

1 **SUMMARY OF CURRENT DEFERRAL AND VARIANCE ACCOUNTS**

2
3 **1. INTRODUCTION**

4 This Schedule provides a summary of currently held deferral and variance accounts (“DVAs”), as
5 of December 31, 2018. A continuity schedule for current DVAs can be found in Attachment
6 9-1-1(A): OEB Workform - Deferral and Variance Account (Continuity Schedule).

7
8 Details of new accounts for which approval is being sought as part of this Application are included
9 in Exhibit 9-2-1: New Deferral and Variance Accounts. Details of the accounts for which Hydro
10 Ottawa is seeking disposition are discussed in Exhibit 9-3-1: Disposition of Deferral and Variance
11 Accounts.

12
13 **2. DETAILS OF DVAs**

14 Tables 1 and 2 below present a complete list of Hydro Ottawa’s active DVAs. The DVAs are
15 categorized based on the OEB’s report on the *Electricity Distributors’ Deferral and Variance*
16 *Account Review Initiative*¹ (“EDDVAR Report”), which categorizes the DVAs into Group 1 and
17 Group 2 Accounts. In Table 1, Uniform System of Accounts (“USofA”) Account 1595 will have a
18 Sub-Account for each year from 2016-2020. In Hydro Ottawa’s 2020 rate adjustment
19 application, the Sub-Account for 2014 was cleared on a final basis and is thus not included as
20 part of this Application.²

21
22 Hydro Ottawa confirms that DVAs are being used as prescribed in the OEB’s *Accounting*
23 *Procedures Handbook* (“APH”). Please refer to Exhibit 9-1-2: Group 1 Accounts and Exhibit
24 9-1-3: Group 2 Accounts for additional information on these Accounts.

¹ Ontario Energy Board, *Report of the Board on Electricity Distributors’ Deferral and Variance Account Review Initiative (EDDVAR)* EB-2008-0046 (July 31, 2009).

² Ontario Energy Board, *Decision and Rate Order*, EB-2019-0046 (December 17, 2019), pages 13-15.

1

Table 1 – Group 1 DVAs

Group 1 Account – Description	Account
Low Voltage (“LV”) Variance Account	1550
Smart Meter Entity Charge Variance Account	1551
Retail Settlement Variance Account (“RSVA”) – Wholesale Market Service Charge	1580
RSVA – Retail Transmission Network Charge	1584
RSVA – Retail Transmission Connection Charge	1586
RSVA – Power (excluding Global Adjustment)	1588
RSVA – Global Adjustment	1589
Disposition and Recovery/Refund of Regulatory Balances (2016-2020)	1595

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Table 2 – Group 2 DVAs

Group 2 Account – Description	Account
Other Regulatory Assets ³	1508
Retail Cost Variance Account – Retail ⁴	1518
Pension & Other Post-Employment Benefits (“OPEB”) Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	1522
Renewable Generation Connection Funding Adder Deferral Account	1533
Retail Cost Variance Account – Service Transaction Request (“STR”) ⁵	1548
Lost Revenue Adjustment Mechanism (“LRAM”) Variance Account	1568
PILS and Tax Variance	1592

4

3. CONTINUITY SCHEDULE

A complete continuity schedule for all DVAs, including Sub-Accounts, can be found in Attachment 9-1-1(A): OEB Workform - Deferral and Variance Account (Continuity Schedule). Hydro Ottawa is using the DVA Workform provided by the OEB on January 31, 2020 via email. The utility has updated the model using audited balances to the end of 2018, and has included 2020 disposition and specific adjustments related to 2019 (inputted into the principal adjustments column BF). Further details on each adjustment are provided in the following

³ This Account has multiple Sub-Accounts. Please see Table 4 below for a complete list.

⁴ No principal amounts have been recorded into this Account since Hydro Ottawa discontinued its use on December 31, 2015. The Account is active due to historical balances and continued accumulation of carrying charges. Please see Exhibit 9-1-5: Retail Service Charges for further details.

⁵ *Ibid.*

pieces of evidence: sheet “3. Appendix A” within Attachment 9-1-1(A): OEB Workform - Deferral and Variance Account (Continuity Schedule); Exhibit 9-1-3: Group 2 Accounts; and Exhibit 9-1-4: Account 1592 PILS and Tax Variance. Hydro Ottawa will update the DVA model for 2019 actuals at a later stage in this Application’s proceeding.

For more details on Hydro Ottawa’s proposed disposition of DVAs, please see Exhibit 9-3-1: Disposition of Deferral and Variance Accounts.

4. CARRYING CHARGES

The interest rate used for the calculation of all carrying charges to applicable Accounts is prescribed by the OEB and published quarterly on its website. Table 3 provides a summary of these interest rates up to Q1 2020. Hydro Ottawa confirms that it uses these interest rates, where applicable.

Table 3 – Interest Rates for Carrying Charges on DVAs

Prescribed Interest Rate		
Period Used	Approved for Deferral and Variance Accounts	CWIP Account - Prescribed Interest Rate
Q3 2019 to Q1 2020	2.18%	2.88%
Q2 2019	2.18%	3.39%
Q1 2019	2.45%	3.82%
Q4 2018	2.17%	3.35%
Q2 2018 to Q3 2018	1.89%	3.35%
Q4 2017 to Q1 2018	1.50%	2.99%
Q3 2017	1.10%	2.53%
Q1 2017 to Q2 2017	1.10%	2.81%
Q4 2016	1.10%	2.46%
Q1 2016 to Q3 2016	1.10%	2.92%
Q3 2015 to Q4 2015	1.10%	2.55%
Q2 2015	1.10%	2.28%
Q1 2015	1.47%	2.89%

1 **5. RECONCILIATION OF CONTINUITY SCHEDULE VS. REPORTING AND RECORD**
2 **KEEPING REQUIREMENTS**

3 Attachment 9-1-1(A): OEB Workform - Deferral and Variance Account (Continuity Schedule)
4 only has immaterial differences in the Account balances as of December 31, 2018 between the
5 continuity schedule and 2.1.7 of the OEB's Reporting and Record Keeping Requirements
6 ("RRRs"). Hydro Ottawa has calculated column BV of the continuity schedule using 2018 RRR
7 values. As indicated earlier in this Schedule, specific adjustments have been made related to
8 Group 2 Accounts.

9
10 Account 1588 and Account 1589 are different from the RRR balances, as the balances in the
11 continuity schedule reflect OEB Filing Requirement true-ups in 2018 and 2019.

12
13 Sub-Account 1508, other regulatory assets - Y factor variance, does not balance to the 2018
14 RRR values as there is a \$5.7M principal adjustment in the 2018 column. This adjustment was
15 made to clear the revenue requirement related to Hydro Ottawa's new facilities for 2019 and
16 2020 on an interim basis, as per the Approved Settlement Agreement governing the utility's
17 2016-2020 rate term.⁶ Additional adjustments related to the Y Factor Account, the New Facilities
18 Deferral Account, and the Gains/Losses from Sale of Existing Facilities Deferral Account have
19 been entered into the 2019 column. Please refer to Exhibit 9-1-3: Group 2 Accounts as well as
20 sheet "3. Appendix A" within Attachment 9-1-1(A): OEB Workform - Deferral and Variance
21 Account (Continuity Schedule) for further information.

22
23 Sub-Account of 1592 – PILS and Tax Variances – Capital Cost Allowance ("CCA") Changes
24 does not balance to 2018 RRR values, as an adjustment has been entered into the 2019
25 principal column. On July 25, 2019, the OEB released a letter which directed utilities to record
26 into a newly established Sub-Account of 1592 the tax impact of Bill C-97.⁷ Hydro Ottawa has
27 entered an adjustment amount in order to clear balances related to Bill C-97. Please see sheet

⁶ Hydro Ottawa Limited, *2016-2020 Custom Incentive Rate-Setting Approved Settlement Proposal*, EB-2015-0004 (December 7, 2015).

⁷ Ontario Energy Board, Letter re: *Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance* (July 25, 2019).

1 "3. Appendix A" within Attachment 9-1-1(A): OEB Workform - Deferral and Variance Account
2 (Continuity Schedule) as well as Exhibit 9-1-4: Account 1592 PILS and Tax Variance for further
3 information on this Sub-Account.
4

5 Finally, adjustments have been made to the LRAM Variance Account in columns BD and BI to
6 reverse all LRAM recorded up to December 31, 2018, while another adjustment was added to
7 column BF to balance with the LRAM being requested as per Exhibit 4-5-2: LRAM Variance
8 Account. Please see Exhibit: 4-5-2: LRAM Variance Account for information on the amount
9 being requested for clearance.
10

11 **6. NEW DVAs AND SUB-ACCOUNTS**

12 Please see Exhibit 9-2-1: New Deferral and Variance Accounts for information.
13

14 **7. ADJUSTMENTS TO DVAs**

15 Hydro Ottawa confirms that it has not made any adjustments to DVA balances that were
16 previously approved by the OEB on a final basis.
17

18 **8. STATUS OF GROUP 2 ACCOUNTS**

19 Hydro Ottawa identified active Group 2 Accounts in Table 2 above. Table 4 below outlines how
20 the utility's planned action for the Group 2 Accounts in 2021-2025 (i.e. continue, continue with
21 modification, or discontinue). For information on those Accounts for which Hydro Ottawa is
22 requesting modification, please see Exhibit 9-2-1: New Deferral and Variance Accounts.

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Table 4 – Proposed Action on Group 2 Accounts for 2021-2025

Group 2 Account - Description	Account	Continue/Discontinue
Other Regulatory Assets - Sub-Accounts		
Incremental Capital Charges	1508	Continue
Capital Charges	1508	Continue
Pension & OPEB	1508	Continue
Energy East Consultation Costs ⁸	1508	Discontinue
Pole Attachment Charge Revenues Variance Account	1508	Discontinue
Wireless Attachment Revenues Deferral Account	1508	Discontinue
Y-Factor Variance Account	1508	Discontinue
Gains/Losses from Sale of Existing Facilities Deferral	1508	Discontinue
New Facilities Deferral Account	1508	Discontinue
Gains and Loss on Disposal of Fixed Assets Variance Account	1508	Continue
Earnings Sharing Mechanism (“ESM”) Variance Account	1508	Continue with Modification
Connection Cost Recovery Agreement Payment	1508	Continue with Modification
Efficiency Adjustment Mechanism Deferral Account	1508	Continue
OEB Cost Assessment Variance	1508	Continue ⁹
Retail Cost Variance Account – Retail	1518	Discontinue
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	1522	Continue
Renewable Generation Connection Funding Adder Deferral Account	1533	Continue
Retail Cost Variance Account – STR	1548	Discontinue
LRAM Variance Account	1568	Continue
PILS and Tax Variances - Sub-Account: CCA Changes	1592	Continue

2

⁸ In Attachment 9-1-1(A): OEB Workform - Deferral and Variance Account (Continuity Schedule), the formal name for this item is Other Regulatory Assets - Sub-Account-East Energy Cost Defer Cost.

⁹ Hydro Ottawa will record amounts into the OEB Cost Assessment Variance Account until December 31, 2020, prior to the rebasing of rates in 2021. This Account will therefore not have additional principal balances recorded during the 2021-2025 period. However, it will be cleared and discontinued after December 31, 2020.



Ontario Energy Board

2021 Deferral/Variance Account Workform

version 1.0

Utility Name	Hydro Ottawa Limited
Service Territory	
Assigned EB Number	EB-2019-0046
Name of Contact and Title	Greg Van Dusen, Director, Regulatory Affairs
Phone Number	613-738-5499 ext. 7472
Email Address	RegulatoryAffairs@HydroOttawa.com

Questions

To determine the first year the continuity schedules in tabs 2a and 2b will be generated for input, answer the following questions:

Question 1

For Accounts 1588 and 1589,

Please indicate the year the accounts were last disposed on a final basis

2020

a) If the accounts were last approved on a final basis, select the year that the balance was last approved on a final basis.

b) If the accounts were last approved on an interim basis, and

i) there are no changes to the previously approved interim balances, select the year that the balances were last approved for disposition on an interim basis.

ii) there are changes to the previously approved interim balances, select the year that the balances were last approved for disposition on a final basis.

(e.g. If 2017 balances reviewed in the 2019 rate application were to be selected, select 2017)

2018

Question 2

For the remaining Group 1 DVAs,

Please indicate the year the accounts were last disposed on a final basis

2020

a) If the accounts were last approved on a final basis, select the year that the balance was last approved on a final basis.

b) If the accounts were last approved on an interim basis, and

i) there are no changes to the previously approved interim balances, select the year that the balances were last approved for disposition on an interim basis.

ii) there are changes to the previously approved interim balances, select the year that the balances were last approved for disposition on a final basis.

2018

Question 3

Select the earliest vintage year in which there is a balance in Account 1595

(e.g. If 2016 is the earliest vintage year in which there is a balance in a 1595 sub-account, select 2016)

2016

Question 4

Select the earlier of i) the year in which Group 2 DVAs were last disposed and ii) the earliest year in which Group 2 DVAs started to accumulate

2016

To determine whether tabs 6 and 6.2 will be generated, answer the following questions

Question 5

Did you have any Class A customers at any point during the period that the Account 1589 balance accumulated (i.e. from the year the balance selected in #1 above to the year requested for disposition) or the test year?

Yes


Question 6

Did you have any Class A customers at any point during the period where the balance in Account 1580, Sub-account CBR Class B accumulated (i.e. from the year selected in #2 above to the year requested for disposition) or the test year?


Yes

General Notes

Notes

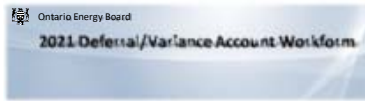
 Pale green cells represent input cells.

 Pale blue cells represent drop-down lists. The applicant should select the appropriate item from the drop-down list.

 White cells contain fixed values, automatically generated values or formulae.

 Pale grey cell represent auto-populated RRR data

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Please see instructions tab for detailed instructions on how to complete the DIA Continuity Schedule. Column BV has been pre-populated from the most recent RRR filing

Account Descriptions	Account Number	2016										2017									
		Opening Principal Amounts as of Jan-1-16	Transactions Debit/ Credit during 2016	OEB-Approved Dispositions during 2016	Principal Adjustments(1) during 2016	Closing Principal Balance as of Dec-31-16	Opening Interest Amounts as of Jan-1-16	Interest Jan-1 to Dec-31-16	OEB-Approved Dispositions during 2016	Interest Adjustments(2) during 2016	Closing Interest Amounts as of Dec-31-16	Opening Principal Amounts as of Jan-1-17	Transactions Debit/ Credit during 2017	OEB-Approved Dispositions during 2017	Principal Adjustments(1) during 2017	Closing Principal Balance as of Dec-31-17	Opening Interest Amounts as of Jan-1-17	Interest Jan-1 to Dec-31-17	OEB-Approved Dispositions during 2017	Interest Adjustments(2) during 2017	Closing Interest Amounts as of Dec-31-17
Group 1 Accounts																					
LV Variance Account	1550	\$0				\$0	\$0				\$0					\$0	\$0				\$0
Smart Metering Grid Charge Variance Account	1551	\$0				\$0	\$0				\$0					\$0	\$0				\$0
RVIA - Wholesale Market Service Charge ³	1580	\$0				\$0	\$0				\$0					\$0	\$0				\$0
Variance WMS - Sub-account CBR Class A ⁴	1580	\$0				\$0	\$0				\$0					\$0	\$0				\$0
Variance WMS - Sub-account CBR Class B ⁴	1580	\$0				\$0	\$0				\$0					\$0	\$0				\$0
RVIA - Retail Transmission Network Charge	1584	\$0				\$0	\$0				\$0					\$0	\$0				\$0
RVIA - Retail Transmission Connection Charge	1588	\$0				\$0	\$0				\$0					\$0	\$0				\$0
RVIA - Power (excluding Global Adjustments) ⁵	1588	\$0				\$0	\$0				\$0					\$0	\$0				\$0
RVIA - Global Adjustment ⁶	1589	\$0				\$0	\$0				\$0					\$0	\$0				\$0
Disposition and Recovery/Refund of Regulatory Balances (2014) ⁷	1595	\$0	\$-37,471	\$-8,511,762	\$-826,642	\$33,669	\$0	\$698	\$-138,969	\$-137,952	\$1,463	\$33,669	\$-12,980	\$111,120	\$0	\$0	\$1,463	\$-930	\$2,239	\$0	\$-11
Disposition and Recovery/Refund of Regulatory Balances (2015) ⁷	1595	\$0				\$0	\$0				\$0	\$0				\$0	\$0				\$0
Disposition and Recovery/Refund of Regulatory Balances (2016) ⁷	1595	\$0	\$5,020,832	\$4,949,683		\$71,149	\$0	\$-25,015	\$9,584	\$-34,559	\$71,149	\$20,005			\$91,153	\$-34,559	\$172			\$4,983	\$-29,445
Disposition and Recovery/Refund of Regulatory Balances (2017) ⁷	1595	\$0				\$0	\$0				\$0	\$21,386,004	\$22,074,574		\$-694,570	\$0	\$-133,048	\$169,820		\$4,983	\$-630,768
Disposition and Recovery/Refund of Regulatory Balances (2018) ⁷	1595	\$0				\$0	\$0				\$0				\$0	\$0				\$0	\$0
Disposition and Recovery/Refund of Regulatory Balances (2019) ⁷	1595	\$0				\$0	\$0				\$0				\$0	\$0				\$0	\$0
<i>Not to be disposed of until a year after rate rider has expired and balance has been audited</i>																					
Group 1 Sub-Total (including Account 1589 - Global Adjustment)		\$0	\$4,943,361	\$4,317,921	\$-826,642	\$104,798	\$0	\$-24,378	\$129,385	\$-137,952	\$-832,005	\$104,798	\$21,387,329	\$22,185,694	\$0	\$-893,567	\$-832,045	\$-134,704	\$172,059	\$4,983	\$-834,725
Group 1 Sub-Total (excluding Account 1589 - Global Adjustment)		\$0	\$4,943,361	\$4,317,921	\$-826,642	\$104,798	\$0	\$-24,378	\$129,385	\$-137,952	\$-832,048	\$104,798	\$21,387,329	\$22,185,694	\$0	\$-893,567	\$-832,045	\$-134,704	\$172,059	\$4,983	\$-834,726
RVIA - Global Adjustment⁴	1589	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

For all OEB-Approved dispositions, please ensure that the disposition amount has the same sign (e.g. debit balances are to have a positive figure and credit balance are to have a negative figure)

¹ Please provide explanations for the nature of the adjustments. If the adjustment relates to previously OEB-Approved disposed balances, please provide amounts for adjustments and include supporting documentation.

² If the LDC's rate year begins on January 1, 2021, the projected interest is recorded from January 1, 2020 to December 31, 2020 on December 31, 2019 balances adjusted to reverse balances approved for disposition in the 2020 rate decision.

³ If the LDC's rate year begins on May 1, 2021, the projected interest is recorded from January 1, 2020 to April 30, 2021 on the December 31, 2019 balances adjusted to reverse balances approved for disposition in the 2020 rate decision.

⁴ The individual sub-accounts as well as the total for all Account 1589 sub-accounts is to agree to the RRR date. Differences need to be explained. For each Account 1589 sub-account, the balance of the balance approved for disposition into Account 1589 is to be recorded as "OEB Approved Disposition" column. The recovery/refund is to be recorded in the "Transactions" column. Any change year of Account 1589 is only to be reported once on a full basis. No further dispositions of these accounts are generally expected thereafter, unless justified by the distributor.

⁵ Refer to Filing Requirements for disposition eligibility of the sub-accounts. Select "Yes" return (Y) if the sub-account is requested for disposition. Note that Accounts 1585 (2015) and (2016) will not be eligible for disposition in the 2021 rate application.

⁶ New accounting guidance effective January 1, 2019 for Accounts 1588 and 1589 was issued Feb. 21, 2019 titled Accounting Treatment for Regulatory Balances. Accounting Guidance Related to Continuity Plans Through Accounts 1588 & 1589. The amount in the "Transactions" column in this DIA Continuity Schedule are to equal the transactions in the General Ledger (excluding any amounts approved for disposition, which is shown separately in the "OEB Approved Dispositions" column). Any from-upto/adjustments/reversals needed to derive the clean amount total is shown separately in the "Principal Adjustments" column of this DIA Continuity Schedule.

⁷ Account 1580 RVIA WMS balance required into this schedule is to exclude any amounts relating to CBR. CBR amounts are to be reported into Account 1580, sub-accounts CBR Class A and Class B separately. There is no disposition of Account 1580, sub-account CBR Class A, accounting guidance for the sub-account is to be followed if a balance exists for Account 1580, sub-account CBR Class A as at Dec. 31, 2019, the balance must be explained.

⁸ RRR balance for Account 1580 RVIA - Wholesale Market Service Charge should equal to the control account as reported in the RRR. This would include the balance for Account 1580 Variance WMS - Sub-account CBR Class B.



