortized, and the sum of the following is recognized immediately: (i) the change in the obligation at the end of the year compared to the obligation at the beginning of the year on the same economic basis and (ii) actual benefit payments. In addition, past service costs are also deferred and amortized. Under US GAAP, all actuarial gains and losses and past service costs in relation to LTD are required to be recognized immediately in the cost. Therefore, under US GAAP, the cost is equal to the change in the obligation plus benefit payments;

- Expected return on assets and amortization of actuarial gains/losses are based on a market-related value of assets where investment gains and losses on equity assets in excess of an expected return of 6.0% per annum plus the increase in Consumer Price Index are smoothed over five years; and,

- Curtailments are recognized before settlements (none during 2012).

Schedule 1—Summary of 2012 US GAAP Results

The following table provides a summary of US GAAP results for 2012 for the post employment benefit plans sponsored by OPG. The 2012 net periodic pension/benefit cost for the period January 1, 2012 to December 31, 2012 is determined based on the balance sheet items at January 1, 2012 and reflects the finalization of 2012 cost.

(in Canadian $ 000's)	RPP	SPP	OPRB	LTD
Net Asset (Liability) Recognized as at January 1, 2012				
Projected Benefit Obligation	$ (12,155,303)	$ (257,968)	$ (2,415,132)	$ (285,074)
Fair Value of Plan Assets	9,563,300	0	0	0
Net Asset (Liability) Recognized	$ (2,592,003)	$ (257,968)	$ (2,415,132)	$ (285,074)
Amounts Recognized in Accumulated Other Comprehensive Income as at January 1, 2012				
Unrecognized Past Service Costs (Credits)	$ 0	$ 0	$ 12,791	$ 0
Unrecognized Net Actuarial Loss (Gain)	3,768,869	76,149	649,506	0
Unrecognized Transition Obligation (Asset)	0	0	0	0
Total Accumulated Other Comprehensive Loss (Income)	$ 3,768,869	$ 76,149	$ 662,297	$ 0
Components of Net Periodic Pension/Benefit Cost, January 1, 2012 to December 31, 2012				
Employer Current Service Cost	$ 261,771	$ 8,258	$ 66,626	$ 10,798
Interest Cost	615,869	13,275	127,368	10,762
Expected Return on Plan Assets	(665,076)	0	0	0
Amortization of Past Service Cost	0	0	1,857	0
Amortization of Net (Gain) Loss	143,801	4,061	31,337	9,753
Total Cost	$ 356,365	$ 25,594	$ 227,188	$ 31,313
2012 Actual Employer Pension Contributions / OPEB Payments	$ 370,000	$ 15,512	$ 56,583	$ 26,361

Schedule 2—Summary of 2012 Canadian GAAP Results

The following table provides a summary of Canadian GAAP results for 2012 for the post employment benefit plans sponsored by OPG. The 2012 net periodic pension/benefit cost for the period January 1, 2012 to December 31, 2012 is determined based on the balance sheet items at January 1, 2012 and reflects the finalization of 2012 cost.

(in Canadian $ 000's)	RPP	SPP	OPRB	LTD
Accrued Benefit Asset (Liability) as at January 1, 2012				
Accrued Benefit Obligation	$ (12,155,303)	$ (257,968)	$ (2,415,132)	$ (285,074)
Fair Value of Plan Assets	9,563,300	0	0	0
Excess (Deficit)	$ (2,592,003)	$ (257,968)	$ (2,415,132)	$ (285,074)
Unrecognized Past Service Costs (Credits)	0	0	12,791	1,587
Unrecognized Net Actuarial Loss (Gain)	3,768,869	76,149	649,506	49,812
Accrued Benefit Asset (Liability)	$ 1,176,866	$ (181,819)	$ (1,752,835)	$ (233,675)
Components of Net Periodic Pension/Benefit Cost, January 1, 2012 to December 31, 2012				
Employer Current Service Cost	$ 261,771	$ 8,258	$ 66,626	$ 10,798
Interest Cost	615,869	13,275	127,368	10,762
Expected Return on Plan Assets	(665,076)	0	0	0
Amortization of Past Service Cost	0	0	1,857	388
Amortization of Net (Gain) Loss	143,801	4,061	31,337	1,937
Total Cost	$ 356,365	$ 25,594	$ 227,188	$ 23,885
2012 Actual Employer Pension Contributions / OPEB Payments	$ 370,000	$ 15,512	$ 56,583	$ 26,361

Attachment 4
Year-End 2012 Derivative Valuation: Pre-Life Extension Period

Valuation Date	**Mon 31-Dec-2012**	**Bruce Embedded Derivative Valuation**			
Discount Rate	2.36%				
		2012	**2013**	**2014**	**Total**
Estimated CPI		2.38%	1.94%	2.05%	
Full Supplemental Rent		125,861,581	128,303,296	130,933,513	385,098,390
Reduced Supplemental Rent		48,000,000	48,000,000	48,000,000	144,000,000
Full Rent Rebate		77,861,581	80,303,296	82,933,513	241,098,390
PV of Full Rent Rebate		77,861,581	78,451,833	79,153,388	235,466,802
Exercise Probability		100.00%	96.02%	86.02%	
PV of Expected Rebate		**77,861,581**	**75,328,820**	**68,089,700**	**221,280,101**
Average HOEP to Date		22.80			
Daily Volatility			1.09%	1.09%	
Expected Annual Average HOEP			**22.48**	**23.72**	

Amount of Full Supplemental Rent represents a best estimate of supplemental rent payable for Bruce B units before the rent rebate.

As the Average HOEP for 2012 was below $30/MWh, the PV of Expected Rebate for 2012 represents the amount of the unconditional rent rebate payable by OPG for that year with respect to Bruce B units.

