

1 **CONTINUATION OF DEFERRAL AND VARIANCE ACCOUNTS**

2

3 **1.0 PURPOSE**

4 This evidence provides a summary of the continuing deferral and variance accounts and the
5 basis of making entries into those accounts after December 31, 2012.

6

7 **2.0 LIST OF ACCOUNTS AND BASIS OF ENTRIES**

8 Chart 1, below, summarizes the accounts approved by the OEB, the source of the original
9 approval, the categories of entries to be recorded in the accounts after December 31, 2012,
10 and the basis OPG will use to record new transactions (additions) in the accounts after
11 December 31, 2012, where applicable.

CHART 1

Account	Original Source of Approval	Categories of Entries after December 31, 2012			Basis of Transactions after December 31, 2012
		Amortization	Interest	Transactions	
Ancillary Services Net Revenue Variance Account – Hydroelectric and Nuclear Sub-Accounts	EB-2007-0905	X	X	X	Standard – See Note 1
Income and Other Taxes Variance Account	EB-2007-0905	X	X	X	Standard – See Note 1
Tax Loss Variance Account	EB-2009-0038	X	X		N/A
Capacity Refurbishment Variance Account	EB-2007-0905	X	X	X	Standard – See Note 1
Pension and OPEB Cost Variance Account (<i>subject to approval of OPG's proposal to continue</i>)	EB-2011-0090	X	X	X	Standard – See Note 1
Impact for USGAAP Deferral Account	EB-2011-0432	X	X	X	See Note 2
Hydroelectric Water Conditions Variance Account	EB-2007-0905	X	X	X	See Note 3
Hydroelectric Incentive Mechanism Variance Account	EB-2010-0008		X	X	See Note 4
Hydroelectric Surplus Baseload Generation Variance Account	EB-2010-0008		X	X	See Note 5
Hydroelectric Deferral and Variance Over/Under Recovery Variance Account	EB-2009-0174	X	X	X	See Note 6
Nuclear Liability Deferral Account	EB-2007-0905	X	X	X	See Note 7
Nuclear Development Variance Account	EB-2007-0905	X	X	X	Standard – See Note 1
Bruce Lease Net Revenues Variance Account	EB-2007-0905	X	X	X	See Note 8
Nuclear Deferral and Variance Over/Under Recovery Variance Account	EB-2009-0174	X	X	X	See Note 6

1 **Notes to Chart 1**

2 *Note 1:* In these accounts for the period after December 31, 2012, OPG will continue to
3 record on a monthly basis the difference between actual costs, revenues or other applicable
4 amounts and the reference forecast amounts underpinning the EB-2010-0008 revenue
5 requirement. The EB-2010-0008 reference amounts will be those used to determine account
6 entries for the period March 1, 2011 to December 31, 2012. These reference amounts were
7 determined using the “standard approach” described in Ex. H1-1-1, Section 3.0. This
8 approach computes a monthly average of the full-year EB-2010-0008 forecast amounts for
9 2011 and 2012. It follows the method that the OEB approved in EB-2009-0174 to record
10 entries for periods after December 31, 2009 using the values underpinning the EB-2007-
11 0905 payment amounts.

12

13 *Note 2:* The Impact for USGAAP Deferral Account will continue to capture the financial
14 impacts due to differences between CGAAP and USGAAP until the effective date of the next
15 payment amounts order as discussed in Ex. A3-1-2. Additions arising from the divergence
16 between CGAAP and USGAAP in accounting for long-term disability benefit plan costs will
17 continue to be calculated as the difference between the actual costs for OPG’s prescribed
18 assets determined on a CGAAP basis and those determined on the basis of USGAAP.
19 Related tax impacts will be calculated and recorded as they are shown for 2012.