Please see instructions tab for detailed instructions on how to complete the DVA Continuity Schedule. Column BV has been pre-populated from the most recent RRR filing

Account Descriptions	Account Number	2018										2019									
		Opening Principal Amounts as of Jan-1-18	Transactions(D) Debit / (Credit) during 2018	OEB-Approved Disposition during 2018	Principal Adjustments(D) during 2018	Closing Principal Balance as of Dec-31-18	Opening Interest Amounts as of Jan-1-18	Interest Jan-1 to Dec-31-18	OEB-Approved Disposition during 2018	Interest Adjustments(D) during 2018	Closing Interest Amounts as of Dec-31-18	Opening Principal Amounts as of Jan-1-19	Transactions Debt/ (Credit) during 2019	OEB-Approved Disposition during 2019	Principal Adjustments(D) during 2019	Closing Principal Balance as of Dec-31-19	Opening Interest Amounts as of Jan-1-19	Interest Jan-1 to Dec-31-19	OEB-Approved Disposition during 2019	Interest Adjustments(D) during 2019	Closing Interest Amounts as of Dec-31-19
Group 1 Accounts																					
L.V Variance Account	1550	\$0			-\$359,930	-\$359,930	\$0			-\$7,937	-\$7,937	-\$359,930		-\$274,566	-\$65,363	-\$7,937		-\$7,221	-\$1,919	-\$2,638	
Smart Metering Entry Charge Variance Account	1551	\$0			-\$369,519	-\$369,519	\$0			-\$6,014	-\$6,014	-\$369,519		-\$65,851	-\$303,668	-\$6,014	-\$1,574	-\$6,825	-\$11,265	-\$11,265	
RSVA - Wholesale Market Service Charge ¹	1580	\$0			-\$8,655,881	-\$8,655,881	\$0			-\$188,875	-\$188,875	-\$8,655,881		-\$7,272,643	-\$1,383,238	-\$188,875	-\$183,396	-\$31,088	-\$38,567	-\$38,567	
Variance WMS - Sub-account CBR Class A ²	1580	\$0			\$0	\$0	\$0			\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Variance WMS - Sub-account CBR Class B ²	1580	\$0			-\$221,281	-\$221,281	\$0			-\$4,264	-\$4,264	-\$221,281		-\$81,039	-\$140,241	-\$4,264	-\$2,537	-\$3,152	-\$4,876	-\$4,876	
RSVA - Retail Transmission Network Charge	1584	\$0			\$469,735	\$469,735	\$0			\$5,426	\$5,426	\$469,735		\$364,929	\$104,806	\$5,426	\$8,868	\$2,356	-\$1,067	-\$1,067	
RSVA - Retail Transmission Connection Charge	1586	\$0			-\$3,113,644	-\$3,113,644	\$0			-\$75,458	-\$75,458	-\$3,113,644		-\$2,496,288	-\$617,377	-\$75,458	-\$66,807	-\$13,876	-\$22,527	-\$22,527	
RSVA - Power (excluding Global Adjustment) ³	1588	\$0			\$817,468	\$817,468	\$0			\$40,606	\$40,606	\$817,468		-\$246,284	\$1,063,752	\$40,606	\$2,710	\$23,908	\$61,804	\$61,804	
RSVA - Global Adjustment ⁴	1589	\$0			-\$1,561,781	-\$1,561,781	\$0			\$116,929	\$116,929	-\$1,561,781		\$2,544,768	-\$4,106,548	\$116,929	\$94,304	-\$92,295	-\$99,669	-\$99,669	
Disposition and Recovery/Refund of Regulatory Balances (2014) ⁵	1595	-\$90,151	\$29			-\$90,123	-\$1,516	-\$1,680		-\$3,196	-\$3,196	-\$90,123		-\$3,196	-\$90,123	-\$3,196		-\$2,026	-\$5,221	-\$5,221	
Disposition and Recovery/Refund of Regulatory Balances (2015) ⁵	1595	\$0				\$0	\$0			\$0	\$0	\$0		\$0	\$0	\$0				\$0	
Disposition and Recovery/Refund of Regulatory Balances (2016) ⁵	1595	\$91,153	-\$37			\$91,117	-\$29,443	\$2,644		-\$26,799	-\$26,799	\$91,117		-\$26,799	\$91,117	-\$26,799		\$2,048	-\$24,751	-\$24,751	
Disposition and Recovery/Refund of Regulatory Balances (2017) ⁵	1595	-\$694,570	\$505,671			-\$188,899	-\$303,766	-\$4,864		-\$308,630	-\$308,630	-\$188,899		-\$188,899	-\$188,899	-\$308,630		-\$4,246	-\$312,876	-\$312,876	
Disposition and Recovery/Refund of Regulatory Balances (2018) ⁵	1595	\$0	\$11,447,552	\$11,733,407		-\$285,855	\$0	-\$114,111	\$304,969		-\$419,060	-\$285,855	-\$419,060		-\$285,855	-\$419,060		-\$6,425	\$425,504	\$425,504	
Disposition and Recovery/Refund of Regulatory Balances (2019) ⁵	1595	\$0				\$0	\$0			\$0	\$0	\$0		\$0	\$0	\$0				\$0	
<i>Not to be disposed of until a year after rate rider has expired and that balance has been audited</i>																					
Group 1 Sub-Total (including Account 1589 - Global Adjustment)		-\$693,567	\$11,953,215	\$11,733,407	-\$12,994,832	-\$13,468,592	-\$334,725	-\$118,011	\$304,969	-\$119,587	-\$877,292	-\$13,468,592	\$0	-\$7,526,955	\$0	-\$5,941,636	-\$877,292	\$0	-\$155,654	-\$133,538	-\$855,177
Group 1 Sub-Total (excluding Account 1589 - Global Adjustment)		-\$693,567	\$11,953,215	\$11,733,407	-\$11,433,051	-\$11,906,811	-\$334,725	-\$118,011	\$304,969	-\$236,516	-\$994,221	-\$11,906,811	\$0	-\$10,071,723	\$0	-\$1,836,088	-\$994,221	\$0	-\$249,958	-\$41,244	-\$785,507
RSVA - Global Adjustment 4	1589	\$0	\$0	\$0	-\$1,561,781	-\$1,561,781	\$0	\$0	\$0	\$116,929	\$116,929	-\$1,561,781	\$0	\$2,544,768	\$0	-\$4,106,548	\$116,929	\$0	\$94,304	-\$92,295	-\$69,669

For all OEB-Approved dispositions, please ensure that the disposition amount has the same sign (e.g. debit balances are to have a positive figure and credit balance are to have a negative figure)

Please provide explanations for the nature of the adjustments. If the adjustment relates to previously OEB-Approved disposed balances, please provide amounts for adjustments and include supporting documentations.

- 1) If the LDC's rate year begins on January 1, 2021, the projected interest is recorded from January 1, 2020 to December 31, 2020 on the December 31, 2019 balances adjusted to remove balances approved for disposition in the 2020 rate decision.
- 2) If the LDC's rate year begins on May 1, 2021, the projected interest is recorded from January 1, 2020 to April 30, 2021 on the December 31, 2019 balances adjusted to remove balances approved for disposition in the 2020 rate decision.

The individual sub-accounts as well as the total for all Account 1595 sub-accounts is to agree to the RRR data. Differences need to be explained. For each Account 1595 sub-account, the transfer of the balance approved for disposition into Account 1595 is to be recorded in "OEB Approved Disposition" column. The recovery/refund is to be recorded in the "Transactions" column. Any vintage year of Account 1595 is only to be disposed once on a final basis. No further dispositions of these accounts are generally expected thereafter, unless justified by the distributor.

Refer to Filing Requirements for disposition eligibility of the sub-accounts. Select "yes" column BU if the sub-account is requested for disposition. Note that Accounts 1586 (2018) and (2019) will not be eligible for disposition in the 2021 rate application.

New accounting guidance effective January 1, 2019 for Accounts 1588 and 1589 was issued Feb. 21, 2019 titled Accounting Procedures Handbook Update - Accounting Guidance Related to Commodity Pass Through Accounts 1588 & 1589. The amount in the "Transactions" column in this DVA Continuity Schedule are to equal the transactions in the General Ledger (excluding any amounts approved for disposition, which is shown separately in the "OEB Approved Disposition" columns). Any true-up/adjustments/reversals needed to derive the claim amount must be shown separately in the "Principal Adjustments" columns of this DVA Continuity Schedule.

Account 1580 RSVA WMS balance inputted into this schedule is to exclude any amounts relating to CBR. CBR amounts are to be inputted into Account 1580, sub-accounts CBR Class A and Class B separately. There is no disposition of Account 1580, sub-account CBR Class A, accounting guidance for this sub-account is to be followed. If a balance exists for Account 1580, sub-account CBR Class A as at Dec. 31, 2018, the balance must be explained.

RRR balance for Account 1580 RSVA - Wholesale Market Service Charge should equal to the control account as reported in the RRR. This would include the balance for Account 1580, Variance WMS - Sub-account CBR Class B.

Energy Board

Deferral/Variance Account Workform

Please see instructions tab for detailed instructions on how to complete the DVA Continuity Schedule. Column BV has been pre-populated from the most recent RRR filing

Account Descriptions	Account Number	2020				Projected Interest on Dec-31-19 Balances				Accounts To Dispose Yes/No	2.1.7 RRR As of Dec 31-19	Variance RRR vs. 2019 Balance (Principal + Interest)
		Principal Disposition during 2020 - instructed by OEB	Interest Disposition during 2020 - instructed by OEB	Closing Principal Balances as of Dec 31-19 Adjusted for Dispositions during 2020	Closing Interest Balances as of Dec 31-19 Adjusted for Dispositions during 2020	Projected Interest from Jan 1, 2020 to December 31, 2020 on Dec 31 -19 balance adjusted for disposition during 2020 (2)	Projected Interest from January 1, 2021 to April 30, 2021 on Dec 31 -19 balance adjusted for disposition during 2020 (2)	Total Interest	Total Claim			
Group 1 Accounts												
LV Variance Account	1550	-\$85,363	-\$2,635	\$0	\$0	\$0	\$0	\$0	\$0.00		-\$87,997.70	\$0
Smart Metering Entity Charge Variance Account	1551	-\$303,668	-\$11,265	\$0	\$0	\$0	\$0	\$0	\$0.00		-\$314,932.52	\$0
RSVA - Wholesale Market Service Charge ⁶	1580	-\$1,383,238	-\$36,567	\$0	\$0	\$0	\$0	\$0	\$0.00		-\$1,419,805.45	\$0 Variance d
Variance WMS – Sub-account CBR Class A ⁵	1580			\$0	\$0	\$0	\$0	\$0	\$0.00		\$0.10	\$0
Variance WMS – Sub-account CBR Class B ⁵	1580	-\$140,241	-\$4,878	\$0	\$0	\$0	\$0	\$0	\$0.00		-\$145,119.40	\$0
RSVA - Retail Transmission Network Charge	1584	\$104,806	-\$1,087	\$0	\$0	\$0	\$0	\$0	\$0.00		\$103,719.51	\$0
RSVA - Retail Transmission Connection Charge	1586	-\$617,377	-\$22,527	\$0	\$0	\$0	\$0	\$0	\$0.00		-\$639,903.23	\$0
RSVA - Power (excluding Global Adjustment) ⁷	1588	\$1,063,752	\$61,804	\$0	\$0	\$0	\$0	\$0	\$0.00	No	\$1,125,555.72	\$0
RSVA - Global Adjustment ⁴	1589	-\$4,106,548	-\$69,669	\$0	\$0	\$0	\$0	\$0	\$0.00	No	-\$4,176,217.61	\$0
Disposition and Recovery/Refund of Regulatory Balances (2014) ²	1595	-\$90,123	-\$5,221	\$0	\$0	\$0	\$0	\$0	\$0.00	No	-\$95,343.90	\$0
Disposition and Recovery/Refund of Regulatory Balances (2015) ²	1595			\$0	\$0	\$0	\$0	\$0	\$0.00	No	\$0.00	\$0
Disposition and Recovery/Refund of Regulatory Balances (2016) ²	1595			\$91,117	-\$24,751	\$2,048	-\$556	-\$23,260	\$0.00	No	\$66,365.31	\$0
Disposition and Recovery/Refund of Regulatory Balances (2017) ²	1595			-\$188,899	-\$312,876	-\$4,246	-\$7,032	-\$324,153	\$0.00	No	-\$501,774.70	\$0
Disposition and Recovery/Refund of Regulatory Balances (2018) ²	1595			-\$285,855	-\$425,504	-\$6,425	-\$9,563	-\$441,492	\$0.00	No	-\$711,358.96	\$0
Disposition and Recovery/Refund of Regulatory Balances (2019) ²	1595			\$0	\$0	\$0	\$0	\$0	\$0.00	No		\$0
<i>Not to be disposed of until a year after rate rider has expired and that balance has been audited</i>												
Group 1 Sub-Total (including Account 1589 - Global Adjustment)		-\$5,557,999	-\$92,045	-\$383,637	-\$763,131	-\$8,622	-\$17,151	-\$788,905	\$0.00		-\$6,796,812.83	\$0
Group 1 Sub-Total (excluding Account 1589 - Global Adjustment)		-\$1,451,451	-\$22,376	-\$383,637	-\$763,131	-\$8,622	-\$17,151	-\$788,905	\$0.00		-\$2,620,595.22	\$0
RSVA - Global Adjustment 4	1589	-\$4,106,548	-\$69,669	\$0	\$0	\$0	\$0	\$0	\$0.00		-\$4,176,217.61	\$0

For all OEB-Approved dispositions, please ensure that the disposition amount has the same sign (e.g. debit balances are to have a positive figure and credit balance are to have a negative figure)

Please provide explanations for the nature of the adjustments. If the adjustment relates to previously OEB-Approved disposed balances, please provide amounts for adjustments and include supporting documentations.

- 1) If the LDC's rate year begins on January 1, 2021, the projected interest is recorded from January 1, 2020 to December 31, 2020 on the December 31, 2019 balances adjusted to remove balances approved for disposition in the 2020 rate decision.
- 2) If the LDC's rate year begins on May 1, 2021, the projected interest is recorded from January 1, 2020 to April 30, 2021 on the December 31, 2019 balances adjusted to remove balances approved for disposition in the 2020 rate decision.

The individual sub-accounts as well as the total for all Account 1595 sub-accounts is to agree to the RRR data. Differences need to be explained. For each Account 1595 sub-account, the transfer of the balance approved for disposition into Account 1595 is to be recorded in "OEB Approved Disposition" column. The recovery/refund is to be recorded in the "Transaction" column. Any vintage year of Account 1595 is only to be disposed once on a final basis. No further dispositions of these accounts are generally expected thereafter, unless justified by the distributor.

Refer to Filing Requirements for disposition eligibility of the sub-accounts. Select "yes" column BU if the sub-account is requested for disposition. Note that Accounts 1595 (2018) and (2019) will not be eligible for disposition in the 2021 rate application.

New accounting guidance effective January 1, 2019 for Accounts 1588 and 1589 was issued Feb. 21, 2019 titled Accounting Procedures Handbook Update - Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589. The amount in the "Transactions" column in this DVA Continuity Schedule are to equal the transactions in the General Ledger (excluding any amounts approved for disposition, which is shown separately in the "OEB Approved Disposition" column). Any true-ups/adjustments/reversals needed to derive the claim amount must be shown separately in the "Principal Adjustments" columns of this DVA Continuity Schedule.

Account 1580 RSVA WMS balance inputted into this schedule is to exclude any amounts relating to CBR. CBR amounts are to be inputted into Account 1580, sub-accounts CBR Class A and Class B separately. There is no disposition of Account 1580, sub-account CBR Class A, accounting guidance for this sub-account is to be followed. If a balance exists for Account 1580, sub-account CBR Class A as at Dec. 31, 2019, the balance must be explained.

RRR balance for Account 1580 RSVA - Wholesale Market Service Charge should equal to the control account as reported in the RRR. This would include the balance for Account 1580, Variance WMS – Sub-account CBR Class B.

Ontario Energy Board



2021 Deferral/Variance Account Workform

Accounts that produced a variance on the continuity schedule are listed below.
 Please provide a detailed explanation for each variance below.

Account Descriptions	Account Number	Variance RRR vs. 2019 Balance (Principal + Interest)	Explanation
Variance WMS – Sub-account CBR Class B5	1580	\$ -	General Comment: Adjustments were made in 2019 Principle Adjustments column BF. For more information related to the adjustments, please see Exhibit 9-1-1: Current Deferral and Variance Accounts - Summary and 9-1-3: Group 2 Accounts.
Other Regulatory Assets - Sub-Account - Y-Factor Variance Account	1508	\$ (335,267.00)	Added true-up adjustments related to 2019 and 2020 revenue requirement of Y Factor Account.
Other Regulatory Assets - Sub-Account - Gains/Losses from Sale of Existing Facilities Deferral Account	1508	\$ 2,025,711.00	Inclusion of gain related to sale of existing facilities.
Other Regulatory Assets - Sub-Account - New Facilities Deferral Account	1508	\$ (4,634,058.00)	Inclusion of 2019 and 2020 revenue requirement for above \$66.0M on new facilities and related land.
	0 1508	\$ (41,310.00)	Model pulling from hidden row.
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	\$ 8,092,672.00	Adjustments related to 2018, 2019 and 2020 revenue requirement impact related to accelerated CCA for approved base rates, Y Factor, New Facilities and CCRA Regulatory Accounts. See Exhibit 9-1-4: Account 1592 PILS and Tax Variance.
LRAM Variance Account4	1568	\$ 2,609,125.17	Adjustment was made in columns BD and BI to reverse all LRAM recorded, while adjustment was added to column BF to balance to LRAM being requested, please see Exhibit: 4-5-2 LRAM Variance Account.
Renewable Generation Connection OM&A Deferral Account	1532	\$ 4.00	
Smart Grid OM&A Deferral Account	1535	\$ 3.00	

 Ontario Energy Board
2021 Deferral/Variance Account Workform

In the green shaded cells, enter the data related to the proposed load forecast. Do not enter data for the MicroFit class.

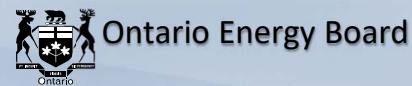
Rate Class <small>(Enter Rate Classes in cells below as they appear on your current tariff of rates and charges)</small>	Units	# of Customers	A		B		Distribution Revenue	C		D=A-C		E		F =B-C-E (deduct E if applicable)		Number of Customers for Residential and GS<50 classes ²
			Total Metered kWh	Total Metered kW	Metered kWh for Non-RPP Customers ⁴	Metered kW for Non-RPP Customers ⁴		Metered kWh for Wholesale Market Participants (WMP)	Metered kW for Wholesale Market Participants (WMP)	Total Metered kWh less WMP consumption (if applicable)	Total Metered kW less WMP consumption (if applicable)	Forecast Total Metered kWh for Full Year Class A Customers	Forecast Total Metered kW for Transition Customers	Non-RPP Metered Consumption for Current Class B Customers (Non-RPP Consumption excluding WMP, Class A and Transition Customers' Consumption)	1568 LRAM Variance Account Class Allocation ³ (\$ amounts)	
RESIDENTIAL	kWh	316,346	2,253,081,000		52,020,724		115,126,861			2,253,081,000	-	-	-	52,020,724	312,463	316,346
GENERAL SERVICE LESS THAN 50 KW	kWh	25,391	700,163,000		100,407,891		24,788,594			700,163,000	-	-	-	100,407,891	248,858	25,391
GENERAL SERVICE 50 TO 1,499 KW	kW	3,120	2,819,476,000	6,816,104	2,384,007,697	5,288,918	44,650,293	33,563,849	61,969	2,785,912,151	6,754,135	-	-	2,350,443,848	(33,797)	
GENERAL SERVICE 1,500 TO 4,999 KW	kW	68	682,977,000	1,518,349	682,977,000	1,422,314	11,140,168	546,382	35,529	682,430,618	1,482,820	-	-	682,430,618	(9,089)	
LARGE USER	kW	11	574,292,000	1,052,899	574,292,000	966,207	7,559,360			574,292,000	1,052,899	-	-	574,292,000	(6,174)	
UNMETERED SCATTERED LOAD	kWh	3,321	13,602,000				580,589			13,602,000	-	-	-		(4,051)	
STANDBY POWER GENERAL SERVICE 50 TO 1,499 KW	kW															
STANDBY POWER GENERAL SERVICE 1,500 TO 4,999 KW	kW	3		7,440							7,440	-	-			
STANDBY POWER GENERAL SERVICE LARGE USE	kW															
SENTINEL LIGHTING	kW	55	47,000	132			4,955			47,000	132	-	-			
STREET LIGHTING	kW	62,806	22,107,000	61,588	22,079,584	66,939	1,114,252			22,107,000	61,588	-	-	22,079,584	(16,390)	
MICROFIT AND MICRO-NET METERING																
FIT																
HCI, RESOP, OTHER ENERGY RESOURCE																
Total		411,121	7,065,745,000	9,456,512	3,815,784,896	7,744,378	\$ 204,944,870		34,110,231	97,498	7,031,634,769	9,359,014			3,781,674,665	\$ 491,812
															\$	491,812
															\$	0

¹ Account 1595 sub-accounts are to be allocated to rate classes in proportion to the recovery share as established when rate riders were implemented.

² The proportion of customers for the Residential and GS<50 Classes will be used to allocate Account 1551.

³ Input the allocation as determined in the LRAMVA model. The associated rate riders will be calculated in the EDDVAR model.

⁴ If a distributor uses the actual GA price to bill non-RPP Class B customers for an entire rate class, it must exclude these customers from the allocation of the GA balance and the calculation of the resulting rate riders. These rate classes are not to be charged/refunded the general GA rate rider as they did not contribute to the GA balance. If this is the case, this must be noted in the evidence and the proposed allocation methodology must be explained.