Attachment 4
Year-End 2012 Derivative Valuation: Life Extension

Valuation Date	**Mon 31-Dec-2012**			**Bruce Embedded Derivative Valuation**		
Discount Rate	2.36%			**— Life Extension —**		
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
Estimated CPI	1.99%	1.94%	1.97%	1.98%	2.00%	
Full Supplemental Rent	133,539,090	136,129,749	138,811,505	141,559,972	144,391,172	694,431,488
Reduced Supplemental Rent	48,000,000	48,000,000	48,000,000	48,000,000	48,000,000	240,000,000
Full Rent Rebate	85,539,090	88,129,749	90,811,505	93,559,972	96,391,172	454,431,488
PV of Full Rent Rebate	79,757,916	80,278,902	80,814,536	81,340,797	81,870,100	404,062,250
Exercise Probability	78.04%	67.48%	63.22%	54.42%	45.13%	
PV of Expected Rebate	**62,246,021**	**54,175,757**	**51,094,317**	**44,266,247**	**36,949,224**	**248,731,566**
Average HOEP to Date						
Daily Volatility	1.09%	1.09%	1.09%	1.09%	1.09%	
Expected Annual Average HOEP	**25.58**	**27.67**	**28.46**	**30.08**	**31.85**	

Amount of Full Supplemental Rent represents a best estimate of supplemental rent payable for Bruce B units before the rent rebate.

ATTACHMENT 5
PARAMETER VALUES FOR YEAR-END 2012 DERIVATIVE VALUATION

The parameter values that were used in the year-end 2012 valuation of the derivative embedded in the Bruce Lease agreement (provided in Attachment 4) are as follows:

Valuation Date Mon 31-Dec-2012				Bruce Embedded Derivative Valuation Parameter Values			
	Forward Price F	Nr Trading Days NTD	Daily Volatility	sigma	lambda	Strike Price K	Prob of Exercise EB
2013	$ 25.623	250.0	0.010945	0.173057	0.130674	$ 30.00	96.02%
2014	$ 28.291	500.0	0.010945	0.244740	0.176029	$ 30.00	86.02%

Valuation Date Mon 31-Dec-2012				Bruce Embedded Derivative Valuation Parameter Values		Life Extension	
	Forward Price F	Nr Trading Days NTD	Daily Volatility	sigma	lambda	Strike Price K	Prob of Exercise EB
2015	$ 30.503	500.0	0.010945	0.244740	0.176029	$ 30.00	78.04%
2016	$ 32.991	500.0	0.010945	0.244740	0.176029	$ 30.00	67.48%
2017	$ 33.937	500.0	0.010945	0.244740	0.176029	$ 30.00	63.22%
2018	$ 35.874	500.0	0.010945	0.244740	0.176029	$ 30.00	54.42%
2019	$ 37.982	500.0	0.010945	0.244740	0.176029	$ 30.00	45.13%

ATTACHMENT 6
2012 JOURNAL ENTRIES FOR EMBEDDED DERIVATIVE LIABILITY

The journal entries recorded by OPG during 2012 in respect of the impact of the embedded derivative on supplemental rent revenue and the partial supplemental rent rebate to Bruce Power L.P. are summarized below. These entries represent an update to, and are presented in the same format as, the projected entries provided in response to interrogatory L-1-1 Staff-09 (b).

Entry #1-2012 *– Net amounts recognized in the derivative liability during 2012 for changes in the present value of the probability-weighted expectation of the reduction in the supplemental rent payment for 2012. This entry, combined with entries in previous years, results in OPG reflecting a liability for the full amount of the 2012 rent rebate.*

DR		Supplemental Rent Revenue		$11M	
	CR		Derivative Liability		$11M

Entry #2-2012 *– Net amounts recognized in the derivative liability during 2012 for changes in the present value of probability-weighted expectations of reductions in supplemental rent payments for the remaining accounting service life (beyond 2012) of the Bruce B station in effect prior to December 31, 2012, i.e., for 2013-2014.*

DR		Supplemental Rent Revenue		$24M	
	CR		Derivative Liability		$24M

The net effect of these two entries is a reduction to supplemental rent revenue of $35M recognized during 2012.

Entry #3-2012 *– Amount recognized in the derivative liability at December 31, 2012 as a result of the extension of the average accounting service life of the Bruce B station from 2014 to 2019 based on the present value of the probability-weighted expectations of reductions in supplemental rent payments for the additional period of 2015 - 2019.*

DR		Supplemental Rent Revenue		$249M	
	CR		Derivative Liability		$249M

Entry #4-2012 *– Realization of the reduction in the supplemental rent payment for 2012 upon having determined that Average HOEP fell below $30/MWh in 2012.*

DR		Derivative Liability		$78M	
	CR		Accrued Payable [1]		$78M

[1] As the actual physical cash disbursement for the 2012 rebate occurs in 2013, the amount is recorded in 2012 as an increase (credit) to an accrued payable liability rather than a decrease (credit) to cash.

The above journal entries are presented in Chart 1 below in the form of increases and decreases to the line items on OPG's 2012 balance sheet and income statement in accordance with both CGAAP and USGAAP.

Chart 1
2012 Financial Statement Impact of Embedded Derivative

Actual 2012			
Balance Sheet		**Income Statement**	
Accrued Payable	+78M	Revenue	-284M[2]
Derivative Liability	+206M[1]		
Retained Earnings	-284M		

Note 1: Sum of $11M (entry #1-2012), $24M (entry #2-2012) and $249M (entry #3-2012), less $78M (entry #4-2012)

Note 2: Sum of $11M (entry #1-2012), $24M (entry #2-2012) and $249M (entry #3-2012)