discussed further in the section, *Balance Sheet Highlights* under the heading, *Pension & OPEB Cash Versus Accrual Differential Deferral Account*.

Consistent with the requirements of *Ontario Regulation 53/05*, OPG's application submission in May 2016 incorporated a nuclear rate smoothing proposal. This proposal would result in OPG deferring a portion of the approved annual nuclear revenue requirements during the period from January 1, 2017 to the end of the Darlington Refurbishment project in a deferral account for future collection.

In March 2017, the Province amended *Ontario Regulation 53/05* to require that the portion of the approved annual nuclear revenue requirements deferred for future collection under rate smoothing be determined with a view of making more stable year-over-year changes in OPG's weighted-average nuclear and hydroelectric regulated price, including rate riders. Previously, the regulation required that the deferred amounts be determined with a view of making more stable year-over-year changes in OPG's nuclear base regulated price only, excluding rate riders. The amendment is intended to make more predictable the impact on customer bills resulting from changes in OPG's overall regulated prices, reducing the average year-over-year change in customer bills over the term of OPG's current application. Following the amendment, in March 2017, OPG submitted a modified rate smoothing proposal to the OEB to reflect the new requirements of the regulation, as part of its application for new regulated prices. OPG expects to recognize amounts deferred under rate smoothing as income in the period to which the underlying approved revenue requirements relate.

In March 2017, the OEB approved a settlement agreement reached by OPG and intervenors on a limited set of issues in OPG's application (Settlement Agreement). Among the settled issues, the agreement provided for the continuation of all applicable existing variance and deferral accounts and accepted a number of variance and deferral account balances for recovery, as requested in OPG's application. In addition, the Settlement Agreement accepted OPG's proposed adjustments to the existing regulated hydroelectric base regulated prices for the purposes of determining the starting point for an incentive regulation formula for the 2017 to 2021 period. The Settlement Agreement did not impact OPG's financial results for the three months ended March 31, 2017.

The OEB conducted 23 public oral hearing days on the unsettled issues in OPG's application between February 27, 2017 and April 13, 2017, as part of an overall public proceeding on the application. Final arguments in the proceeding are scheduled to be completed by June 19, 2017. The OEB's decision on the application, including the effective date of approved new regulated prices, is expected in the second half of 2017.

Ontario's Fair Hydro Plan

On March 2, 2017, the Province announced Ontario's Fair Hydro Plan (the Plan) aimed at reducing electricity bills for all residential consumers in the province on average by 25 percent. As part of the Plan, the Province has proposed refinancing a portion of the Global Adjustment costs over a longer time period for Regulated Price Plan eligible customers (e.g., residential, farm, small businesses). On May 11, 2017, the Province introduced legislation that, if passed, will enable the IESO and OPG to work together to implement this financing as requested by the Province. Any final agreement to implement OPG's involvement with the Plan is subject to approval by OPG's Board of Directors, which has established a Special Committee to provide oversight on behalf of the Board of Directors. ~~[MONITOR]~~

Shareholder Declaration and Shareholder Resolution to Sell Certain Real Estate Properties

In December 2015, OPG received a Shareholder Declaration and a Shareholder Resolution requiring the Company to sell its head office premises and associated parking facility located at 700 University Avenue and 40 Murray Street in Toronto, Ontario. A purchase and sale agreement was executed in December 2016, and the sale was completed in April 2017. An after-tax gain on sale of approximately $280 million was recognized upon completion of the transaction in the second quarter of 2017. Pursuant to the Shareholder Declaration and Shareholder Resolution, and as prescribed in the *Trillium Trust Act, 2014*, OPG is required to transfer the proceeds from this disposition, net of