2021 Deferral/Variance Account Workform

- 1a The year Account 1589 GA was last disposed
- 1b The year Account 1580 CBR Class B was last disposed Note that the sub-account was established in 2015.
- 2a Did you have any customers who transitioned between Class A and Class B (transition customers) during the period the Account 1589 GA balance accumulated (i.e. from the year after the balance was last disposed (regardless of if the disposition was interim or final) to the current year requested for disposition)? (e.g. If you received approval to dispose of the GA variance account balance as at December 31, 2015, the period the GA variance accumulated would be 2016 to 2018.)
- 2b Did you have any customers who transitioned between Class A and Class B (transition customers) during the period the Account 1580, sub-account CBR Class B balance accumulated (i.e. from the year after the balance was last disposed (regardless of if the disposition was interim or final) to the current year requested for disposition)? (e.g. If you received approval to dispose of the CBR Class B balance as at December 31, 2016, the period the CBR Class B variance accumulated would be 2017 to 2018.)
- 3b Enter the number of rate classes in which there were customers who were Class A for the full year during the period the Account 1589 GA or Account 1580 CBR B balance accumulated (i.e. from the year after the balance was last disposed (regardless of if the disposition was interim or final) to the current year requested for disposition).

In the table, enter i) the total Class A consumption for full year Class A customers in each rate class for each year (including any transition customers identified in table 3a above); and ii) the total forecast Class A and Class B consumption for transition customers and full year Class A customers in each rate class for the test year.

Rate Classes with Class A Customers - Billing Determinants by Rate Class		Transition Customers (Total Class A and B Consumption)	Class A Customer for Full Year (Total Class A Consumption)
Rate Class		Test Year Forecast	Test Year Forecast
	kWh		
	kW		
	kWh		
	kW		
	kWh		
	kW		



2021 Deferral/Variance Account Workform

This tab allocates the GA balance to transition customers (i.e Class A customers who were former Class B customers and Class B customers who were former Class A customers) who contributed to the current GA balance. The tables below calculate specific amounts for each customer who made the change. The general GA rate rider to non-RPP customers is not to be charged to the transition customers that are allocated amounts in the table below. Consistent with prior decisions, distributors are generally expected to settle the amount through 12 equal adjustments to bills.

Year Account 1589 GA Balance Last Disposed

2018

Allocation of total Non-RPP Consumption (kWh) between Current Class B and Class A/B Transition Customers

		Total	2019
Non-RPP Consumption Less WMP Consumption	A	-	-
Less Class A Consumption for Partial Year Class A Customers	B	-	-
Less Consumption for Full Year Class A Customers	C	-	-
Total Class B Consumption for Years During Balance Accumulation	D = A-B-C	-	-
All Class B Consumption for Transition Customers	E	-	-
Transition Customers' Portion of Total Consumption	F = E/D	0.00%	

Allocation of Total GA Balance \$

Total GA Balance	G	\$	-
Transition Customers Portion of GA Balance	H=F*G	\$	-
GA Balance to be disposed to Current Class B Customers through Rate Rider	I=G-H	\$	-

Allocation of GA Balances to Class A/B Transition Customers

# of Class A/B Transition Customers		0				
Customer	Total Metered Consumption (kWh) for Transition Customers During the Period When They Were Class B Customers	Metered Consumption (kWh) for Transition Customers During the Period When They Were Class B Customers in 2019	% of kWh	Customer Specific GA Allocation for the Period When They Were a Class B customer	Monthly Equal Payments	
Total	0	0	0.00%	\$	-	



Ontario Energy Board

2021 Deferral/Variance Account Workform

No input Required in this tab. The purpose of this tab is to calculate the billing determinants for CBR rate riders for all current Class B customers who did not transition between Class A and B in the period since the Account 1580, sub-account CBR Class B balance accumulated.

The Year the Account 1580 CBR Class B was Last Disposed.

2018

	Total Metered Forecast Consumption Minus WMP		Forecast Total Metered Test Year kWh for Full Year Class A Customers		Forecast Total Metered Test Year kWh for Transition Customers		Metered Consumption for Current Class B Customers (Total Consumption LESS WMP, Class A and Transition Customers' Consumption)		% of total kWh
	kWh	kW	kWh	kW	kWh	kW	kWh	kW	
RESIDENTIAL	2,253,081,000	-	0	0	0	0	2,253,081,000	-	32%
GENERAL SERVICE LESS THAN 50 KW	700,163,000	-	0	0	0	0	700,163,000	-	10%
GENERAL SERVICE 50 TO 1,499 KW	2,785,912,151	6,754,135	0	0	0	0	2,785,912,151	6,754,135	40%
GENERAL SERVICE 1,500 TO 4,999 KW	682,430,618	1,482,820	0	0	0	0	682,430,618	1,482,820	10%
LARGE USER	574,292,000	1,052,899	0	0	0	0	574,292,000	1,052,899	8%
UNMETERED SCATTERED LOAD	13,602,000	-	0	0	0	0	13,602,000	-	0%
STANDBY POWER GENERAL SERVICE 50 TO 1,499 KW	-	-	0	0	0	0	-	-	0%
STANDBY POWER GENERAL SERVICE 1,500 TO 4,999 KW	-	7,440	0	0	0	0	-	7,440	0%
STANDBY POWER GENERAL SERVICE LARGE USE	-	-	0	0	0	0	-	-	0%
SENTINEL LIGHTING	47,000	132	0	0	0	0	47,000	132	0%
STREET LIGHTING	22,107,000	61,588	0	0	0	0	22,107,000	61,588	0%
MICROFIT AND MICRO-NET METERING	-	-	0	0	0	0	-	-	0%
FIT	-	-	0	0	0	0	-	-	0%
HCI, RESOP, OTHER ENERGY RESOURCE	-	-	0	0	0	0	-	-	0%
-	-	-	0	0	0	0	-	-	0%
-	-	-	0	0	0	0	-	-	0%
-	-	-	0	0	0	0	-	-	0%
-	-	-	0	0	0	0	-	-	0%
-	-	-	0	0	0	0	-	-	0%
Total	7,031,634,769	9,359,014	-	-	-	-	7,031,634,769	9,359,014	100%

Ontario Energy Board
2021 Deferral/Variance Account Workform

Please indicate the Rate Rider Recovery Period (in months):

Rate Rider Calculation for Group 1 Deferral / Variance Accounts Balances (excluding Global Adj.)

1580, 1581, 1584, 1585, 1587, 1588 and 1589 per customer

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 1 Balance (excluding 1599)	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL		-	\$ -	-
GENERAL SERVICE LESS THAN 50 KW		-	\$ -	-
GENERAL SERVICE 50 TO 1,499 KW		-	\$ -	-
GENERAL SERVICE 1,500 TO 4,999 KW		-	\$ -	-
LARGE USER		-	\$ -	-
UNMETERED SCATTERED LOAD		-	\$ -	-
STANDBY POWER GENERAL SERVICE 50 TO 1,499 KW		-	\$ -	-
STANDBY POWER GENERAL SERVICE 1,500 TO 4,999 KW		-	\$ -	-
STANDBY POWER GENERAL SERVICE LARGE USE		-	\$ -	-
SENTINEL LIGHTING		-	\$ -	-
STREET LIGHTING		-	\$ -	-
MICROFIT AND MICRO-NET METERING		-	\$ -	-
FIT		-	\$ -	-
HCI, RESOP, OTHER ENERGY RESOURCE		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
Total			\$ -	-

Rate Rider Calculation for Group 1 Deferral / Variance Accounts Balances (excluding Global Adj.) - NON-WMP

1599, 1598

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 1 Balance - Non-WMP	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL		-	\$ -	-
GENERAL SERVICE LESS THAN 50 KW		-	\$ -	-
GENERAL SERVICE 50 TO 1,499 KW		-	\$ -	-
GENERAL SERVICE 1,500 TO 4,999 KW		-	\$ -	-
LARGE USER		-	\$ -	-
UNMETERED SCATTERED LOAD		-	\$ -	-
STANDBY POWER GENERAL SERVICE 50 TO 1,499 KW		-	\$ -	-
STANDBY POWER GENERAL SERVICE 1,500 TO 4,999 KW		-	\$ -	-
STANDBY POWER GENERAL SERVICE LARGE USE		-	\$ -	-
SENTINEL LIGHTING		-	\$ -	-
STREET LIGHTING		-	\$ -	-
MICROFIT AND MICRO-NET METERING		-	\$ -	-
FIT		-	\$ -	-
HCI, RESOP, OTHER ENERGY RESOURCE		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
Total			\$ -	-

Only for rate classes with WMP customers are the Deferral/Variance Account Rate Riders for Non-WMP calculated separately in the table above. For all rate classes without WMP customers, balances in Accounts 1580 and 1588 are included in Deferral/Variance Account Rate Riders calculated in the first table above and disposed through a combined Deferral/Variance Account and Rate Rider.

Rate Rider Calculation for Account 1580, sub-account CBR Class B

1580, Sub-account CBR Class B

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Sub-account 1580 CBR Class B Balance	Rate Rider for Sub-account 1580 CBR Class B
RESIDENTIAL		-	\$ -	-
GENERAL SERVICE LESS THAN 50 KW		-	\$ -	-
GENERAL SERVICE 50 TO 1,499 KW		-	\$ -	-
GENERAL SERVICE 1,500 TO 4,999 KW		-	\$ -	-
LARGE USER		-	\$ -	-
UNMETERED SCATTERED LOAD		-	\$ -	-
STANDBY POWER GENERAL SERVICE 50 TO 1,499 KW		-	\$ -	-
STANDBY POWER GENERAL SERVICE 1,500 TO 4,999 KW		-	\$ -	-
STANDBY POWER GENERAL SERVICE LARGE USE		-	\$ -	-
SENTINEL LIGHTING		-	\$ -	-
STREET LIGHTING		-	\$ -	-
MICROFIT AND MICRO-NET METERING		-	\$ -	-
FIT		-	\$ -	-
HCI, RESOP, OTHER ENERGY RESOURCE		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
Total			\$ -	-

Rate rider calculated separately only if Class A customers exist during the period the balance accumulated

Rate Rider Calculation for RSVA - Power - Global Adjustment

(Balance of Account 1559 Allocated to Non-Wholesale)

Rate Class (Enter Rate Classes in cells below)	Units	kWh	Allocated Global Adjustment Balance	Rate Rider for RSVA - Power - Global Adjustment
RESIDENTIAL	kWh	52,020,724	\$ -	-
GENERAL SERVICE LESS THAN 50 KW	kWh	100,407,891	\$ -	-
GENERAL SERVICE 50 TO 1,499 KW	kWh	2,350,443,945	\$ -	-
GENERAL SERVICE 1,500 TO 4,999 KW	kWh	682,430,618	\$ -	-
LARGE USER	kWh	574,292,000	\$ -	-
UNMETERED SCATTERED LOAD	kWh	-	\$ -	-
STANDBY POWER GENERAL SERVICE 50	kWh	-	\$ -	-
STANDBY POWER GENERAL SERVICE 1.5	kWh	-	\$ -	-
STANDBY POWER GENERAL SERVICE LA	kWh	-	\$ -	-
SENTINEL LIGHTING	kWh	-	\$ -	-
STREET LIGHTING	kWh	22,079,584	\$ -	-
MICROFIT AND MICRO-NET METERING	kWh	-	\$ -	-
FIT	kWh	-	\$ -	-
HCI, RESOP, OTHER ENERGY RESOURC	kWh	-	\$ -	-
	kWh	-	\$ -	-
	kWh	-	\$ -	-
	kWh	-	\$ -	-
	kWh	-	\$ -	-
	kWh	-	\$ -	-
Total			\$ -	-

Rate riders for Global Adjustment is to be calculated on the basis of kWh for all classes.

Rate Rider Calculation for Group 2 Accounts

Rate Class (Enter Rate Classes in cells below)	Units	# of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
RESIDENTIAL	# of Customers	316,346	\$ 3,507,390	\$ 0.92
GENERAL SERVICE LESS THAN 50 KW	kWh	700,163,000	\$ 764,560	\$ 0.0011
GENERAL SERVICE 50 TO 1,499 KW	kW	6,816,104	\$ 1,360,290	\$ 0.1996
GENERAL SERVICE 1,500 TO 4,999 KW	kW	1,518,349	\$ 339,390	\$ 0.2235
LARGE USER	kWh	1,052,899	\$ 230,295	\$ 0.2187
UNMETERED SCATTERED LOAD	kWh	13,602,000	\$ 17,688	\$ 0.0013
STANDBY POWER GENERAL SERVICE 50 TO 1,499 KW		-	\$ -	-
STANDBY POWER GENERAL SERVICE 1,500 TO 4,999 KW		-	\$ -	-
STANDBY POWER GENERAL SERVICE LARGE USE		-	\$ -	-
SENTINEL LIGHTING	kW	132	\$ 151	\$ 1.1436
STREET LIGHTING	kW	61,588	\$ 33,946	\$ 0.5512
MICROFIT AND MICRO-NET METERING		-	\$ -	-
FIT		-	\$ -	-
HCI, RESOP, OTHER ENERGY RESOURC		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
Total			\$ 6,243,734	

As per the Board's letter issued July 16, 2015 outlining details regarding the implementation of the transition to fully fixed distribution charges for residential customers, Residential rates for group 2 accounts are to be on a per customer basis. Please choose "number of customers" for the Residential class.

Rate Rider Calculation for Accounts 1575 and 1576

Please indicate the Rate Rider Recovery Period (in months)

Rate Class (Enter Rate Classes in cells below)	Units	# of Customers	Allocated Accounts 1575 and 1576 Balances	Rate Rider for Accounts 1575 and 1576
RESIDENTIAL			\$ -	-
GENERAL SERVICE LESS THAN 50 KW			\$ -	-
GENERAL SERVICE 50 TO 1,499 KW			\$ -	-
GENERAL SERVICE 1,500 TO 4,999 KW			\$ -	-
LARGE USER			\$ -	-
UNMETERED SCATTERED LOAD			\$ -	-
STANDBY POWER GENERAL SERVICE 50 TO 1,499 KW			\$ -	-
STANDBY POWER GENERAL SERVICE 1,500 TO 4,999 KW			\$ -	-
STANDBY POWER GENERAL SERVICE LARGE USE			\$ -	-
SENTINEL LIGHTING			\$ -	-
STREET LIGHTING			\$ -	-
MICROFIT AND MICRO-NET METERING			\$ -	-
FIT			\$ -	-
HCI, RESOP, OTHER ENERGY RESOURC			\$ -	-
			\$ -	-
			\$ -	-
			\$ -	-
			\$ -	-
			\$ -	-
			\$ -	-
			\$ -	-
Total			\$ -	-

As per the Board's letter issued July 16, 2015 outlining details regarding the implementation of the transition to fully fixed distribution charges for residential customers, Residential rates for group 2 accounts, including Accounts 1575 and 1576 are to be on a per customer basis. Please choose "number of customers" for the Residential class.

Rate Rider Calculation for Accounts 1568

Please indicate the Rate Rider Recovery Period (in months)

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Account 1568 Balance	Rate Rider for Account 1568
RESIDENTIAL	# of Customers	316,346	\$ 312,463	\$ 0.0023
GENERAL SERVICE LESS THAN 50 KW	kWh	700,163,000	\$ 248,850	\$ 0.0004
GENERAL SERVICE 50 TO 1,499 KW	kW	6,816,104	\$ 33,797	\$ 0.0050
GENERAL SERVICE 1,500 TO 4,999 KW	kW	1,518,349	\$ 9,089	\$ 0.0060
LARGE USER	kWh	1,052,899	\$ 6,174	\$ 0.0059
UNMETERED SCATTERED LOAD	kWh	13,602,000	\$ 4,051	\$ 0.0003
STANDBY POWER GENERAL SERVICE 50 TO 1,499 KW		-	\$ -	-
STANDBY POWER GENERAL SERVICE 1,500 TO 4,999 KW		-	\$ -	-
STANDBY POWER GENERAL SERVICE LARGE USE		-	\$ -	-
SENTINEL LIGHTING	kW	132	\$ -	-
STREET LIGHTING	kW	61,588	\$ 16,390	\$ 0.2661
MICROFIT AND MICRO-NET METERING		-	\$ -	-
FIT		-	\$ -	-
HCI, RESOP, OTHER ENERGY RESOURC		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
		-	\$ -	-
Total			\$ 491,812	

GROUP 1 ACCOUNTS

1. INTRODUCTION

As per the OEB's report on the *Electricity Distributors' Deferral and Variance Account Review Initiative* ("EDDVAR Report"), Group 1 accounts include account balances that are cost pass-through and accounts whose original balances were approved by the OEB in a previous proceeding.¹ Please see Table 1 in Exhibit 9-1-1: Summary of Current Deferral and Variance Accounts for a list of Hydro Ottawa's active Group 1 deferral and variance accounts ("DVAs").

2. ENERGY SALES AND COST OF POWER EXPENSE BALANCES

The sale of energy and the purchase of power are pass-through transactions. Hydro Ottawa records monthly retail settlement variance entries related to any difference between the Power Recovery Revenue and Purchased Power.

Upon the adoption of International Financial Reporting Standards (and specifically, of IFRS 14 - Regulatory Deferrals Accounts ["IFRS 14"]), the impact of regulatory deferral account balances, including retail settlement variance accounts, are presented as "Net movements in regulatory balances, net of tax" on Hydro Ottawa's statements of profit and loss. IFRS 14 permits an entity to continue to account for regulatory deferral account balances in accordance with its previous Canadian Generally Accepted Accounting Principles ("CGAAP"). However, the presentation of regulatory accounts on the Financial Statement has changed from CGAAP.

Totals for Energy Sales ("Power Recovery Revenue") and Cost of Power ("Purchased Power"), per the Uniform System of Accounts ("USofA"), are reconciled to the audited financial statements in Table 1 below.

¹ Ontario Energy Board, *Report of the Board: Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)*, EB-2008-0046 (July 31, 2009).

1 **Table 1 – Power Recovery Revenue and Purchased Power Reconciliation to Audited**
 2 **Financial Statements**

	2018²
Total Power Recovery Revenue as per Audited Financial Statements	\$(857,382,585)
RSVA - General Energy Sales	\$3,207,780
RSVA – Wholesale Market Service Charge – Net Movement	\$1,523,480
RSVA – Retail Transmission Connection Charge – Net Movement	\$ 617,376
LV Variance Account – Net Movement	\$85,363
IFRS Regulatory Balance Adjustment (IFRS 14) ³	\$(967,947)
Total Power Recovery Revenue as per RRR	\$(852,916,534)
Total Purchased Power as per Audited Financial Statements	\$864,442,255
RSVA – Power (excluding Global Adjustment) – Net Movement	\$(736,537)
RSVA – Retail Transmission Network Charge – Net Movement	\$(104,806)
IFRS Regulatory Balance Adjustment (IFRS 14)	\$(10,684,378)
Total Purchased Power as per RRR	\$852,916,534
NET POWER RECOVERY REVENUE AND PURCHASED POWER as per RRR	-

3
 4 Totals for Power Recovery Revenue and Purchased Power by USofA are presented in Table 2
 5 below.

² Information on the reconciliation for previous years (i.e. 2016 and 2017) is available in the annual rate adjustment applications submitted by Hydro Ottawa and approved by the OEB, as part of the utility's 2016-2020 Custom Incentive Rate-Setting ("Custom IR") rate plan. Applicable OEB file numbers are EB-2017-0052 and EB-2018-0044.

³ These amounts are included in the "Net movement in regulatory balances, net of tax" on the Statement of Income. All rate-regulated transactions for the period are summarized and presented as "Net movement in regulatory balances, net of tax" under IFRS 14.

1

Table 2 – Power Recovery Revenue and Purchased Power

Account and Description	2018
4006 Residential Energy Sales	\$(197,848,344)
4020 Energy Sales to Large Users	\$(54,947,342)
4025 Street Lighting Energy Sales	\$(3,751,464)
4030 Sentinel Lighting Energy Sales	\$0
4035 General Energy Sales	\$(478,470,453)
4050 Revenue Adjustment	\$0
4062 Billed – WMS	\$(27,902,917)
4066 Billed – NW	\$(49,963,599)
4068 Billed – CN	\$(37,527,239)
4075 Billed – LV	\$(350,336)
4076 Billed – Smart Metering Entity Charge	\$(2,154,840)
Total Power Recovery Revenue	\$(852,916,534)
4705 Power Purchased	\$378,957,229
4707 Charges – Global Adjustment	\$356,060,374
4708 Charges – WMS	\$27,902,917
4714 Charges – NW	\$49,963,599
4716 Charges – CN	\$37,527,239
4750 Charges – LV	\$350,336
4751 Charges – Smart Metering Entity Charge	\$2,154,840
Total Purchased Power	\$852,916,534
NET POWER RECOVERY REVENUE AND PURCHASED POWER	\$0

2

3

3. CLASS A & CLASS B GLOBAL ADJUSTMENT AND COMMODITY

4

Total wholesale purchases include purchases from the Independent Electricity System Operator (“IESO”), Hydro One Networks Inc. and various embedded generators. On a monthly basis, Hydro Ottawa accrues purchased power cost, which includes cost for CT 148 - Class B Global Adjustment (“GA”) and CT 101 - Commodity. Hydro Ottawa records such amounts into

5

6

7

8

pass-through Class B GA expense and Commodity expense accounts, respectively.

1 Hydro Ottawa also accrues unbilled Power Recovery Revenue, which includes revenue for
2 Class B Global Adjustment and Commodity. The utility records amounts into pass-through Class
3 B GA revenue and Commodity revenue accounts, respectively.

4
5 Hydro Ottawa bills all Class B non-Regulated Price Plan (“RPP”) customers on the first GA rate
6 posted on the IESO’s website. For Commodity, Hydro Ottawa bills RPP customers the Time of
7 Use (“TOU”) or Tiered prices (“Tiered”). Non-RPP customers are billed the weighted average
8 hourly spot price (“WAHSP”) or the Hourly Ontario Energy Price (“HOEP”). The RPP portion of
9 the CT 148 GA Charge is recorded into the Commodity expense account. Hydro Ottawa
10 confirms that journal entries are recorded as instructed in the OEB’s accounting guidance
11 related to commodity pass-through Accounts 1588 and 1589.⁴

12
13 The estimates for unbilled Power Recovery Revenue are based on preliminary metered data.
14 An interval class customer’s unbilled estimate is based on preliminary metered hourly data,
15 while a non-interval class customer’s unbilled data is based on preliminary smart metered data.
16 Where meter data is missing, a class average is used as an estimate.