20

21 *Note 3:* For the Hydroelectric Water Conditions Variance Account, OPG will use the average
22 of the monthly forecasts for 2011 and 2012 underpinning the EB-2010-0008 payment
23 amounts as the reference values against which to measure production variances due to
24 changes in water conditions arising for the corresponding months after December 31, 2012.
25 This is consistent with the standard approach outlined in Note 1. The energy production
26 associated with actual water conditions will be determined by inputting actual water flow
27 values into the 2011 and 2012 models used in EB-2010-0008. Two imputed energy values
28 will be generated for each month representing the outputs of the 2011 and 2012 models. An
29 average of the imputed monthly energy values from the two models will be used as the
30 actual monthly value. The resulting average monthly imputed values will be compared

1 against the monthly reference values described above. The same method was used to make
2 entries into this account for 2010 per the EB-2009-0174 Decision and Order.

3
4 *Note 4:* The Hydroelectric Incentive Mechanism ("HIM") Variance Account was approved in
5 EB-2010-0008 to record 50 per cent of HIM net revenues above \$10M in 2011 and above
6 \$14M in 2012 as a credit to ratepayers. For 2011, the \$10M is associated with the ten
7 months beginning March 1, 2011, which is the effective date of the current payment
8 amounts. Annualizing this figure produces a full-year 2011 amount of \$12M. Consistent with
9 the standard methodology referenced in Note 1, the current payment amounts reflect an
10 average ratepayer credit of \$13M per year. Therefore, the HIM Variance Account will record
11 50 per cent of HIM net revenues in excess of \$13M per calendar year after December 31,
12 2012.

13
14 *Note 5:* For purposes of the Hydroelectric Surplus Baseload Generation Variance Account,
15 OPG will continue to measure the financial impact of foregone production at the prescribed
16 hydroelectric facilities due to surplus baseload generation as the net effect of revenue and
17 cost impacts. The revenue impact will continue to be calculated by multiplying the foregone
18 production volume by the current payment amount of \$35.78/MWh. The gross revenue
19 charge cost impact will continue to be determined by multiplying the foregone volume by the
20 applicable gross revenue charge rate.

21
22 *Note 6:* The Hydroelectric and Nuclear Deferral and Variance Account Over/Under Variance
23 Accounts will record the difference between the amounts approved for recovery after
24 December 31, 2012 for the regulated hydroelectric and nuclear deferral and variance
25 accounts, respectively, and the actual amounts recovered based on actual production and
26 the approved riders.

27
28 *Note 7:* The Nuclear Liability Deferral Account will continue to record the revenue
29 requirement impact of any change in OPG's nuclear decommissioning and used fuel and
30 waste management liability for its prescribed nuclear facilities arising from an approved
31 ONFA reference plan measured against the forecast impact reflected in the EB-2010-0008

1 approved revenue requirement, as determined using the standard approach outlined in Note
2 1.

3
4 *Note 8:* OPG will continue to calculate entries in the Bruce Lease Net Revenues Variance
5 Account by comparing the Bruce Lease net revenues credited to customers monthly through
6 the current payment amounts to the actual monthly net revenues realized by OPG. The
7 monthly net revenue credited to customers will continue to be determined by dividing the 24-
8 month (2011 and 2012) forecast Bruce Lease net revenues approved in EB-2010-0008 by
9 the approved 24-month forecast nuclear production. The monthly credit will be the product of
10 this rate and the actual nuclear production in each month. This amount will be compared to
11 the actual net revenues realized by OPG in the month, with the difference recorded in the
12 variance account.

13

14 **3.0 CONTINUATION OF ACCOUNTS**

15 The recording of transactions (additions) into all the deferral and variance accounts listed in
16 Section 2.0 above continues until superseded by a subsequent OEB order, with the
17 exception of the Pension and OPEB Costs Variance Account discussed in Ex. H2-1-3 where
18 OPG is seeking authority to continue recording transactions.

19

20 **4.0 INTEREST**

21 Interest will be applied to the monthly opening balances of all continuing accounts at the
22 interest rate set by the OEB from time to time pursuant to the OEB's interest policy for
23 deferral and variance accounts.