CLEARANCE OF DEFERRAL AND VARIANCE ACCOUNTS

1.0 PURPOSE

This evidence describes OPG’s proposed approach for clearing the audited December 31, 2013 balances in the following four variance accounts:

1) the Hydroelectric Incentive Mechanism Variance Account;
2) the Hydroelectric Surplus Baseload Generation Variance Account;
3) (portions of) the Capacity Refurbishment Variance Account; and,
4) the Nuclear Development Variance Account.

The reasons for clearing the balances in only these four accounts are discussed in Ex. H1-1-1, Sections 4.3, 4.4, 4.7 and 4.12.

2.0 SUMMARY

OPG is requesting recovery of the audited December 31, 2013 balances in the Hydroelectric Incentive Mechanism Variance Account, Hydroelectric Surplus Baseload Generation Variance Account, and the hydroelectric portion of the Capacity Refurbishment Variance Account through hydroelectric payment rider to come into effect on January 1, 2015 and calculated using the forecast 2015 output from the previously regulated hydroelectric facilities.

OPG is also requesting recovery of the audited December 31, 2013 balances in the Nuclear Development Variance Account and the capital cost portion of the nuclear balance in the Capacity Refurbishment Variance Account through a nuclear payment rider to come into effect on January 1, 2015 and calculated using the forecast 2015 output from the nuclear facilities.

Amortization amounts and payment riders described in this exhibit and accompanying tables are calculated based on projected December 31, 2013 balances. OPG expects to file audited December 31, 2013 balances in these accounts and a calculation of the resulting 2015 payment riders in February 2014.
The methodology for the proposed recovery of the balances in the above four accounts is described in section 3.0. The recovery of the previously regulated hydroelectric variance account balances is discussed in section 4.0. The recovery of the nuclear variance account balances is discussed in section 5.0.

3.0 METHODOLOGY

OPG proposes to calculate separate hydroelectric and nuclear payment riders for the period from January 1, 2015 to December 31, 2015 in the form of $/MWh rates consistent with the OEB’s decisions and Payment Amounts Orders in EB-2012-0002 and EB-2010-0008. The hydroelectric and nuclear payment riders are calculated separately using the following three steps. First, a recovery period is determined for each account to be cleared. Second, based on each account’s recovery period and the projected or audited balance in the account, the amount to be amortized over the period is determined. Finally, the total amount to be amortized for all accounts to be cleared during the period is divided by the forecast energy production in 2015 to determine the payment rider.

4.0 RECOVERY OF PREVIOUSLY REGULATED HYDROELECTRIC VARIANCE ACCOUNTS

The method of calculating the previously regulated hydroelectric payment rider is as shown in Ex. H1-2-1, Table 1 using projected December 31, 2013 account balances. OPG proposes to recover balances in the Hydroelectric Incentive Mechanism Variance Account and the Hydroelectric Surplus Baseload Generation Variance Account using an amortization period of one year (12 months) and, in recognition of its size, the hydroelectric balance in the Capacity Refurbishment Variance Account using an amortization period of two years (24 months) beginning January 1, 2015. The resulting rider in 2015 would be $3.11/MWh. The actual rider will be set during the finalization process for the payment amounts order using audited December 31, 2013 balances.

5.0 RECOVERY OF NUCLEAR VARIANCE ACCOUNTS

The method of calculating of the nuclear rider is as shown in Ex. H1-2-1, Table 2 using projected December 31, 2013 account balances. OPG proposes to recover in 2015 the total
balance in the Nuclear Development Variance Account and the capital cost portion of the nuclear balance in the Capacity Refurbishment Variance Account. Given the size of the projected balances in these two nuclear accounts, OPG proposes amortizing them over a single year (12 months) beginning January 1, 2015. The resulting rider in 2015 would be $1.52/MWh. The actual rider will be set during the finalization process for the payment amount order using audited December 31, 2013 balances.