17
18 By the fourth business day of the following month, Hydro Ottawa submits to the IESO the
19 difference between fixed price for TOU and Tiered purchases, as well as the estimated weighted
20 average price for RPP customers and the RPP portion of the GA Charge, which is based upon
21 the second GA rate multiplied by the estimated TOU and Tiered kWh (billed and unbilled). The
22 RPP portion of the GA Charge is recorded into Account 1588. The RPP proration is based on
23 billed and estimated unbilled kWh. This is requested through CT 142.

24
25 RPP settlement CT 142 first true-up is completed the month following the initial settlement claim
26 and consists of updating the GA second rate to actual GA rate paid. At the same time, the
27 updates are made to the wholesale purchased power cost (price and volume) to actual price

⁴ Ontario Energy Board, *Accounting Procedures Handbook Update - Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589* (February 21, 2019), page 33.

1 and quantity. Additional true-ups are completed when actual kWh sales for RPP customers vs.
2 non-RPP customers are known. All changes are recorded in the general ledger.

3
4 Final true-up between 1588 and 1589 will be completed up to and as at May 31 of each
5 subsequent year for the previous calendar year. Final reviews for 2018 were completed and
6 reported as part of Hydro Ottawa's 2020 annual rate adjustment application.⁵

7
8 Hydro Ottawa bills its Class A customers the amount the utility pays for Class A global
9 adjustment.

10
11 Hydro Ottawa has no embedded distributors in its service territory. Wholesale metered
12 customers are billed directly from the IESO. Hydro Ottawa submits kWh to the IESO for
13 embedded generation within its service territory.

14
15 Hydro Ottawa calculates and maintains both GA Retail Settlement Variance Accounts ("RSVAs")
16 for Class A and Class B separately in Sub-Accounts of Account 1589.

17 18 **4. CERTIFICATION OF EVIDENCE**

19 As per the *Chapter 2 Filing Requirements for Electricity Distribution Rate Applications*, as
20 updated on July 12, 2018 and addended on July 15, 2019, Hydro Ottawa's Chief Financial
21 Officer hereby certifies that the utility maintains robust processes and internal controls for the
22 preparation, review, verification, and oversight of Account 1588 RSVA – Power and Account
23 1589 RSVA – Global Adjustment.

⁵ Hydro Ottawa Limited, *2020 Electricity Distribution Rate Application*, EB-2019-0046 (August 12, 2019).



GROUP 2 ACCOUNTS

1. INTRODUCTION

As per the OEB's report on the *Electricity Distributors' Deferral and Variance Account Review Initiative*¹ ("EDDVAR Report"), Group 2 Accounts include deferral and variance accounts ("DVAs") that require a prudency review by the OEB. Please see Table 2 in Exhibit 9-1-1: Summary of Current Deferral and Variance Accounts for a list of Hydro Ottawa's active Group 2 DVAs.

This Schedule discusses Group 2 Accounts, with the exception of the following:

- Account 1592 (for details, please see Exhibit 9-1-4: Account 1592 PILS and Tax Variance);
- Accounts 1518 and Account 1548 (for details, please see Exhibit 9-1-5: Retail Service Charges); and
- 1568 Lost Revenue Adjustment Mechanism ("LRAM") Variance Account (for details, please see Exhibit 4-5-2: LRAM Variance Account).

More information on the disposition of these accounts is available in Exhibit 9-3-1: Disposition of Deferral and Variance Accounts.

2. DVAs EFFECTIVE PRIOR TO JANUARY 1, 2016

This section provides an overview of Group 2 Accounts that were effective prior to the beginning of Hydro Ottawa's current five-year rate term (i.e. prior to January 1, 2016).

¹ Ontario Energy Board, *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)*, EB-2008-0046 (July 31, 2009).



1 **2.1. ENERGY EAST – TRANS CANADA PIPELINE**

2 A Sub-Account to Uniform System of Accounts (“USofA”) 1508 was added for the Energy East
3 TransCanada Pipeline in Hydro Ottawa’s 2016 rebasing application.² This deferral Account was
4 set-up to capture costs associated with consultations regarding TransCanada Pipeline Limited’s
5 proposed Energy East pipeline project. In a letter dated April 15, 2014, the OEB advised that a
6 portion of the costs associated with consultations regarding TransCanada’s Energy East project
7 would be recovered from all entities which are subject to the OEB’s cost assessment under
8 section 26 of the *Ontario Energy Board Act, 1998*.³

9
10 Hydro Ottawa has set-up the deferral Account, as per the instructions set forth in a separate
11 OEB letter issued June 13, 2014.⁴ Furthermore, consistent with the OEB’s guidance, Hydro
12 Ottawa has maintained this deferral Account as a Group 2 Account and disposition is occurring
13 in conjunction with a rebasing application. In addition, Hydro Ottawa has applied carrying
14 charges to this account.⁵

15
16 Hydro Ottawa is proposing to dispose of this Sub-Account on a final basis in this Application and
17 to discontinue use of this Account following adjudication of the Application.

18
19 **2.2. P&OPEB Deferral Account**

20 Sub-Account 1508 - Other Regulatory Assets - Other Post-Employment Benefits (“OPEB”)
21 Deferral Account is used to record cumulative actuarial gains or losses in Hydro Ottawa’s
22 post-retirement benefits. This Account was originally approved in Hydro Ottawa’s 2012 rate
23 application.⁶

² Hydro Ottawa Limited, *2016-2020 Custom Incentive Rate-Setting Distribution Rate Application*, EB-2015-0004 (April 29, 2015).

³ Ontario Energy Board, Letter re: *Board Costs Associated with Consultations on TransCanada Pipelines Limited’s Proposed Energy East Pipeline Project*, EB-2013-0398 (April 15, 2014), pages 1-2.

⁴ Ontario Energy Board, Letter re: *Board Costs Associated with Consultations on TransCanada Pipelines Limited’s Proposed Energy East Pipeline Project*, EB-2013-0398 (June 13, 2014), pages 1-2.

⁵ Ontario Energy Board, *Accounting Procedures Handbook Guidance* (March 2015), Question 4, page 4.

⁶ Ontario Energy Board, *Decision and Order*, EB-2011-0054 (December 28, 2011).



1 **3. DVAs EFFECTIVE JANUARY 1, 2016**

2 As part of the Approved Settlement Agreement governing Hydro Ottawa's 2016-2020 rate term,⁷
3 the utility established a number of new DVAs effective January 1, 2016.⁸ Each of the Accounts
4 is recorded into a Sub-Account of 1508.

5
6 The new DVAs established effective January 1, 2016 were as follows:

- 7
- 8 ● Sub-Account 1508 - Other Regulatory Assets - Y-Factor Variance Account, to record the
9 revenue requirement associated with the construction of new administrative and
10 operations facilities and related land up to \$66.0M;
 - 11 ● Sub-Account 1508 - Other Regulatory Assets - Gains/Losses from Sale of Existing
12 Facilities Deferral Account, to record the after tax gains/losses from the sale of existing
13 facilities;
 - 14 ● Sub-Account 1508 - Other Regulatory Assets - New Facilities Deferral Account, to
15 record the revenue requirement impacts arising from costs of the new facilities and land
16 that is above the \$66.0M captured in the Y-Factor Variance Account;
 - 17 ● Sub-Account 1508 - Other Regulatory Assets - Gains and Losses on disposal of Fixed
18 Assets Variance Account, to record the difference between the forecast and actual loss
19 on the disposal of fixed assets, related to retirement of assets or damage to plant;
 - 20 ● Sub-Account 1508 - Other Regulatory Assets - Earnings Sharing Mechanism ("ESM")
21 Variance Account, to record amounts related to any earnings above Hydro Ottawa's
22 approved Return on Equity ("ROE") to be shared on a 50/50 basis between Hydro
23 Ottawa and its ratepayers with no deadband;
 - 24 ● Sub-Account 1508 - Other Regulatory Assets - Connection Cost Recovery Agreement
25 ("CCRA") Payments Deferral Account, to record the revenue requirement impact of
26 CCRA payments made to Hydro One Networks Inc. ("HONI");

⁷ Hydro Ottawa Limited, *2016-2020 Custom Incentive Rate-Setting Approved Settlement Proposal*, EB-2015-0004 (December 7, 2015).

⁸ Ontario Energy Board, *Decision and Order*, EB-2015-0004 (December 22, 2015), page 10 and Schedule C.



- 1 ● Sub-Account 1508 - Other Regulatory Assets - Revenue Requirement Differential
2 Variance Account related to Capital Additions, to record the revenue requirement impact
3 of underspending on Hydro Ottawa’s capital plan by specific categories;
- 4 ● Sub-Account 1508 - Other Regulatory Assets - Efficiency Adjustment Mechanism
5 (“EAM”) Deferral Account, to record the proxy stretch factor related to any Hydro Ottawa
6 efficiency ranking declines during the Custom Incentive Rate-setting (“Custom IR”) term
7 from 2016-2020;
- 8 ● Sub-Account 1508 - Other Regulatory Assets - Wireless Attachment Revenues Deferral
9 Account, to record revenues earned, if any, from wireless attachments during the
10 2016-2020 period; and
- 11 ● Sub-Account 1508 - Other Regulatory Assets - Pole Attachment Charge Revenues
12 Variance Account, to record the difference between revenue based on the pole
13 attachment charge of \$57.00 per attachment per year and revenue based on the final
14 charge approved by the OEB for 2016 of \$53.00.

16 **3.1. Y FACTOR VARIANCE ACCOUNT**

17 The Y Factor Account was established to recover the revenue requirement associated with the
18 construction of the new South Operations and Warehouse facility and the new East Operations
19 and Administrative Campus facility and related land (“New Facilities”). As set out in the
20 Approved Settlement Agreement, the cost of the New Facilities up to \$66.0M was to be
21 recorded into rate base once the New Facilities were placed into service.

22
23 The Y Factor Account was also intended to capture the Existing Facilities’ revenue requirement
24 when they were taken out of service. Per the Approved Settlement Agreement, the Existing
25 Facilities were to be removed from rate base in the same calendar year as the New Facilities
26 were placed in service, or when the Existing Facilities were sold, whichever occurred first.

27
28 The New Facilities were put into service in May 2019. The Existing Facilities, with the exception
29 of Bank Street, were removed from service in 2019. Due to changes in the Facilities Renewal
30 Program, the Bank Street facility is being kept and remains part of Hydro Ottawa’s rate base.



1 For further details, please refer to Attachment 2-1-1(A): New Administrative Office and
2 Operations Facilities.

3
4 Hydro Ottawa received approval for an interim rate rider as part of its 2020 rate adjustment
5 application to clear the net impact of adding the revenue requirement of the New Facilities and
6 the removal of the revenue requirement of the Existing Facilities.⁹ Preliminary New Facilities
7 costs were used to calculate the revenue requirement of the New Facilities. An estimate of the
8 final sale date of the Existing Facilities was used to calculate the return of revenue requirement
9 related to the Existing Facilities. As part of this Application, Hydro Ottawa is requesting the
10 true-up amount related to the Y Factor Account.

11
12 As per the Approved Settlement Agreement, the 2019 and 2020 revenue requirement will be
13 trued-up for final costs.¹⁰ The preliminary estimate of \$66.0M rate base was derived from the
14 estimated total cost of the New Facilities, after the removal of the \$15.0M approved portion for
15 land, based on estimated amounts by component. In turn, depreciation and taxes were
16 calculated based on this component allocation.

17
18 Hydro Ottawa has incorporated the New Facilities' full cost into the 2021 revenue requirement
19 proposed in Exhibit 6-1-1: Calculation of Revenue Deficiency or Sufficiency. Therefore, no
20 amounts are being recorded in the Y Factor account after 2020.

21
22 As requested by the OEB during the adjudication of Hydro Ottawa's 2020 rate adjustment
23 application, any impact of Bill C-97 has not been included in the Y Factor Account.¹¹ Please see
24 Exhibit 9-1-4: Account 1592 PILS and Tax Variance for further details on Bill C-97 and its
25 impacts.

⁹ Hydro Ottawa Limited, *2020 Electricity Distribution Rate Application*, EB-2019-0046 (August 12, 2019).

¹⁰ Hydro Ottawa Limited, *2016-2020 Custom Incentive Rate-Setting Approved Settlement Proposal*, EB-2015-0004 (December 7, 2015), pages 20, 52-56.

¹¹ Ontario Energy Board, *Decision and Rate Order*, EB-2019-0046 (December 17, 2019), page 22.



1 Table 1 provides the updated revenue requirement impact of the New Facilities, capped by the
 2 Y Factor amount of \$66.0M.

3
 4

Table 1 – New Facility Revenue Requirement - \$66.0M

	2019	2020
Opening Gross Asset Balance	\$0	\$66,000,000
Additions	\$66,000,000	\$0
Closing Gross Asset Balance	\$66,000,000	\$66,000,000
Opening Accumulated Depreciation	\$0	\$1,141,430
Current Year Depreciation	\$1,141,430	\$1,695,114
Closing Accumulated Depreciation	\$1,141,430	\$2,836,544
Net Asset Balance	\$64,858,570	\$63,163,456
Rate Base (Average Net)	\$32,429,285	\$64,011,013
Financial Performance		
Financial Net Income	\$1,164,860	\$2,299,276
Add Depreciation	\$1,141,430	\$1,695,114
Deduct CCA	\$(1,456,868)	\$(2,791,754)
Net Income For Tax Purposes	\$849,422	\$1,202,635
Tax Rate	26.5%	26.5%
PILS	\$225,097	\$318,698
PILS Grossed-up	\$306,254	\$433,603
Depreciation	\$1,141,430	\$1,695,114
Short-Term Interest ¹²	\$36,580	\$72,204
Long-Term Interest ¹³	\$671,390	\$1,323,441
ROE ¹⁴	\$1,164,860	\$2,299,276
PILS Grossed-up	\$306,254	\$433,603
TOTAL REVENUE REQUIREMENT	\$3,320,514	\$5,823,637
Revenue Requirement in 2020 Rate Application	\$(3,231,034)	\$(5,664,943)
REMAINING DISPOSAL AMOUNT¹⁵	\$89,480	\$158,694

5

¹² Hydro Ottawa has used approved yearly Cost of Capital parameters for this item. Please see Exhibit 5-1-1: Cost of Capital and Capital Structure.

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ Totals may not sum due to rounding.



1 Table 2 provides the updated revenue requirement of the removal of the Existing Facilities.

2

3

Table 2 – Y Factor Revenue Requirement - Removal of Existing Facilities¹⁶

	2019	2020
Opening Gross Asset Balance	\$21,117,800	\$21,117,800
Additions	\$(21,117,800)	\$0
Closing Gross Asset Balance	\$0	\$21,117,800
Opening Accumulated Depreciation	\$6,951,063	\$8,129,952
Current Year Depreciation	\$184,253	\$1,178,890
Current Year Deletions	\$(7,135,316)	\$0
Closing Accumulated Depreciation	\$0	\$9,308,842
Net Asset Balance	\$0	\$11,808,958
Rate Base (Average Net)	\$7,083,368	\$12,398,402
Financial Net Income		
Financial Net Income	\$254,435	\$445,351
Add Depreciation	\$184,253	\$1,178,890
Deduct CCA	\$(63,167)	\$(335,590)
Net Income For Tax Purposes	\$375,520	\$1,288,650
Tax Rate	26.5%	26.5%
PILS	\$99,513	\$341,492
PILS Grossed-up	\$135,392	\$464,615
Depreciation	\$184,253	\$1,178,890
Short-Term Interest ¹⁷	\$7,990	\$13,985
Long-Term Interest ¹⁸	\$146,648	\$256,339
ROE ¹⁹	\$254,435	\$445,351
PILS Grossed-up	\$135,392	\$464,615
TOTAL REVENUE REQUIREMENT²⁰	\$728,718	\$2,359,181
Revenue Requirement in 2020 Rate Application	(\$817,718)	(\$2,357,273)
REMAINING DISPOSAL AMOUNT	(\$89,000)	1,908

¹⁶ Table 2 is presented in the format of additions to rate base. However, positive amounts represent a return to customers.

¹⁷ Hydro Ottawa has used approved yearly Cost of Capital parameters for this item. Please see Exhibit 5-1-1: Cost of Capital and Capital Structure.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ Totals may not sum due to rounding.



1 The true-up revenue requirement related to the Y Factor Account has been included in the
2 adjustments column of Attachment 9-1-1(A): OEB Workform - Deferral and Variance Account
3 (Continuity Schedule) in order to dispose of the amount as part of this Application.
4

5 **3.2. NEW FACILITIES DEFERRAL ACCOUNT**

6 The New Facilities Account was established to record the revenue requirement impacts of the
7 costs of the New Facilities and related land that are above \$66.0M. Any amount recorded into
8 this account is subject to a prudency review.
9

10 Hydro Ottawa started recording the revenue requirement impact of amounts above \$66.0M in
11 2019. The amount recorded into this account was based on the total estimated cost of the New
12 Facilities and then the removal of the revenue requirement presented in Table 1 above for the
13 amount up to the cost of \$66.0M.
14

15 Table 3 below provides the revenue requirement impact of the New Facilities above the Y Factor
16 amount of \$66.0M for 2019 and 2020. Thereafter, Table 4 below provides the total revenue
17 requirement impact of the New Facilities for 2019 and 2020.
18

19 Hydro Ottawa has incorporated the New Facilities' full cost into the 2021 revenue requirement
20 proposed in Exhibit 6-1-1: Calculation of Revenue Deficiency or Sufficiency. Therefore, no
21 amounts are being recorded into this Regulatory Account after 2020.
22

23 As noted above, as requested by the OEB during the adjudication of Hydro Ottawa's 2020 rate
24 adjustment application, any impact of Bill C-97 has not been included in this New Facilities
25 Deferral Account. Please see Exhibit 9-1-4: Account 1592 PILS and Tax Variance for further
26 details on Bill C-97 and its impacts.



1

Table 3 – New Facility Revenue Requirement - Above \$66.0M

	2019	2020
Opening Gross Asset Balance	\$0	\$33,543,840
Additions	\$33,543,840	\$0
Closing Gross Asset Balance	\$33,543,840	\$33,543,840
Opening Accumulated Depreciation	\$0	\$650,149
Current Year Depreciation	\$650,149	\$965,522
Closing Accumulated Depreciation	\$650,149	\$1,615,671
Net Asset Balance	\$32,893,691	\$31,928,168
Rate Base (Average Net)	\$16,446,845	\$32,410,930
Financial Net Income		
Financial Net Income	\$590,771	\$1,164,201
Add Depreciation	\$650,149	\$965,522
Deduct CCA	\$(966,666)	\$(1,855,641)
Net Income For Tax Purposes	\$274,254	\$274,082
Tax Rate	26.5%	26.5%
PILS	\$72,677	\$72,632
PILS Grossed-up	\$98,881	\$98,819
Depreciation	\$650,149	\$965,522
Short-Term Interest ²¹	\$18,552	\$36,560
Long-Term Interest ²²	\$340,502	\$670,102
ROE ²³	\$590,771	\$1,164,201
PILS Grossed-up	\$98,881	\$98,819
TOTAL REVENUE REQUIREMENT²⁴	\$1,698,855	\$2,935,204

2

²¹ Hydro Ottawa has used approved yearly Cost of Capital parameters for this item. Please see Exhibit 5-1-1: Cost of Capital and Capital Structure.

²² *Ibid.*

²³ *Ibid.*

²⁴ Totals may not sum due to rounding.



1

Table 4 – New Facility Total Revenue Requirement

	2019	2020
Opening Gross Asset Balance	\$0	\$99,543,840
Additions	\$99,543,840	\$0
Closing Gross Asset Balance	\$99,543,840	\$99,543,840
Opening Accumulated Depreciation	\$0	\$1,791,579
Current Year Depreciation	\$1,791,579	\$2,660,636
Closing Accumulated Depreciation	\$1,791,579	\$4,452,215
Net Asset Balance	\$97,752,261	\$95,091,625
Rate Base (Average Net)	\$48,876,130	\$96,421,943
Financial Net Income		
Financial Net Income	\$1,755,631	\$3,463,476
Add Depreciation	\$1,791,579	\$2,660,636
Deduct CCA	\$(2,423,534)	\$(4,647,395)
Net Income For Tax Purposes	\$1,123,676	\$1,476,717
Tax Rate	26.5%	26.5%
PILS	\$297,774	\$391,330
PILS Grossed-up	\$405,135	\$532,422
Depreciation	\$1,791,579	\$2,660,636
Short Term Interest ²⁵	\$55,132	\$108,764
Long-Term Interest ²⁶	\$1,011,892	\$1,993,543
ROE ²⁷	\$1,755,631	\$3,463,476
PILS Grossed-up	\$405,135	\$532,422
TOTAL REVENUE REQUIREMENT²⁸	\$5,019,369	\$8,758,841

2

²⁵ Hydro Ottawa has used approved yearly Cost of Capital parameters for this item. Please see Exhibit 5-1-1: Cost of Capital and Capital Structure.

²⁶ *Ibid.*

²⁷ *Ibid.*

²⁸ Totals may not sum due to rounding.



1 The revenue requirement related to the New Facilities Deferral Account has been included in
 2 the adjustments column of Attachment 9-1-1(A): OEB Workform - Deferral and Variance
 3 Account (Continuity Schedule) in order to dispose of the amount as part of this Application.
 4

5 **3.2.1. Gains/Losses from Sale of Existing Facilities Deferral Account**

6 In this Account, 100% of the after-tax gain/loss from the sale of land and buildings associated
 7 with the Existing Facilities is captured. Two of the three Existing Facilities were removed from
 8 service in 2019. Due to changes in the Facilities Renewal Program, the Bank Street facility is
 9 being kept and remains part of Hydro Ottawa’s rate base. Please refer to Attachment 2-1-1(A):
 10 New Administrative Office and Operations Facilities for more information.
 11

12 The Merivale Facility and related Land, as well as the Albion Facility and related Land, were
 13 sold in the last quarter of 2019. Table 5 provides the net gain on each transaction.
 14

15 **Table 5 – Gain on Sale of Existing Properties**

	2019
Merivale Facility and Land	\$199,963
Albion Facility and Land	\$64,953
Albion Parcel C Land	\$1,760,794
Total to Dispose to Customers²⁹	\$2,025,711

16
 17 The total gain of \$2.0M has been included in the 2019 adjustments column BF of Attachment
 18 9-1-1(A): OEB Workform - Deferral and Variance Account (Continuity Schedule) in order to
 19 dispose of the amount back to customers as part of this Application.
 20

21 **3.2.2.1. Gain for Tax Purposes & Replacement Property Rules**

22 Canada’s *Income Tax Act* (“ITA”) allows taxpayers to elect to defer the recognition of a capital
 23 gain where a former business property was voluntarily disposed of and a replacement property
 24 is acquired. When the applicable tax conditions are met, these rules (commonly known as the

²⁹ Totals may not sum due to rounding.



1 Replacement Property rules) generally allow taxpayers to replace certain property without
2 incurring immediate tax consequences.

3
4 In 2019, Hydro Ottawa voluntarily disposed of the Existing Facilities (Albion and Merivale) and
5 replaced them with the New Facilities. The ITA therefore permits Hydro Ottawa to use the
6 Replacement Property rules to defer the capital gain on the sale of the land and buildings of the
7 Existing Facilities. Specifically, the calculated capital gain on the sale of land and buildings of
8 the Existing Facilities reduces the additions of the New Facilities. Instead of recognizing a
9 capital gain and paying tax on that capital gain, Hydro Ottawa has reduced the additions to
10 Class 1.3 of the New Facilities by the approximate gain for tax purposes of \$8.0M in 2019.

11
12 As a result, there is no tax adjustment to the gain being returned to customers.

14 **3.3. GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS VARIANCE ACCOUNT**

15 The purpose of this Account is to record the difference between the forecast and actual gain or
16 loss on the disposal of fixed assets, related to retirement of assets or damage to plant (including
17 storm-related costs). Examples include losses on meters, station equipment, poles, and
18 vehicles. The forecasted amount in Hydro Ottawa's 2016-2020 Custom IR Application was a
19 gain of \$198,349.³⁰

20
21 Damage costs related to storms are unpredictable as climate change is causing extreme
22 weather events with increased frequency which are outside of Hydro Ottawa's control. These
23 events (e.g. freezing rain, high wind, temperature and precipitation extremes, tornadoes, etc.)
24 have the ability to cause extensive damage to assets of various life spans. Accordingly, this
25 Account includes the difference between the original estimate of damage to plant and the actual
26 cost of damage to plant, as a result of severe weather events. For further details on the
27 increased frequency of extreme weather events in the Ottawa region, please see Attachment

³⁰ Hydro Ottawa Limited, *2016-2020 Custom Incentive Rate-Setting Distribution Rate Application*, EB-2015-0004 (April 29, 2015).



1 2-4-3(H): Distribution System Climate Risk and Vulnerability Assessment and Attachment
 2 2-4-3(I): Hydro Ottawa Climate Change Adaptation Plan.

3
 4 Balances related to this Account can be viewed in Table 6 and in Attachment 9-1-1(A): OEB
 5 Workform - Deferral and Variance Account (Continuity Schedule).

6
 7 **Table 6 – Loss from Retirement of Utility and Other Property (\$'000s)**

Net (Gain)/Loss	2016 Historical	2017 Historical	2018 Historical
USofA 4362 OEB-Approved	\$(198)	\$(198)	\$(198)
Actual/Forecast	\$350	\$152	\$264
USofA 1508 ³¹ Variance ³²	\$(548)	\$(351)	\$(462)

8
 9 Table 7 provides Hydro Ottawa's estimated costs related to the gain or loss on the disposal of
 10 fixed assets, in relation to retirement of assets or damage to plant (including storm-related
 11 costs).

12
 13 **Table 7 – Loss from Retirement of Utility and Other Property (\$'000s)**

Net (Gain)/Loss	2021 Test	2022 Test	2023 Test	2024 Test	2025 Test	TOTAL
Estimate ³³	\$389	\$751	\$323	\$336	\$445	\$2,243

14
 15 **3.4. EARNINGS SHARING MECHANISM VARIANCE ACCOUNT**

16 The purpose of the ESM Account is to credit ratepayers for 50% of any earnings above Hydro
 17 Ottawa's regulatory ROE, with no dead band. The ratepayer share of the earnings shall be
 18 grossed up for any tax impacts and credited to this Account.

19
 20 The regulatory net income for the purpose of earnings sharing is to be calculated in the same
 21 manner as net income for regulatory purposes under the Reporting and Record Keeping

³¹ This refers to USofA 1508 Sub Account Gains and Loss on Disposal of Fixed Assets Variance Account.

³² Totals may not sum due to rounding.

³³ Totals may not sum due to rounding.



1 Requirements (“RRR”) filings. This will exclude revenue and expenses that are not otherwise
 2 included for regulatory purposes, such as settlement of any regulatory assets or regulatory
 3 liabilities, including the LRAM and changes in taxes/Payments in Lieu of Taxes (“PILS”) to which
 4 the USofA 1592 – PILS and Tax Variance for 2006 and Subsequent Years applies.

5
 6 Balances related to this Account can be viewed in Attachment 9-1-1(A): OEB Workform -
 7 Deferral and Variance Account (Continuity Schedule). Table 8 provides calculations for the
 8 amounts recorded.

9
 10 **Table 8 – ESM Calculation (\$'000s)³⁴**

	2016	2017
Net Income (per RRR)	\$33,483	\$36,114
Deduct Previous Years' LRAM ³⁵	\$(1,042)	\$(1,081)
Add Current Year LRAM ³⁶	\$551	\$935
PILS Grossed-up on CDM Adjustments ³⁷	\$177	\$53
Net Income after Adjustments	\$33,169	\$36,020
<hr/>		
Deemed Equity (per RRR)	\$341,540	\$357,578
ESM Achieved ROE	9.71%	10.07%
Deemed ROE	9.19%	9.19%
% Return Above Deemed	0.52%	0.88%
<hr/>		
Earnings Above Regulated Return	\$1,782	\$3,159
50% of Earnings above Regulated Return	\$891	\$1,580
PILS Grossed-up ³⁸	\$321	\$569
RATEPAYERS' SHARE OF OVEREARNING³⁹	\$1,212	\$2,149

11
³⁴ “Current year” means 2016 for the purposes of the column with information for 2016, and 2017 for the purposes of the column with information for 2017.

³⁵ Previous years' LRAM includes adjustment to any year not related to the current year.

³⁶ Current year LRAM includes adjustments in reporting years subsequent to the current year.

³⁷ Tax rate = 26.5%.

³⁸ Tax rate = 26.5%.

³⁹ Totals may not sum due to rounding.



1 Hydro Ottawa will provide an update to the ESM Account as part of its planned update on DVAs
2 for 2019 Actuals at a later stage in this proceeding.

3
4 **3.5. CONNECTION COST RECOVERY AGREEMENT PAYMENTS DEFERRAL ACCOUNT**

5 As part of Hydro Ottawa's 2016-2020 application, \$5.0M of unidentified CCRA payments to
6 HONI were estimated per year. During the adjudication of the 2016-2020 application, it was
7 agreed to move the unidentified payments out of the proposed revenue requirement and
8 establish the CCRA Regulatory Account. The CCRA Regulatory Account allows Hydro Ottawa
9 to record, and later recover from customers, the annual revenue requirement of CCRA
10 payments that commence in the year in which the facilities (to which each CCRA payment
11 relates) provide services to Hydro Ottawa customers.

12
13 Hydro Ottawa recorded the revenue requirement related to eligible projects in 2017 and 2018.
14 No revenue requirement was recorded in 2016. Please see Table 9 below for the calculation of
15 the revenue requirement.

16
17 Hydro Ottawa has used the new Capital Cost Allowance ("CCA") Class 14.1 rules for eligible
18 capital property effective January 1, 2017 for the PILS calculation. As per OEB guidance, any
19 impact of Bill C-97 is being recorded into a Sub-Account of 1592. Please see Exhibit 9-1-4:
20 Account 1592 PILs and Tax Variance for further details.

21
22 In addition, it should be noted that the amount in Table 9 below does not equal what is shown in
23 the completed continuity schedule in Attachment 9-1-1(A): OEB Workform - Deferral and
24 Variance Account (Continuity Schedule) as an adjustment in 2019 will result in the amounts
25 balancing at year-end 2019. Hydro Ottawa is seeking to clear this balance as part of this
26 Application.



1

Table 9 – CCRA Revenue Requirement Calculation

	2016	2017	2018
Opening Gross Asset Balance	\$0	\$0	\$706,500
Additions	\$0	\$706,500	\$2,675,789
Closing Gross Asset Balance	\$0	\$706,500	\$3,382,289
Opening Accumulated Depreciation	\$0	\$0	\$3,955
Current Year Depreciation	\$0	\$3,955	\$32,626
Closing Accumulated Depreciation	\$0	\$3,955	\$36,581
Net Asset Balance	\$0	\$702,545	\$3,345,709
Rate Base (Average Net)	\$0	\$351,273	\$2,024,127
Financial Net Income			
Financial Net Income	\$0	\$12,912	\$74,407
Add Depreciation	\$0	\$3,955	\$32,626
Deduct CCA	\$0	\$(17,663)	\$(101,337)
Net Income For Tax Purposes	\$0	\$(795)	\$5,696
Tax Rate	26.5%	26.5%	26.5%
PILS	\$0	\$(211)	\$1,510
PILS Grossed-up	\$0	\$(287)	\$2,054
Depreciation	\$0	\$3,955	\$32,626
Short Term Interest ⁴⁰	\$0	\$304	\$1,749
Long-Term Interest ⁴¹	\$0	\$7,052	\$41,362
ROE ⁴²	\$0	\$12,913	\$74,407
PILS Grossed-up	\$0	\$(287)	\$2,054
TOTAL REVENUE REQUIREMENT⁴³	\$0	\$23,936	\$152,197

2

⁴⁰ Hydro Ottawa used approved yearly Cost of Capital parameters (please see Exhibit 5-1-1: Cost of Capital and Capital Structure).

⁴¹ *Ibid.*

⁴² *Ibid.*

⁴³ Totals may not match due to rounding.



1 **3.6. REVENUE REQUIREMENT VARIANCE ACCOUNT RELATED TO CAPITAL**
2 **ADDITIONS**

3 The purpose of this Account is to track revenue requirement impacts resulting from any
4 underspending in Hydro Ottawa's three capital spending categories: System Renewal/System
5 Service, System Access, and General Plant.⁴⁴ The Account is computed and tracked on an
6 annual basis and calculated on a cumulative basis. If overspending occurs, no amount will be
7 recorded into this Account.

8
9 For the years 2016-2018, Hydro Ottawa spent more than planned in each of the three spending
10 categories. As a result, no amount has been recorded into this variance account. The utility will
11 provide an update to this Account as part of the update of DVAs for 2019 Actuals that is planned
12 at a later point in this proceeding.

13
14 **3.7. EFFICIENCY ADJUSTMENT MECHANISM DEFERRAL ACCOUNT**

15 This Account was established to provide ratepayers a credit should Hydro Ottawa's efficiency
16 ranking decline during any year of the Custom IR term. The year 2014 is the starting efficiency
17 ranking point. Hydro Ottawa will not benefit from moving into a more efficient cohort except to
18 mitigate future adjustments. A detailed example is provided as part of the Approved Settlement
19 Agreement.

20
21 2019 is the third year for which the efficiency adjustment mechanism ("EAM") assessment was
22 to be performed. As per the Approved Settlement Agreement, Hydro Ottawa is to calculate the
23 efficiency adjustment based on the "current year ending point stretch factor." As such, Hydro
24 Ottawa used the efficiency ranking as determined by the OEB for 2019 rates, which was
25 released on August 15, 2019, for purposes of calculating the impact on its 2018 Revenue
26 Requirement.⁴⁵ Table 10 below provides the EAM calculation.

⁴⁴ The System Renewal and System Service categories have been merged into one category to reflect Hydro Ottawa's standard operating practice to shift funds between the two categories, as warranted by customer and operational requirements.

⁴⁵ Ontario Energy Board, *Incentive Rate Setting: 2018 Benchmarking Update for Determination of 2019 Stretch Factor Rankings*, EB-2010-0379 (August 15, 2019), pages 1-2.



1 Hydro Ottawa will include the 2019 amount as part of the planned updates of DVAs for 2019
 2 Actuals at a later stage in this proceeding.

3
 4

Table 10 – EAM Calculation

	2017	2018	2019
2014 Starting Point - Cohort 3	(0.30%)	(0.30%)	(0.30%)
Ending Point - Cohort 4	(0.45%) ⁴⁶	(0.45%) ⁴⁷	(0.45%) ⁴⁸
% Change	0.15%	0.15%	0.15%
Service Revenue Requirement	\$182,069,831	\$190,594,484	\$196,781,803
EAM	\$273,105	\$285,892	\$295,173

5

6 Hydro Ottawa will report any 2020 EAM as part of its 2022 rate adjustment application.

7

8 **3.8. POLE ATTACHMENT CHARGE REVENUES VARIANCE ACCOUNT**

9 The Pole Attachment Account was established to collect the difference between the \$57.00 pole
 10 attachment rate that Hydro Ottawa’s distribution revenue was based on in 2016 and the \$53.00
 11 rate from the Pole Attachment Decision.⁴⁹ As directed by the Pole Attachment Decision and as
 12 approved in the adjudication of Hydro Ottawa’s 2017 rate adjustment application, this difference
 13 was collected as part of the implementation of the utility’s 2017 rates. Starting in 2017, Hydro
 14 Ottawa’s base revenue was adjusted by the Pole Attachment Decision. No further amounts will
 15 be recorded into this Account; as such, the discontinuance of this Account is proposed in this
 16 Application.

17

18 **3.9. WIRELESS ATTACHMENT REVENUES DEFERRAL ACCOUNT**

19 The Wireless Attachment Revenues Deferral Account was established to credit ratepayers with
 20 revenues earned from wireless attachments for the period 2016-2020.

⁴⁶ Ontario Energy Board, *Incentive Rate Setting: 2016 Benchmarking Update for Determination of 2017 Stretch Factor Rankings*, EB-2010-0379 (August 17, 2017), pages 1-2.

⁴⁷ Ontario Energy Board, *Incentive Rate Setting: 2017 Benchmarking Update for Determination of 2018 Stretch Factor Rankings*, EB-2010-0379 (August 23, 2018), pages 1-3.

⁴⁸ Ontario Energy Board, *Incentive Rate Setting: 2018 Benchmarking Update for Determination of 2019 Stretch Factor Rankings*, EB-2010-0379 (August 15, 2019), pages 1-2.

⁴⁹ Ontario Energy Board, *Decision and Order on Pole Attachment Charge*, EB-2015-0004 (February 25, 2016).



1 No revenue has been recorded into this Account. Accordingly, Hydro Ottawa proposes to
2 discontinue the use of this Account.

3 4 **4. NEW DVAs EFFECTIVE AFTER JANUARY 1, 2016**

5 This section discusses the DVAs that were (i) established by the OEB, (ii) made effective after
6 January 1, 2016, and (iii) not part of the Approved Settlement Agreement governing Hydro
7 Ottawa's 2016-2020 rate term.

8 9 **4.1. OEB COST ASSESSMENT VARIANCE**

10 As per the OEB's revisions to the Cost Assessment Model, the OEB established Account 1508
11 Other Regulatory Assets - Sub-Account - OEB Cost Assessment Variance for electricity
12 distributors to record any material differences between OEB cost assessments that were built into
13 rates at the time of the issuance of the OEB's revisions, and cost assessments that would result
14 from the application of the new Cost Assessment Model effective April 1, 2016.⁵⁰ Hydro Ottawa is
15 using this Sub-Account. Please see Exhibit 4-2-4: Regulatory Costs for further information.

16 17 **4.2. REGULATORY TREATMENT OF PENSION AND OTHER POST-EMPLOYMENT 18 BENEFITS**

19 On September 14, 2017, the OEB issued its final report on the regulatory treatment of pension
20 and OPEB costs establishing the use of accrual accounting as the default method on which to
21 set rates for pension and OPEB amounts in cost-based applications.⁵¹ Moreover, this report also
22 provides for the establishment of a variance account, Account 1522, to track the difference
23 between the forecasted accrual amount in rates and actual cash payment(s) made, with an
24 asymmetric carrying charge in favour of ratepayers applied to the differential.

25
26 Hydro Ottawa provides pension benefits for its employees through the Ontario Municipal
27 Employees Retirement System ("OMERS") Fund (the "Fund"). Although the plan is a defined

⁵⁰ Ontario Energy Board, Letter re: *Revisions to the Ontario Energy Board Cost Assessment Model* (February 9, 2016).

⁵¹ Ontario Energy Board, *Report of the Ontario Energy Board - Regulatory Treatment of Pension and Other Post-Employment Benefits Costs*, EB-2015-0040 (September 14, 2017).



1 benefit plan, sufficient information is not available to Hydro Ottawa to account for it as such,
2 because it is not possible to attribute the fund assets and liabilities between the various
3 employers who contribute to the Fund. As a result, Hydro Ottawa accounts for the plan as a
4 defined contribution plan. Contributions payable as a result of employee service are expensed
5 as incurred similar to short-term employee benefits.

6
7 Hydro Ottawa also provides other post-employment benefits such as life insurance and a
8 retirement grant. These plans provide benefits to certain employees when they are no longer
9 providing active service to the utility. Other post-employment benefits are recorded on an
10 accrual basis. The accrued benefit obligation and current service costs are calculated using the
11 projected benefit method prorated on service and based on assumptions that reflect Hydro
12 Ottawa's best estimates. The utility tracks the difference between the forecast accrual amount in
13 rates and actual cash payments in a variance account, as set out in the OEB report.

14
15 Hydro Ottawa confirms that it is recording amounts into the tracking account for the purpose of
16 recording carrying charges. The utility further confirms that carrying charges are being calculated
17 using the OEB-prescribed Construction Work in Progress ("CWIP") rate.

18 19 **4.3. REGULATORY ASSETS FOR RETAIL SERVICE CHARGES INCREMENTAL** 20 **REVENUE**

21 As part of the Approved Settlement Agreement, Hydro Ottawa received approval for utility-specific
22 Retail Service Charges ("RSCs"). Subsequently, on November 29, 2018, the OEB issued a Report
23 on Energy Retailer Services Charges, which stated that updated RSCs would be established and
24 applied to all electricity distributors.⁵² The report specifically indicated that the updated RSCs
25 would apply to Hydro Ottawa. The Decision and Rate Order for the new RSCs had an effective
26 date of May 1, 2019.⁵³ The OEB issued a Decision and Rate Order on November 28, 2019 with
27 updated rates for RSCs effective January 1, 2020.⁵⁴

⁵² Ontario Energy Board, *Report of the Ontario Energy Board - Energy Retailer Service Charges*, EB-2015-0304 (November 29, 2018), page 20.

⁵³ Ontario Energy Board, *Decision and Rate Order*, EB-2015-0304 (February 14, 2019).

⁵⁴ Ontario Energy Board, *Decision and Rate Order*, EB-2019-0280 (November 28, 2019), Schedule A.



1 As per the OEB's Decision and Order regarding energy retailer service charges, Hydro Ottawa is
2 recording the difference between revenues collected at the previously approved charges and the
3 revenue collected based on the charges established pursuant to the OEB report.⁵⁵ As Hydro
4 Ottawa has discontinued recording amounts into the Retail Cost and Variance Accounts
5 ("RCVAs") 1518 and 1548, consistent with OEB direction, the utility has set up a sub-account
6 under 1508 Other Regulatory Assets for Retail Service Charges Incremental Revenue.

⁵⁵ Ontario Energy Board, *Decision and Order - In the matter of energy retailer service charges effective May 1, 2019 - Schedule B - Accounting Order*, EB-2015-0304 (February 14, 2019), pages 11-13.

1 **ACCOUNT 1592 PILS AND TAX VARIANCE**

2
3 **1. INTRODUCTION**

4 Account 1592 per the *Accounting Procedures Handbook for Electricity Distributors* (“APH”) is
5 used to record the tax impact of differences related to legislative or regulatory changes to tax
6 rates or rules or disclosure of a new assessing or administrative policy published by federal or
7 provincial public tax bulletins.¹

8
9 For further information on the Payments in Lieu of Taxes (“PILS”) impact related to utility-specific
10 Regulatory Assets which are unrelated to changes defined as part of Account 1592 per the APH
11 (e.g. the Earnings Sharing Mechanism), please refer to Exhibit 9-1-3: Group 2 Accounts.

12
13 **2. PILS ACCELERATED INVESTMENT INCENTIVE**

14 Bill C-97, also known as the *Budget Implementation Act, 2019*, was passed by the Parliament of
15 Canada and received Royal Assent in June 2019. The legislation provides for accelerated
16 Capital Cost Allowance (“CCA”) deductions for eligible property available for use and acquired
17 after November 20, 2018. The OEB released guidance on July 25, 2019 which instructed
18 utilities to record 100% of the rule change in a Sub-Account of 1592 - PILs and Tax Variances -
19 CCA Changes. The guidance states that “[t]he OEB therefore expects that all Utilities will record
20 the full revenue requirement impact of any changes in CCA rules that are not reflected in base
21 rates.”²

22
23 As directed, Hydro Ottawa has recorded the impact of the legislative change for 2018-2020 in
24 Sub-Account 1592 - PILs and Tax Variances - CCA Changes.³ The change in revenue
25 requirement reflected in base rates for 2018-2020 on account of accelerated CCA is
26 summarized in Table 1 below.

¹ Ontario Energy Board, *Accounting Procedures Handbook for Electricity Distributors* (December 2011), pages 75-76.

² Ontario Energy Board, Letter re: *Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance* (July 25, 2019), page 2.

³ The amounts recorded in relation to accelerated CCA are unaudited at this time.

1 **Table 1 – Impact of Prior CCA Rules vs. Accelerated CCA Rules on 2018-2020 Approved**
 2 **Additions**

Year	Prior CCA/ECE ⁴	Accelerated CCA	Difference in CCA	Difference in Grossed Up PILS
2018	\$67,087,996	\$68,120,942	\$(1,032,946)	\$(372,423)
2019	\$63,352,642	\$71,024,196	\$(7,671,554)	\$(2,765,934)
2020	\$68,644,149	\$80,183,478	\$(11,539,329)	\$(4,160,439)

3
 4 For the accelerated CCA calculations for 2018, 2019, and 2020, please refer to the following
 5 Attachments:

- 6
- 7 • Attachment 9-1-4(A): 2018 Accelerated Capital Cost Allowance - Base Rates
- 8 • Attachment 9-1-4(B): 2019 Accelerated Capital Cost Allowance - Base Rates
- 9 • Attachment 9-1-4(C): 2020 Accelerated Capital Cost Allowance - Base Rates

10
 11 Table 2 provides the change in CCA (due to accelerated CCA) related to the Y Factor Variance
 12 Account and New Facilities Deferral Account for 2019 and 2020. Please see Exhibit 9-1-3:
 13 Group 2 Accounts for more information related to these Regulatory Accounts.

14
 15 **Table 2 – Impact of Prior CCA Rules vs. Accelerated CCA Rules on New Facilities**
 16 **(\$66M & \$99.5M)**

Year	Prior CCA	Accelerated CCA	Difference in CCA	Difference in Grossed Up PILS
Y Factor Variance Account - Up to \$66.0M				
2019	\$1,456,868	\$2,386,787	\$(929,919)	\$(335,277)
2020	\$2,791,754	2,718,735	\$73,019	\$26,327
New Facilities Deferral Account - Above \$66.0M				
2019	\$2,423,534	\$3,883,127	\$(459,593)	\$(526,248)
2020	\$4,647,395	\$4,532,786	\$114,609	\$41,322

⁴ "ECE" stands for eligible capital expenditure.

1 For the 2019 and 2020 accelerated CCA calculations related to the new facilities, please refer to
 2 the following Attachments:

- 4 ● Attachment 9-1-4(F): 2019 Accelerated Capital Cost Allowance - New Facilities \$66M
- 5 ● Attachment 9-1-4(G): 2019 Accelerated Capital Cost Allowance - New Facilities \$99.5M
- 6 ● Attachment 9-1-4(H): 2020 Accelerated Capital Cost Allowance - New Facilities \$66M
- 7 ● Attachment 9-1-4(I): 2020 Accelerated Capital Cost Allowance - New Facilities \$99.5M

9 Table 3 provides the change in CCA (due to accelerated CCA) related to the Connection Cost
 10 Recovery Agreement (“CCRA”) Payments Deferral Account for 2019 and 2020. There were no
 11 qualifying CCRA payments made in 2018. Please see Exhibit 9-1-3: Group 2 Accounts for more
 12 information related to this Regulatory Account.

14 **Table 3 – Impact of Prior CCA Rules vs. Accelerated CCA Rules on Estimated CCRA**

Year	Prior CCA	Accelerated CCA	Difference in CCA	Difference in Grossed Up PILS
2019	\$246,888	\$740,665	\$(493,777)	\$(178,028)
2020	\$504,182	\$524,993	\$(20,811)	\$(7,503)

16 For the accelerated CCA calculations for 2019 and 2020 related to CCRA payments, please
 17 refer to the following Attachments:

- 19 ● Attachment 9-1-4(D): 2019 Accelerated Capital Cost Allowance - CCRA
- 20 ● Attachment 9-1-4(E): 2020 Accelerated Capital Cost Allowance - CCRA

22 3. PROPOSED DISPOSAL TREATMENT

23 Hydro Ottawa proposes to clear 100% of the 2018-2020 balances related to the revenue
 24 requirement impact to customers due to accelerated CCA as part of this Application, with the
 25 exception of the CCRA Account. The amounts provided in this Schedule related to CCRA
 26 payments are based on estimates. As a result, Hydro Ottawa proposes to clear the impact of

1 accelerated CCA related to CCRA on audited balances per the typical Group 2 disposal
2 process. Please refer to Exhibit 9-3-1: Disposition of Deferral and Variance Accounts for further
3 details, including information related to Hydro Ottawa's proposed Regulatory Account disposals.
4

5 Accelerated CCA impacts related to Hydro Ottawa's utility-specific Regulatory Assets that
6 record revenue requirements which are not included in 2016-2020 base rates are not part of the
7 revenue requirement calculations which are included in the accelerated CCA Sub-Account of
8 1592. Specifically, these utility-specific accounts are Y Factor Variance Account - Existing
9 Facilities, New Facilities Deferral Account, and CCRA Payments Account. Please refer to
10 Exhibit 9-1-3: Group 2 Accounts for additional details.
11

12 In addition, for an explanation as to why the Sub-Account of 1592 - PILs and Tax Variances -
13 CCA Changes does not balance with Hydro Ottawa's 2018 Reporting and Record Keeping
14 Requirements ("RRR") filings, please see Exhibit 9-1-1: Summary of Current Deferral and
15 Variance Accounts.

(1) Class	Class Description	Working Paper Reference	(2) Undepreciated capital cost (UCC) at the beginning of the tax year	(3) Cost of acquisitions during the year (new property must be available for use, except CWP)	(4) Cost of acquisitions from column 3 that are accelerated investment incentive property (AIP)	(5) Adjustments and transfers (enter amounts that will reduce the UCC as negatives)	(6) Amount from column 5 that is assistance received or receivable during the year for a property, subsequent to its disposition	(7) Amount from column 5 that is repaid during the year for a property, subsequent to its disposition	(8) Proceeds of dispositions	(9) UCC (column 2 plus column 3 plus or minus column 5 minus column 8)	(10) Proceeds of disposition available to reduce the UCC of AIP (column 6 plus column 7 plus or minus column 8) (if negative, enter "0")	(11) Net capital cost additions of AIP acquired during the year (column 4 minus column 10) (if negative, enter "0")	Relevant factor (after 2023 no more 1.5 times, but half year rule still suspended)	(12) UCC adjustment for AIP acquired during the year (column 11 multiplied by the relevant factor)	(13) UCC adjustment for non-AIP acquired during the year (0.5 multiplied by the result of column 3 minus column 4 plus column 6 minus column 8) (if negative, enter "0")	(14) CCA Rate %	(15) Recapture of CCA	(16) Terminal Loss	(17) CCA (for declining balance method, the result of column 9 plus column 12 minus column 13, multiplied by column 14)	(18) UCC at the end of the tax year (column 9 minus column 17)
1	Buildings, Distribution System (acq'd post 1987)	BS	\$ 170,872,266.00							\$ 170,872,266	\$ -		0.50	\$ -		4%		\$ -	\$ 6,834,891	\$ 164,037,375
1b	Non-Residential Buildings (Reg. 1100(1)(a.1) election)	BS	\$ 26,408,955.00	2,929,713	84,321					\$ 29,338,672	\$ -	84,321	0.50	\$ 42,161	\$ 1,422,698	6%		\$ -	\$ 1,677,488	\$ 27,061,194
2	Distribution System (acq'd pre 1988)	BS	\$ 52,742,586.00							\$ 52,742,586	\$ -		0.00	\$ -		6%		\$ -	\$ 3,164,555	\$ 49,578,031
3	Buildings (acq'd pre 1988)	BS	\$ 8,294,060.00							\$ 8,294,060	\$ -		0.00	\$ -		5%		\$ -	\$ 414,703	\$ 7,879,357
6	Certain Buildings, Fences	BS	\$ -							\$ -	\$ -		0.50	\$ -		10%		\$ -	\$ -	\$ -
8	General Office Equipment, Furniture, Fixtures	BS	\$ 13,530,534.00	4,303,927	1,106,709					\$ 17,834,531	\$ -	1,106,709	0.50	\$ 593,355	\$ 1,598,844	20%		\$ -	\$ 3,357,848	\$ 14,476,683
10	Motor Vehicles, Fleet	BS	\$ 4,148,729.00	1,451,508	120,959					\$ 5,600,237	\$ -	120,959	0.50	\$ 60,480	\$ 665,275	30%		\$ -	\$ 1,498,633	\$ 4,101,604
10.1	Certain Automobiles	BS	\$ -							\$ -	\$ -		0.50	\$ -		30%		\$ -	\$ -	\$ -
12	Computer Application Software (Non-Systems)	BS	\$ 7,243,744	4,427,066	402,262					\$ 11,670,810	\$ -	402,262	0.00	\$ -	\$ 2,012,402	100%		\$ -	\$ 9,658,408	\$ 2,012,402
13.1	Lease # 1	BS	\$ -							\$ -	\$ -		0.00	\$ -		NA		\$ -	\$ -	\$ -
13.2	Lease # 2	BS	\$ -							\$ -	\$ -		0.00	\$ -		NA		\$ -	\$ -	\$ -
13.3	Lease # 3	BS	\$ -							\$ -	\$ -		0.00	\$ -		NA		\$ -	\$ -	\$ -
13.4	Lease # 4	BS	\$ -							\$ -	\$ -		0.00	\$ -		NA		\$ -	\$ -	\$ -
14	Limited Period Patents, Franchises, Concessions or Licences	BS	\$ -							\$ -	\$ -		0.00	\$ -		NA		\$ -	\$ -	\$ -
14.1	Eligible Capital Property (acq'd pre Jan 1, 2017)	BS	\$ 11,722,187.00							\$ 11,722,187	\$ -		0.00	\$ -		7%		\$ -	\$ 820,553	\$ 10,901,634
14.1	Eligible Capital Property (acq'd post Jan 1, 2017)	BS	\$ 52,959,900	339,288	7,464					\$ 59,247	\$ -	7,464	0.50	\$ 3,732	\$ 165,912	5%		\$ -	\$ 11,503	\$ 380,748
17	Elec. Generation Equip. (Non-Bldg, acq'd post Feb 27/00), Roads, Lots, Storage	BS	\$ -							\$ -	\$ -		0.50	\$ -		8%		\$ -	\$ -	\$ -
42	Fibre Optic Cable	BS	\$ 253,294.00							\$ 253,294	\$ -		0.50	\$ -		12%		\$ -	\$ 30,395	\$ 222,899
43.1	Certain Clean Energy/Energy-Efficient Generation Equipment	BS	\$ -							\$ -	\$ -		2.33	\$ -		30%		\$ -	\$ -	\$ -
43.2	Certain Clean Energy/Energy-Efficient Generation Equipment	BS	\$ -							\$ -	\$ -		1.00	\$ -		50%		\$ -	\$ -	\$ -
45	Computers & System Software (acq'd post Mar 22/04 and pre Mar 19/07)	BS	\$ 4,349.00							\$ 4,349	\$ -		0.00	\$ -		45%		\$ -	\$ 1,957	\$ 2,392
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	BS	\$ -							\$ -	\$ -		0.00	\$ -		30%		\$ -	\$ -	\$ -
47	Distribution System (acq'd post Feb 22/05)	BS	\$ 446,086,887.00	74,671,868	6,559,135					\$ 520,738,766	\$ -	6,559,135	0.50	\$ 3,279,568	\$ 34,056,367	8%		\$ -	\$ 39,196,957	\$ 481,541,809
50	General Purpose Computer Hardware & Software (acq'd post Mar 18/07)	BS	\$ 2,036,767.00	1,016,261	97,012					\$ 3,053,028	\$ -	97,012	0.50	\$ 48,506	\$ 459,625	55%		\$ -	\$ 1,453,050	\$ 1,599,978
95	CWIP	BS	\$ -							\$ -	\$ -		0.00	\$ -		0%		\$ -	\$ -	\$ -
		BS	\$ -							\$ -	\$ -			\$ -				\$ -	\$ -	\$ -
		BS	\$ -							\$ -	\$ -			\$ -				\$ -	\$ -	\$ -
		BS	\$ -							\$ -	\$ -			\$ -				\$ -	\$ -	\$ -
		BS	\$ -							\$ -	\$ -			\$ -				\$ -	\$ -	\$ -
		BS	\$ -							\$ -	\$ -			\$ -				\$ -	\$ -	\$ -
		BS	\$ -							\$ -	\$ -			\$ -				\$ -	\$ -	\$ -
		BS	\$ -							\$ -	\$ -			\$ -				\$ -	\$ -	\$ -
		BS	\$ -							\$ -	\$ -			\$ -				\$ -	\$ -	\$ -
		BS	\$ -							\$ -	\$ -			\$ -				\$ -	\$ -	\$ -
		BS	\$ -							\$ -	\$ -			\$ -				\$ -	\$ -	\$ -
TOTALS			\$ 743,377,331	\$ 89,139,702	\$ 8,377,862	\$ -	\$ -	\$ -	\$ -	\$ 832,517,833	\$ -	\$ 8,377,862		\$ 3,987,800	\$ 40,380,920		\$ -	\$ -	\$ 68,120,942	\$ 764,396,091

(1) Class	Class Description	Working Paper Reference	(2) Undepreciated capital cost (UCC) at the beginning of the year	(3) Cost of acquisitions during the year (new property must be available for use, except CWP)	(4) Cost of acquisitions from column 3 that are accelerated investment incentive property (AIIP)	(5) Adjustments and transfers enter amounts that will reduce the UCC as negatives	(6) Amount from column 5 that is assistance received or receivable during the year for a property, subsequent to its disposition	(7) Amount from column 5 that is repaid during the year for a property, subsequent to its disposition	(8) Proceeds of dispositions	(9) UCC (column 2 plus column 3 plus or minus column 8)	(10) Proceeds of disposition available to reduce the UCC of AIIP (column 8 plus column 6 minus column 3 plus column 4 minus column 7) (if negative, enter "0")	(11) Net capital cost additions of AIIP acquired during the year (column 4 minus column 10) (if negative, enter "0")	Relevant factor	(12) UCC adjustment for AIIP acquired during the year (column 11 multiplied by the relevant factor)	(13) UCC adjustment for non-AIIP acquired during the year (0.5 multiplied by the result of column 3 minus column 4 minus column 6 plus column 7 minus column 8) (if negative, enter "0")	(14) CCA Rate %	(15) Recapture of CCA	(16) Terminal Loss	(17) CCA (for declining balance method, the result of column 9 plus column 12 minus column 13, multiplied by column 14)	(18) UCC at the end of the test year (column 9 minus column 17)
1	Buildings, Distribution System (acq'd post 1987)	BB	\$ 157,475,880.35						\$ 157,475,880	\$ -	\$ -	0.50	\$ -	\$ -	4%			\$ 6,299,035	\$ 151,176,845	
1b	Non-Residential Buildings (Reg. 1190(1)(a.1) election)	BB	\$ 26,784,947.25	7,064,568	7,064,568				\$ 33,849,515	\$ -	\$ 7,064,568	0.50	\$ 3,532,284	\$ -	0%			\$ 2,242,908	\$ 31,606,607	
2	Distribution System (acq'd pre 1988)	BB	\$ 46,603,348.99						\$ 46,603,349	\$ -	\$ -	0.00	\$ -	\$ -	0%			\$ 2,796,201	\$ 43,807,148	
3	Buildings (acq'd pre 1988)	BB	\$ 7,485,389.15						\$ 7,485,389	\$ -	\$ -	0.00	\$ -	\$ -	5%			\$ 974,269	\$ 7,111,120	
6	Certain Buildings: Fences	BB	\$ -						\$ -	\$ -	\$ -	0.50	\$ -	\$ -	10%			\$ -	\$ -	
8	General Office Equipment, Furniture, Fixtures	BB	\$ 13,748,197.56	4,684,278	4,684,278				\$ 18,432,474	\$ -	\$ 4,684,278	0.50	\$ 2,342,139	\$ -	20%			\$ 4,154,922	\$ 14,277,551	
10	Motor Vehicles, Fleet	BB	\$ 3,685,019.13	1,572,486	1,572,486				\$ 5,257,505	\$ -	\$ 1,572,486	0.50	\$ 786,243	\$ -	30%			\$ 1,813,124	\$ 3,444,381	
10.1	Certain Automobiles	BB	\$ -	11,398,852	11,398,852				\$ -	\$ -	\$ -	0.50	\$ -	\$ -	30%			\$ -	\$ -	
12	Computer Application Software (Non-Systems)	BB	\$ -	11,398,852	11,398,852				\$ 11,398,852	\$ -	\$ 11,398,852	0.00	\$ -	\$ -	100%			\$ 11,398,852	\$ -	
13.1	Lease # 1	BB	\$ -						\$ -	\$ -	\$ -	0.00	\$ -	\$ -	NA			\$ -	\$ -	
13.2	Lease # 2	BB	\$ -						\$ -	\$ -	\$ -	0.00	\$ -	\$ -	NA			\$ -	\$ -	
13.3	Lease # 3	BB	\$ -						\$ -	\$ -	\$ -	0.00	\$ -	\$ -	NA			\$ -	\$ -	
13.4	Lease # 4	BB	\$ -						\$ -	\$ -	\$ -	0.00	\$ -	\$ -	NA			\$ -	\$ -	
14	Limited Period Patents, Franchises, Concessions or Licences	BB	\$ -						\$ -	\$ -	\$ -	0.00	\$ -	\$ -	NA			\$ -	\$ -	
14.1	Eligible Capital Property (acq'd pre Jan 1, 2017)	BB	\$ 10,138,519.54						\$ 10,138,520	\$ -	\$ -	0.00	\$ -	\$ -	7%			\$ 709,696	\$ 9,428,823	
14.1	Eligible Capital Property (acq'd post Jan 1, 2017)	BB	\$ 414,175.24	89,596	89,596				\$ 503,771	\$ -	\$ 89,596	0.50	\$ 44,799	\$ -	5%			\$ 27,428	\$ 476,343	
17	Elec. Generation Equip. (Non-Bldg, acq'd post Feb 27/00); Roads, Lots, Storage	BB	\$ -						\$ -	\$ -	\$ -	0.50	\$ -	\$ -	0%			\$ -	\$ -	
42	Fibre Optic Cable	BB	\$ 196,150.87						\$ 196,151	\$ -	\$ -	0.50	\$ -	\$ -	12%			\$ 23,538	\$ 172,613	
43.1	Certain Clean Energy/Energy-Efficient Generation Equipment	BB	\$ -						\$ -	\$ -	\$ -	2.33	\$ -	\$ -	30%			\$ -	\$ -	
43.2	Certain Clean Energy/Energy-Efficient Generation Equipment	BB	\$ -						\$ -	\$ -	\$ -	1.00	\$ -	\$ -	50%			\$ -	\$ -	
45	Computers & System Software (acq'd post Mar 22/04 and pre Mar 19/07)	BB	\$ 1,315.57						\$ 1,316	\$ -	\$ -	0.00	\$ -	\$ -	45%			\$ 592	\$ 724	
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	BB	\$ -						\$ -	\$ -	\$ -	0.00	\$ -	\$ -	30%			\$ -	\$ -	
47	Distribution System (acq'd post Feb 22/05)	BB	\$ 489,497,668.63	82,851,650	82,851,650				\$ 572,349,319	\$ -	\$ 82,851,650	0.50	\$ 41,425,825	\$ -	0%			\$ 49,102,011	\$ 523,247,307	
50	General Purpose Computer Hardware & Software (acq'd post Mar 19/07)	BB	\$ 877,638.40	919,029	919,029				\$ 1,796,666	\$ -	\$ 919,029	0.50	\$ 459,514	\$ -	95%			\$ 1,240,899	\$ 555,767	
95	CWP	BB	\$ -						\$ -	\$ -	\$ -	0.00	\$ -	\$ -	0%			\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
TOTALS		BB	\$ 756,908,251	\$ 108,580,456	\$ 108,580,456	\$ -	\$ -	\$ -	\$ 865,488,707	\$ -	\$ 108,580,456		\$ 48,590,802	\$ -		\$ -	\$ -	\$ 80,183,478	\$ 785,305,229	

(1) Class	Class Description	Working Paper Reference	(2) Undepreciated capital cost (UCC) at the beginning of the test year	(3) Cost of acquisitions during the year (new property must be available for use, except CWP)	(4) Cost of acquisitions from column 3 that are accelerated investment incentive property (AIP)	(5) Adjustments and transfers (enter amounts that will reduce the UCC as negatives)	(6) Amount from column 5 that is assistance received or receivable during the year for a property, subsequent to its disposition	(7) Amount from column 5 that is repaid during the year for a property, subsequent to its disposition	(8) Proceeds of dispositions	(9) UCC (column 2 plus column 3 plus or minus column 5 minus column 8)	(10) Proceeds of disposition available to reduce the UCC of AIP (column 8 plus column 6 minus column 3 plus column 4 minus column 7) (if negative, enter "0")	(11) Net capital cost additions of AIP acquired during the year (column 4 minus column 10) (if negative, enter "0")	Relevant factor	(12) UCC adjustment for AIP acquired during the year (column 11 multiplied by the relevant factor)	(13) UCC adjustment for non-AIP acquired during the year (column 8 multiplied by the result of column 3 minus column 4 plus column 6 plus column 7 minus column 9) (if negative, enter "0")	(14) CCA Rate %	(15) Recapture of CCA	(16) Terminal Loss	(17) CCA (for declining balance method, the result of column 9 plus column 12 minus column 13, multiplied by column 14)	(18) UCC at the end of the test year (column 9 minus column 17)
1	Buildings, Distribution System (acq'd post 1987)	BB							\$ -	\$ -	\$ -	0.50	\$ -	\$ -	4%			\$ -	\$ -	
1b	Non-Residential Buildings (Reg. 1190(1)(a.1) election)	BB							\$ -	\$ -	\$ -	0.50	\$ -	\$ -	0%			\$ -	\$ -	
2	Distribution System (acq'd pre 1988)	BB	40,020,886	13,448,232					\$ 40,020,886	\$ -	\$ 13,448,232	0.50	\$ 6,724,116	\$ 13,286,327	6%			\$ 2,007,520	\$ 38,013,366	
3	Buildings (acq'd pre 1988)	BB							\$ -	\$ -	\$ -	0.00	\$ -	\$ -	5%			\$ -	\$ -	
6	Certain Buildings: Fences	BB							\$ -	\$ -	\$ -	0.50	\$ -	\$ -	10%			\$ -	\$ -	
8	General Office Equipment, Furniture, Fixtures	BB	2,196,886	615,128					\$ 2,196,886	\$ -	\$ 615,128	0.50	\$ 307,564	\$ 790,879	20%			\$ 342,714	\$ 1,854,172	
10	Motor Vehicles, Fleet	BB							\$ -	\$ -	\$ -	0.50	\$ -	\$ -	30%			\$ -	\$ -	
10.1	Certain Automobiles	BB							\$ -	\$ -	\$ -	0.50	\$ -	\$ -	30%			\$ -	\$ -	
12	Computer Application Software (Non-Systems)	BB							\$ -	\$ -	\$ -	0.00	\$ -	\$ -	100%			\$ -	\$ -	
13.1	Lease # 1	BB							\$ -	\$ -	\$ -	0.00	\$ -	\$ -	NA			\$ -	\$ -	
13.2	Lease # 2	BB							\$ -	\$ -	\$ -	0.00	\$ -	\$ -	NA			\$ -	\$ -	
13.3	Lease # 3	BB							\$ -	\$ -	\$ -	0.00	\$ -	\$ -	NA			\$ -	\$ -	
13.4	Lease # 4	BB							\$ -	\$ -	\$ -	0.00	\$ -	\$ -	NA			\$ -	\$ -	
14	Limited Period Patents, Franchises, Concessions or Licences	BB							\$ -	\$ -	\$ -	0.00	\$ -	\$ -	NA			\$ -	\$ -	
14.1	Eligible Capital Property (acq'd pre Jan 1, 2017)	BB							\$ -	\$ -	\$ -	0.00	\$ -	\$ -	7%			\$ -	\$ -	
14.1	Eligible Capital Property (acq'd post Jan 1, 2017)	BB							\$ -	\$ -	\$ -	0.50	\$ -	\$ -	5%			\$ -	\$ -	
17	Elec. Generation Equip. (Non-Bldg, acq'd post Feb 27/00): Roads, Lots, Storage	BB	749,869						\$ 749,869	\$ -	\$ -	0.50	\$ -	\$ 374,935	0%			\$ 29,995	\$ 719,874	
42	Fibre Optic Cable	BB							\$ -	\$ -	\$ -	0.50	\$ -	\$ -	12%			\$ -	\$ -	
43.1	Certain Clean Energy/Energy-Efficient Generation Equipment	BB							\$ -	\$ -	\$ -	2.33	\$ -	\$ -	30%			\$ -	\$ -	
43.2	Certain Clean Energy/Energy-Efficient Generation Equipment	BB							\$ -	\$ -	\$ -	1.00	\$ -	\$ -	50%			\$ -	\$ -	
45	Computers & System Software (acq'd post Mar 22/04 and pre Mar 19/07)	BB							\$ -	\$ -	\$ -	0.00	\$ -	\$ -	45%			\$ -	\$ -	
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	BB							\$ -	\$ -	\$ -	0.00	\$ -	\$ -	30%			\$ -	\$ -	
47	Distribution System (acq'd post Feb 22/05)	BB							\$ -	\$ -	\$ -	0.50	\$ -	\$ -	0%			\$ -	\$ -	
50	General Purpose Computer Hardware & Software (acq'd post Mar 19/07)	BB	23,846						\$ 23,846	\$ -	\$ -	0.50	\$ -	\$ 11,923	95%			\$ 6,558	\$ 17,288	
95	CWP	BB	\$ -						\$ -	\$ -	\$ -	0.00	\$ -	\$ -	0%			\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
		BB	\$ -						\$ -	\$ -	\$ -		\$ -	\$ -				\$ -	\$ -	
TOTALS		BB	\$ -	\$ 42,991,487	\$ 14,063,360	\$ -	\$ -	\$ -	\$ 42,991,487	\$ -	\$ 14,063,360		\$ 7,031,680	\$ 14,464,064	\$ -	\$ -	\$ -	\$ 2,386,787	\$ 46,604,700	

1 **RETAIL SERVICE CHARGES**

2

3 As part of the Approved Settlement Agreement governing the adjudication and implementation
4 of Hydro Ottawa's 2016-2020 Custom Incentive Rate-setting ("Custom IR") application, it was
5 agreed that Hydro Ottawa would adopt the treatment accorded to Account 1518 and Account
6 1548 as determined by the OEB in a separate proceeding involving a Custom IR application
7 submitted by Toronto Hydro-Electric System Limited ("THESL").¹ Ultimately, the OEB granted
8 approval to THESL to discontinue the use of these accounts as part of the Decision and Order
9 issued in respect of THESL's application.²

10

11 As indicated in Attachment 9-1-1(A): OEB Workform - Deferral and Variance Account
12 (Continuity Schedule), Hydro Ottawa ceased tracking and recording principal amounts in
13 Account 1518 and Account 1548 as of December 31, 2015. Hydro Ottawa confirms that, prior to
14 December 31, 2015, the utility followed Article 490 of the OEB's *Accounting Procedures*
15 *Handbook* for Retail Cost Variance Accounts ("RCVAs") and that all costs were the incremental
16 cost of providing retail services.³

17

18 As part of its 2016-2020 Custom IR application, the utility had requested approval to dispose of
19 the balances in Accounts 1518 and 1548 as of December 31, 2014. By way of this Application,
20 Hydro Ottawa is requesting to dispose of final balances accumulated through December 31,
21 2015, along with related interest. After the remaining balance of these accounts are disposed of,
22 these accounts will no longer be active and no further amounts will be recorded, unless
23 otherwise directed by the OEB. Please see Exhibit 9-3-1: Disposition of Deferral and Variance
24 Accounts for further details.

¹ Ontario Energy Board, *Decision and Order*, EB-2015-0004 (December 22, 2015), Schedule A, page 25.

² Ontario Energy Board, *Decision and Order - Toronto Hydro-Electric System Limited Application for electricity distribution rates effective from May 1, 2015 and for each following year effective January 1 through to December 31, 2019*, EB-2014-0116 (December 29, 2015), page 54.

³ Ontario Energy Board, *Accounting Procedures Handbook for Electricity Distributors* (December 2011), Article 490 - Accounting for Specific Items - Retail Services and Settlement Variances.

1 Table 1 provides a breakdown of 2015 revenue and expense for Accounts 1518 and 1548.

2

3

Table 1 – Revenue and Expense for Accounts 1518 and 1548

Account (USofA)	1518 - RCVA _{RETAIL} 2015	1548 - RCVA _{STR} 2015 ⁴
Revenue	\$(138,136)	\$(5,339)
Cost	\$98,650	\$319,347
TOTAL PRINCIPAL ADJUSTMENT 2015⁵	\$(39,487)	\$314,008

4

5 As reflected by the balances in the accounts, the main driver of the overall balance was that
 6 costs exceeded the revenues being collected. As outlined in the *Report of the Ontario Energy*
 7 *Board - Energy Retailer Services Charges*, this trend was observed across the distribution
 8 sector.⁶ One of the primary underlying factors was that the costs associated with providing
 9 retailer services were relatively fixed, while customer enrollment with retailers had decreased
 10 substantially, thus resulting in less retail service revenue. In addition, the rates related to retail
 11 services had not been increased since their original establishment.

12

13 In February 2019, the OEB issued a Decision and Order in the matter of energy retailer service
 14 charges, in which it directed electricity distributors to implement new Retail Service Charges.⁷
 15 Distributors which had ceased the use of Account 1518 and Account 1548 were directed to
 16 establish a new 1508 Sub-Account to record the difference in the incremental revenue as a
 17 result of the Decision and Order. In accordance with this direction, Hydro Ottawa established
 18 and started tracking the incremental revenue in the newly established 1508 Sub-Account
 19 effective May 1, 2019. Please see Exhibit 9-1-3: Group 2 Accounts for details related to the
 20 retail services incremental revenue.

⁴ STR stands for "Service Transaction Request."

⁵ Totals may not sum due to rounding.

⁶ Ontario Energy Board, *Report of the Ontario Energy Board - Energy Retailer Services Charges*, EB-2015-0304 (November 29, 2018).

⁷ Ontario Energy Board, *Decision and Order in the matter of energy retailer service charges effective May 1, 2019*, EB-2015-0304 (February 14, 2019).

1 **NEW DEFERRAL AND VARIANCE ACCOUNTS**

2
3 **1. INTRODUCTION**

4 This Schedule describes Hydro Ottawa’s proposals for establishing new deferral and variance
5 accounts (“DVAs”). In the sections below, the utility describes the eligibility criteria regarding
6 causation, materiality, and prudence for the proposed new accounts. Hydro Ottawa is seeking
7 the OEB’s approval to introduce and/or modify the DVAs, as outlined below.

8
9 **2. MODIFICATION TO EXISTING REGULATORY ACCOUNTS**

10 **2.1. CONNECTION COST RECOVERY AGREEMENT PAYMENTS DEFERRAL ACCOUNT**

11 As part of Hydro Ottawa’s 2016-2020 Custom Incentive Rate-Setting (“Custom IR”) application,¹
12 \$5.0M of unidentified connection cost recovery agreement (“CCRA”) payments to Hydro One
13 Networks Inc. (“HONI”) were estimated per year. During the adjudication of the 2016-2020
14 application, it was agreed to move the unidentified payments out of the proposed revenue
15 requirement and establish the CCRA Regulatory Account. The CCRA Regulatory Account
16 allows Hydro Ottawa to record, and later recover from customers, the annual revenue
17 requirement of CCRA payments that commence in the year in which the facilities (to which each
18 CCRA payment relates) provide services to Hydro Ottawa customers.

19
20 Hydro Ottawa is requesting to continue a modified CCRA Regulatory Account during the
21 2021-2025 period. Hydro Ottawa is requesting that, as of January 1, 2021, the CCRA Account
22 include both new (known and unknown) and true-up payments and functions as a symmetrical
23 account to collect or refund the difference for CCRA payments between what Hydro Ottawa has
24 forecasted and what is actually paid for both new and true-up CCRA payments.

25
26 Hydro Ottawa has developed a detailed estimate of future CCRA payments. However, unknown
27 variables during construction, for which Hydro Ottawa relies on HONI, as well as changes in
28 load expectations can significantly impact Hydro Ottawa’s ability to manage the ultimate cost.

¹ Hydro Ottawa Limited, *2016-2020 Custom Incentive Rate-Setting Distribution Rate Application*, EB-2015-0004 (April 29, 2015).

1 The financial model and variables are maintained by HONI. As such, Hydro Ottawa cannot
2 always reliably predict the amount of both new and true-up CCRA payments. In addition, as
3 Ontario continues to invest in alternatives to building or delaying the building of new systems
4 assets with the use of Demand Response, storage, and conservation resources, this will leave
5 planning and timing of some investments uncertain.

6
7 Hydro Ottawa has obligations under current CCRA agreements signed with HONI to complete
8 true-up payment, with true-up reviews completed on five-year increments. These reviews may
9 result in additional payments being made for any shortfall of revenue generated by HONI as a
10 result of the forecasted load from Hydro Ottawa not materializing. While Hydro Ottawa attempts
11 to accurately forecast future loading, shortfalls related to a particular connection facility can
12 occur and can be material. As load materializing is not fully within Hydro Ottawa's control, the
13 utility is requesting to modify the CCRA Account to include revenue requirement related to
14 true-up payments. Please refer to Table 8.33 - CCRA True-ups Schedule in Exhibit 2-4-3:
15 Distribution System Plan for the dates for which CCRA true-ups are scheduled.

16
17 This account would accrue carrying charges at OEB-prescribed rates until final disposition.

18
19 The following are sample journal entries of a symmetrical account to collect or refund the
20 difference for CCRA payments between what Hydro Ottawa has included in its Distribution
21 System Plan and what is actually paid for new and true-up CCRA payments.

22
23 A) Monthly journal entry to capture revenue requirement difference of new CCRA payments as
24 assets provide service, as well as any revenue requirement difference resulting from scheduled
25 true-ups and what has been estimated.

	<u>Debit</u>	<u>Credit</u>
1		
2 Dr. Account 1508 CCRA – Depreciation	x,xxx.xx	
3 Dr. Account 1508 CCRA – Interest	x,xxx.xx	
4 Dr. Account 1508 CCRA – Return	x,xxx.xx	
5 Dr. Account 1508 CCRA – Payments in Lieu of Taxes (“PILS”)	x,xxx.xx	
6 Cr. Account 4080 – Distribution Services Revenue		x,xxx.xx
7		

8 Hydro Ottawa proposes that any balance related to 2021-2024 be recovered from or returned to
 9 customers at the utility’s next rebasing application, while any 2025 balance be recovered from
 10 or returned to customers based on the materiality level per OEB guidelines related to Group 2
 11 Accounts.

12

13 **2.2. CAPITAL VARIANCE ACCOUNT**

14 **2.2.1. Existing Account**

15 The purpose of the existing account is to record the revenue requirement impact associated
 16 with the difference between actual and forecasted cumulative capital additions (net of capital
 17 contributions) for 2016-2020, should in-service capital additions be lower than, or the pacing of
 18 capital additions be slower than, forecast over the 2016-2020 period. Hydro Ottawa would
 19 continue to record variances in this account until actual capital additions catch up to the
 20 cumulative capital additions or until the utility’s next rebasing application, whichever comes first.
 21 The balance, if any, would be returned to customers.

22

23 Hydro Ottawa is requesting to maintain Sub-account 1508 - related to Capital Additions² with the
 24 modification to split System Access Capital Additions net of contributions into a separate
 25 Sub-account. The proposed modification is explained below.

² At present, the account is named Sub-account 1508 - Revenue Requirement Differential Variance Account related to Capital Additions.

2.2.2. Sub-account 1508 - Capital Additions Revenue Requirement (excluding System Access) Differential Variance Account

During 2021-2025, Hydro Ottawa is requesting to record the revenue requirement impact of underspending on the utility's capital plan for (a) System Renewal/System Service and (b) General Plant categories into this Sub-Account. Hydro Ottawa proposes to continue this Sub-account as an asymmetrical account. Overspending or earlier spending will therefore not result in recording amounts to be recovered from customers during the 2021-2025 period. The balance, if any, would be returned to customers.

This methodology is consistent with the sub-account approved by the OEB in the adjudication of Hydro Ottawa's 2016-2020 application,³ with the sole exception of the utility's proposal to categorize System Access separately, as explained below.

The following are sample journal entries, using underspending, for System Renewal/System Service and General Plant categories.

This account would accrue carrying charges at OEB-prescribed rates until final disposition.

A) Yearly Journal entry to capture revenue requirement of the difference between planned asset additions and actual asset additions, by category.⁴

	<u>Debit</u>	<u>Credit</u>
Dr. Account 4080 – Distribution Services Revenue	x,xxx.xx	
Cr. Account 1508 SR/SS Capital Additions Depreciation		x,xxx.xx
Cr. Account 1508 SR/SS Capital Additions – Interest		x,xxx.xx
Cr. Account 1508 SR/SS CVA – Return		x,xxx.xx
Cr. Account 1508 SR/SS CVA – PILS		x,xxx.xx

³ Ontario Energy Board, *Decision and Order*, EB-2015-0004 (December 22, 2015), Schedule C, page 7.

⁴ The same entry will be done for each of the asset categories (System Renewal/System Service and General Plant), as required.

1 Hydro Ottawa proposes that any balance related to 2021-2024 be returned to customers at the
2 utility's next rebasing application, while any 2025 balance be returned to customers based on
3 the materiality level, as per OEB guidelines related to Group 2 Accounts.

4
5 **2.2.3. Sub-account 1508 - System Access Capital Additions (net of contributions)**
6 **Revenue Requirement Differential Variance Account**

7 Hydro Ottawa is requesting a symmetrical variance account to record the revenue requirement
8 impact related to overspending or underspending in the utility's capital plan in the System
9 Access category. For clarity, the purpose of this account is to record the revenue requirement
10 associated with the difference between actual and forecasted cumulative capital additions (net
11 of capital contributions) for 2021-2025, should in-service capital additions be lower or higher
12 than, or the pacing of capital additions be faster or slower than, that which is forecast over the
13 2021-2025 period.

14
15 System Access capital additions include in-service work related to third-party initiated relocation,
16 upgrades, and expansion to existing service and is primarily customer-driven capital work. Since
17 expenditures in the System Access category are not within Hydro Ottawa's control, they can be
18 volatile and difficult to predict. Hydro Ottawa proposes to record to this variance account the
19 revenue requirement impact of the amounts that vary from the approved amounts in order to
20 keep both the customer and the utility whole. A similar variance account was approved in both
21 the 2015-2019⁵ and 2020-2024⁶ rate applications filed by Toronto Hydro-Electric System Limited
22 ("THESL").

23
24 This account would accrue carrying charges at OEB-prescribed rates until final disposition.

25
26 The following are sample journal entries for overspending in the System Access category.
27 Please see Capital Additions Revenue Requirement DVA (excluding System Access) in section
28 2.2.2 above for a sample journal entry of underspending.

⁵ Ontario Energy Board, *Decision and Order*, EB-2014-0116 (March 1, 2016), Appendix E, pages 1-2 and 11-12.

⁶ Ontario Energy Board, *Decision and Order*, EB-2018-0165 (December 19, 2019), pages 42-43.

1 A) Yearly Journal entry to capture revenue requirement of the difference between planned asset
2 additions and actual asset additions, for the System Access category. The journal entry provides
3 an example resulting from underspending. Should overspending occur, the entries would result
4 in Account 4080 being credited and the other Accounts being debited.

	<u>Debit</u>	<u>Credit</u>
7 Dr. Account 4080 – Distribution Services Revenue	x,xxx.xx	
8 Cr. Account 1508 SA Capital Additions Depreciation		x,xxx.xx
9 Cr. Account 1508 SA Capital Additions – Interest		x,xxx.xx
10 Cr. Account 1508 SA CVA – Return		x,xxx.xx
11 Cr. Account 1508 SA CVA – PILS		x,xxx.xx

12
13 Hydro Ottawa would continue to record variances in this account until the utility’s next rebasing
14 application. Hydro Ottawa proposes that any balance related to 2021-2024 be returned to or
15 recovered from customers at the utility’s next rebasing application, while any 2025 balance be
16 returned to or recovered from customers based on the materiality level, as per OEB guidelines
17 related to Group 2 Accounts.

19 **2.3. EARNINGS SHARING MECHANISM**

20 In order to insulate customers from the risk of Hydro Ottawa generating excess earnings, the
21 utility proposes to maintain an earnings sharing mechanism (“ESM”) as a component of its
22 Custom IR framework. Hydro Ottawa requests to continue the variance account with two
23 modifications: transition the ESM to a five-year cumulative asymmetrical Account and establish
24 a deadband. If the utility’s actual Return on Equity (“ROE”) differs from the approved ROE,
25 Hydro Ottawa proposes returning any excess earnings based on the following (which is
26 consistent with the OEB’s recent Decision and Order on THESL’s 2020-2024 rate application⁷):

- 28 ● Under earning – borne entirely by the shareholder
- 29 ● 0 - 150 basis points – fully retained by shareholder

⁷ Ontario Energy Board, *Decision and Order*, EB-2018-0165 (December 19, 2019), pages 42-43.

- Above 150 basis points – 50:50 sharing between ratepayer/shareholder

The above would be based on overall earnings at the end of the Custom IR rate term (i.e. end of 2025), as per the direction signalled in the OEB’s *Handbook for Utility Rate Applications*.⁸

For the purpose of earnings sharing, the regulatory net income will be calculated in the same manner as net income for regulatory purposes under the Reporting and Record Keeping Requirements (“RRR”) filings. For clarity, this calculation excludes revenue and expenses related to non-distribution activities. In addition, Regulatory Assets (such as changes in taxes/PILS to which Uniform System of Accounts [“USofA”] 1592 - PILS and Tax Variance for 2006 and Subsequent Years applies) will be shared through the Regulatory account rather than through the ESM.

The ratepayer share of earnings will be credited to the variance account in any given year and subsequently adjusted as required, with the result that the balance at the end of the Custom IR term will be based on an accumulative five years.

This account will accrue interest based on OEB-prescribed interest rates.

The following is a sample journal entry.

(A) To record the ratepayers’ share of earnings as a result of the earnings sharing mechanism.

a) Ratepayers’ share of earnings (150 basis points and above)

	<u>Debit</u>	<u>Credit</u>
Dr. Account 4080 - Distribution Services Revenue	x,xxx.xx	
Cr. Account 1508 - Sub-Account ESM Variance		x,xxx.xx

⁸ Ontario Energy Board, *Handbook for Utility Rate Applications* (October 13, 2016), page 28.

1 If Hydro Ottawa has cumulatively over-earned by more than 150 basis points at the end of 2025,
2 this will not be known at the time of the utility's next rebasing application. Therefore, Hydro
3 Ottawa proposes any balance be returned to customers based on the materiality levels, as per
4 OEB guidelines related to Group 2 Accounts.

6 **3. NEW REGULATORY ASSETS**

7 **3.1. ACCOUNT 1595 (2021)**

8 As per the OEB's *Accounting Procedures Handbook* ("APH")⁹ and the OEB's Frequently Asked
9 Questions from July 2012,¹⁰ Hydro Ottawa will open a new sub-account for Account 1595 for
10 each year that the deferral or variance balances are approved for disposition. For this
11 Application, a sub-account will be opened for USofA 1595 (2021). DVA balances being disposed
12 of will be transferred into Account 1595.

14 **3.2. Z FACTOR**

15 In its *Handbook for Utility Rate Applications*, the OEB affirmed its policy that "[a]n acceptable
16 adjustment during a Custom IR term is a Z factor mechanism for cost recovery of unforeseen
17 events."¹¹

18
19 In step with this guideline, Hydro Ottawa is not requesting a Z factor at this time. However, the
20 utility is proposing to reserve the right to use a Z factor cost recovery mechanism in the future.
21 Hydro Ottawa will only resort to using the Z factor mechanism if costs incurred arise from
22 unforeseen events, decisions, or activities the results of which cannot be reasonably anticipated
23 or qualified at this juncture and where the costs exceed Hydro Ottawa's materiality threshold.
24 Examples include unforeseen weather events or changes to laws or regulations requiring
25 significant implementation investment.

⁹ Ontario Energy Board, *Accounting Procedures Handbook for Electricity Distributors* (December 2011), Article 220 pages 39-40.

¹⁰ Ontario Energy Board, *Accounting Procedures Handbook, Frequently Asked Questions* (July 2012), Question 3, page 5.

¹¹ Ontario Energy Board, *Handbook for Utility Rate Applications* (October 13, 2016), page 27.

1 Hydro Ottawa would apply to the OEB for a Z factor within six months of the Z factor event. If
2 this occurs and approved is granted by the OEB, any related costs would be recorded in USofA
3 1572, Extraordinary Event Costs. Hydro Ottawa would likewise follow the guidelines discussed
4 in the OEB's 2008 report on 3rd Generation Incentive Regulation for electricity distributors.¹²

¹² Ontario Energy Board, *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* (July 14, 2008), pages 38-41.

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

1. INTRODUCTION

In this Schedule, Hydro Ottawa is requesting disposition of a number of its Group 2 deferral and variance accounts (“DVAs”), in compliance with the *Electricity Distributors’ Deferral and Variance Account Review Initiative* (“EDDVAR Report”).

Details regarding DVAs can be found in the following Exhibits:

- Exhibit 9-1-1: Summary of Current Deferral and Variance Accounts
- Exhibit 9-1-2: Group 1 Accounts
- Exhibit 9-1-3: Group 2 Accounts
- Exhibit 9-1-4: Account 1592 PILS and Tax Variance
- Exhibit 9-1-5: Retail Service Charges

In Attachment 9-3-1(C): OEB Workform - Account 1595, Hydro Ottawa has included the 1595 Accounts that have not been cleared as part of prior rate applications. As part of the proceeding for this Application, Hydro Ottawa will update the 1595 Workform model for 2019 actuals.

2. ACCOUNTS FOR WHICH HYDRO OTTAWA IS SEEKING DISPOSITION

As part of this Application, Hydro Ottawa is requesting disposition of its Group 2 Accounts as presented in Attachment 9-1-1(A): OEB Workform - Deferral and Variance Account (Continuity Schedule) based on December 31, 2018 audited balances and specific adjustments for 2019. Please refer to Exhibit 9-1-3: Group 2 Accounts and Exhibit 9-1-4: Account 1592 PILS and Tax Variance for more information on the specific adjustments.

Hydro Ottawa’s last audited Group 1 balances for the 2018 year-end are being cleared as part of the implementation of the utility’s 2020 rates.¹ When 2019 audited balances are available,

¹ Ontario Energy Board, *Decision and Rate Order*, EB-2019-0046 (December 17, 2019), page 13.

1 Hydro Ottawa will update Attachment 9-1-1(A): OEB Workform - Deferral and Variance Account
2 (Continuity Schedule) and update the requested disposition of Group 1 and Group 2 Accounts.

3
4 Table 1 below provides a summary of the Group 2 DVAs by Uniform System of Accounts
5 (“USofA”) for which Hydro Ottawa is seeking disposition. For the completed DVA Continuity
6 Schedule, please see Attachment 9-1-1(A).

7
8 Per the DVA Continuity Schedule, principal balances are up to December 31, 2018 and interest
9 is forecasted to December 31, 2019. In addition, as noted above, Hydro Ottawa has included
10 specific adjustments related to 2019, as follows:

- 11
12
- 13 ● USofA 1508 Sub-account Y-Factor Variance Account
 - 14 ● USofA 1508 Sub-account Gains/Losses from Sale of Existing Facilities Deferral
 - 15 ● USofA 1508 Sub-account New Facilities Deferral Account
 - 16 ● USofA 1592 Sub-account PILS and Tax Variance for 2006 and Subsequent Years
17 Sub-account CCA Changes
 - 18 ● USofA 1568 Sub-account LRAM Variance Account

19 The total net credit balance of the Group 2 DVAs for which Hydro Ottawa is seeking disposition
20 is \$5.8M.

21
22 As part of this Application, Hydro Ottawa has provided the Global Adjustment (“GA”) Analysis
23 Workform and GA Appendix A from its 2020 rate adjustment application², as the utility is using
24 the 2018 audited financials in Attachment 9-1-1(A): 2021 DVA Workform. These are included in
25 this Application as Attachment 9-3-1(A): OEB Workform - Global Adjustment Analysis and
26 Attachment 9-3-1(B): OEB Workform Appendix - Global Adjustment Analysis. Hydro Ottawa will
27 provide updated Attachments based on 2019 audited financials at a later point in this
28 proceeding.

² Hydro Ottawa Limited, *2020 Electricity Distribution Rate Application*, EB-2019-0046 (August 12, 2019).

1

Table 1 – Proposed DVA Dispositions

USofA Number	Group 2 Deferral/Variance Account Description	Amount (\$)	Principal (\$)	Interest (\$)
1508	Pension & Other Post-Employment Benefits (“OPEB”)	\$(272,000)	\$(272,000)	\$0
1508	Energy East Cost Defer Cost	\$54,373	\$50,731	\$3,642
1508	Y-Factor Variance Account	\$335,267	\$335,267	\$0
1508	Gains/Losses from Sale of Existing Facilities Deferral	\$(2,025,711)	\$(2,025,711)	\$0
1508	New Facilities Deferral Account	\$4,634,058	\$4,634,058	0
1508	Gains and Loss on Disposal of Fixed Assets Variance Account	\$1,413,707	\$1,360,861	\$52,846
1508	Earnings Sharing Mechanism (“ESM”) Variance Account	\$(3,463,136)	\$(3,361,195)	\$(101,941)
1508	Connection Cost Recovery Agreement (“CCRA”) Payment	\$169,599	\$165,621	\$3,978
1508	Efficiency Adjustment Mechanism Deferral Account	\$(576,766)	\$(558,996)	\$(17,770)
1508	OEB Cost Assessment Variance	\$1,461,471	\$1,396,210	\$65,261
1508	OPEB Differential	\$5,848	\$0	\$5,848
1508	Total of 1508 Sub-Accounts	\$1,736,710	\$1,724,845	\$11,865
1548	Retail Cost Variance - Retail	\$(42,240)	\$(39,488)	\$(2,752)
1548	Retail Cost Variance - Service Transaction Requests (“STRs”)	\$336,350	\$314,009	\$22,341
1592	PILs and Tax Variances - Sub-Account: Capital Cost Allowance (“CCA”) Changes	\$(8,274,555)	\$(8,092,672)	\$(181,883)
	Sub-Total Prior to Lost Revenue Adjustment Mechanism (“LRAM”)	\$(6,243,735)	\$(6,093,306)	\$(150,431)
1568	LRAM Variance Account (“LRAMVA”)	\$491,812	\$444,449	\$47,363
TOTAL DVA BALANCE TO BE MOVED TO 1595 (2021)³		\$(5,751,923)	\$(5,648,857)	\$(103,068)

2

3 **3. ALLOCATION OF DVAs AND LENGTH OF DISPOSITION PERIOD**

4 Hydro Ottawa is requesting a two-year rate rider for the refund of balances proposed for the
 5 Group 2 disposition (without LRAM). This helps facilitate a more levelized rate impact between
 6 the 2021-2023 rate years.

7

8 Hydro Ottawa is proposing to dispose of the LRAM rate rider over a one-year period. This
 9 adheres to the default disposition period.

³ Totals may not sum due to rounding.

1 All Group 2 rate riders were allocated by 2021 distribution revenue, which is in line with how the
 2 original revenue requirement was collected.

3
 4 **4. BILLING DETERMINANTS**

5 Hydro Ottawa has used the 2021 and 2022⁴ Load Forecast billing determinants, as presented in
 6 Exhibit 3-1-1: Load Forecast, for the calculation on the rate riders. Hydro Ottawa has utilized
 7 Appendix 2-Z to allocate percentages for Non-Regulated Price Plan (“RPP”) customers based
 8 on 2018 actuals, which can be found in Attachments 2-3-1(A) through (E) for the 2021-2025
 9 period, respectively. The Non-RPP percentage was then applied to the 2021 Load Forecast
 10 billing determinants. Wholesale Market Participants’ consumption was determined by using
 11 preliminary 2019 numbers and allocating the percentage of total consumption against the 2021
 12 Load Forecast.

13
 14 **5. PROPOSED RATE RIDERS**

15 Tables 2 through 4 below outline proposed rate riders to clear the DVA balances in the Group 2
 16 Accounts for which Hydro Ottawa is seeking disposition.

17
 18 **Table 2 – Rate Riders for Group 2 Accounts (2021)**

Rate Class	Units	kW / kWh / # of Customers	Allocated Balance	Rate Rider	Billing Determinant
Residential	# of Customers	316,346	\$(1,753,695)	-0.46	\$/kWh
General Service < 50 kW	kWh	700,163,000	\$(377,290)	-0.0005	\$/kWh
General Service 50 to 1,499 kW	kW	6,816,104	\$(680,145)	-0.0998	\$/kW
General Service 1,500 to 4,999 kW	kW	1,518,349	\$(169,695)	-0.1118	\$/kW
Large Use	kW	1,052,899	\$(115,150)	-0.1094	\$/kW
Unmetered Scattered Load	kWh	13,602,000	\$(8,844)	-0.0007	\$/kWh
Sentinel Lighting	kW	132	\$(75)	-0.5718	\$/kW
Street Lighting	kW	61,588	\$(16,973)	-0.2756	\$/kW
TOTAL			\$(3,121,867)		

19
⁴ This is with respect to the second year of the Group 2 rate rider.

1 **Table 3 – Rate Riders for Group 2 Accounts (2022)**

Rate Class	Units	kW / kWh / # of Customers	Allocated Balance	Rate Rider	Billing Determinant
Residential	# of Customers	319,386	\$(1,753,695)	-0.46	\$/kWh
General Service < 50 kW	kWh	699,456,000	\$(377,290)	-0.0005	\$/kWh
General Service 50 to 1,499 kW	kW	6,618,165	\$(680,145)	-0.0998	\$/kW
General Service 1,500 to 4,999 kW	kW	1,517,223	\$(169,695)	-0.1118	\$/kW
Large Use	kW	1,050,767	\$(115,150)	-0.1096	\$/kW
Unmetered Scattered Load	kWh	13,130,000	\$(8,844)	-0.0007	\$/kWh
Sentinel Lighting	kW	132	\$(75)	-0.5718	\$/kW
Street Lighting	kW	58,863	\$(16,973)	-0.2883	\$/kW
TOTAL			\$(3,121,867)		

2

3

4

Table 4 – Rate Riders for Accounts 1568

Rate Class	Units	kW / kWh / # of Customers	Allocated Balance	Rate Rider	Billing Determinant
Residential	# of Customers	316,346	\$312,463	0.08	\$
General Service < 50 kW	kWh	700,163,000	\$248,850	0.0004	\$/kWh
General Service 50 to 1,499 kW	kW	6,816,104	\$(33,797)	-0.0050	\$/kW
General Service 1,500 to 4,999 kW	kW	1,518,349	\$(9,089)	-0.0060	\$/kW
Large Use	kW	1,052,899	\$(6,174)	-0.0059	\$/kW
Unmetered Scattered Load	kWh	13,602,000	\$(4,051)	-0.0003	\$/kWh
Sentinel Lighting	kW	132	0	0	\$/kW
Street Lighting	kW	61,588	\$(16,390)	-0.2661	\$/kW
TOTAL			\$491,812		

5

6 **6. GA AND WHOLESALE MARKET SERVICE CAPACITY BASED RECOVERY CLASS A**
 7 **ADJUSTMENTS**

8 Hydro Ottawa is not proposing GA and Wholesale Market Service Capacity Based Recovery
 9 Class A adjustments at this time, as the 2018 balances were addressed in Hydro Ottawa's 2020

1 rate application. Any required adjustments will be proposed when the Application is updated for
2 2019 year-end balances.

3

4 **7. PROPOSED ESTABLISHMENT OF NEW DVAs**

5 Please see Exhibit 9-2-1: New Deferral and Variance Accounts for new accounts for which
6 approval is being sought as part of this Application.

Account 1589 Global Adjustment (GA) Analysis Workform

Input cells
 Drop down cells

Note 1 **Years Requested for Disposition**

Note 2 **Consumption Data Excluding for Loss Factor (Data to agree with RRR as applicable)**

Year		2018				
Total Metered excluding WMP	C = A+B	7,363,885,000	0	0	kWh	100%
RPP	A	3,260,393,652			kWh	44.3%
Non-RPP	B = D+E	4,103,491,348	0	0	kWh	55.7%
Non-RPP Class A	D	1,276,844,713			kWh	17.3%
Non-RPP Class B*	E	2,826,646,635			kWh	38.4%

*Non-RPP Class B consumption reported in this table is not expected to directly agree with the Non-RPP Class B Including Loss Adjusted Billed Consumption in the GA Analysis of Expected Balance table below. The difference should be equal to the loss factor.

Note 3 **GA Billing Rate**

GA is billed on the

GA Billing Rate Description

Note 4 **GA Analysis of Expected Balance**

Year	2018								
Calendar Month	Non-RPP Class B Including Loss Adjusted Billed Consumption (kWh)	Deduct Previous Month Unbilled Loss Adjusted Consumption (kWh)	Add Current Month Unbilled Loss Adjusted Consumption (kWh)	Non-RPP Class B Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh)	GA Rate Billed (\$/kWh)	\$ Consumption at GA Rate Billed	GA Actual Rate Paid (\$/kWh)	\$ Consumption at Actual Rate Paid	Expected GA Variance (\$)
	F	G	H	I = F-G+H	J	K = I*J	L	M = I*L	=M-K
January	298,390,221	283,365,424	270,506,404	285,531,201	0.08777	\$ 25,061,074	0.06736	\$ 19,233,382	-\$ 5,827,692
February	274,987,469	270,506,404	239,167,762	243,648,826	0.07333	\$ 17,866,768	0.08167	\$ 19,898,800	\$ 2,032,031
March	254,263,296	239,167,762	240,916,554	256,012,088	0.07877	\$ 20,166,072	0.09481	\$ 24,272,506	\$ 4,106,434
April	239,022,987	240,916,554	236,323,699	234,430,132	0.09811	\$ 22,997,596	0.09959	\$ 23,346,897	\$ 349,301
May	246,491,576	236,323,699	225,726,858	235,894,735	0.09392	\$ 22,155,233	0.10793	\$ 25,460,119	\$ 3,304,885
June	235,081,532	225,726,858	227,955,541	237,310,215	0.13336	\$ 31,647,690	0.11896	\$ 28,230,423	-\$ 3,417,267
July	243,571,470	227,955,541	241,161,591	256,777,520	0.08502	\$ 21,831,225	0.07737	\$ 19,866,877	-\$ 1,964,348
August	246,398,348	241,161,591	235,167,320	240,404,078	0.0779	\$ 18,727,478	0.0749	\$ 18,006,265	-\$ 721,212
September	248,884,256	235,167,320	221,418,226	235,135,162	0.08424	\$ 19,807,786	0.08584	\$ 20,184,002	\$ 376,216
October	231,649,919	221,418,226	204,287,183	214,518,876	0.08921	\$ 19,137,229	0.12059	\$ 25,868,831	\$ 6,731,602
November	217,617,463	204,287,183	216,285,419	229,615,700	0.12235	\$ 28,093,481	0.09855	\$ 22,628,627	-\$ 5,464,854
December	211,552,348	216,285,419	250,848,686	246,115,614	0.09198	\$ 22,637,714	0.07404	\$ 18,222,400	-\$ 4,415,314
Net Change in Expected GA Balance in the Year	2,947,910,886	2,842,281,981	2,809,765,243	2,915,394,148		270,129,346		265,219,129	-\$ 4,910,217

Net Change in Account 1589 Principal Balance in the Year Requested for Disposition **-\$ 3,207,780**

1.0314 line loss

Preliminary Difference **\$ 1,702,437**

Note 5 **Reconciling Items between Expected GA Balance and Amount Requested for Disposition**

Item	Applicability of Reconciling Item (Y/N)	Amount (Quantify if it is a significant reconciling item)	Explanation	Principal Adjustment on DVA Continuity	If "no", please provide an explanation	\$ Principal Adjustment on DVA Continuity Schedule
Net Change in Principal Balance in the GL (i.e. Transactions in the Year)		- 3,207,780.02				
1a True-up of GA Charges based on Actual Non-RPP Volumes - prior year	Y	1,191,245.75	Remove impacts to GA from prior year RPP Settlement true up process that are booked in current year (2017 Booked in 2018)	BF32 DVA Contuity Schedule includes the reversal of the 2017 RPP settlement true up principal adjustment.	(16,746) difference is caused by billing in the remaining months of 2018.	1,174,500
1b True-up of GA Charges based on Actual Non-RPP Volumes - current year	Y	28,329.54	Add impacts to GA from current year RPP Settlement true up process that are booked in subsequent year (2018 Booked in 2019)	Yes, cell BF32 DVA Continuity Schedule		
2a Remove prior year end unbilled to actual revenue differences	Y	913,980.95	2017 (May 2019 Actual kWh)	BF32 DVA Contuity Schedule includes the reversal of the 2017 RPP settlement true up principal adjustment.	2017 RPP settlement true up was recorded as (930,928) but should have been 930,928. The remaining difference was caused by billing in the remaining months of 2018.	930,928
2b Add current year end unbilled to actual revenue differences	Y	683,523.95	2018 (May 2019 Actual kWh)	Yes, cell BF32 DVA Continuity Schedule		
3a Remove difference between prior year accrual/forecast to actual from long term load transfers	N					
3b Add difference between current year accrual/forecast to actual from long term load transfers	N					
4 Remove GA balances pertaining to Class A customers	N					
5 Significant prior period billing adjustments recorded in current year	N					
6 Differences in GA IESO posted rate and rate charged on IESO invoice	Y					
7 Differences in actual system losses and billed TLFs						
8 Others as justified by distributor						
9						
10						

Note 6	Adjusted Net Change in Principal Balance in the GL	-\$ 5,968,201.13
	Net Change in Expected GA Balance in the Year Per Analysis	-\$ 4,910,217.11
	Unresolved Difference	-\$ 1,057,984.02
	Unresolved Difference as % of Expected GA Payments to IESO	<u>-0.4%</u>

Appendix A
GA Methodology Description
Questions on Accounts 1588 & 1589

1. Please complete the Table below for principal adjustments on the DVA Continuity Schedule for Account 1588:

Reconciliation of Account 1588 - 2018

	Principal Adjustments	Was the amount a "Principal Adjustment" in the previous year? (Y/N)
Balance December 31, 2018	736,536.97	
Reversals of Principal Adjustments - previous year		
1. Reversal of Cost of Power accrual from previous year	-	
2. Reversal of CT 1142 true-up from the previous year	517,156.89	Y
3. Unbilled to billed adjustment for previous year	48,939.96	Y
4. Reversal of RPP vs. Non-RPP allocation	1,452,496.31	Y
Sub-Total Reversals from previous year (A):	984,279.38	
Principal Adjustments - current year		
5. Cost of power accrual for 2018 vs Actual per IESO bill	-	
6. True-up of CT 1142 for 2018 consumption recorded in 2019 GL	10,634.75	
7. Unbilled accrued vs. billed for 2018 consumption	182,877.90	
8. True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption	829,307.49	
9. Other		
Sub-Total Principal Adjustments for 2018 consumption (B)	657,064.34	
Total Principal Adjustments shown for 2018 (A + B)	327,215.04	
Bal. For Disposition - 1588 (should match Total Claim column on DVA Continuity)	1,063,752.01	

10. In booking expense journal entries for Charge Type (CT) 1142 and CT 148 from the IESO invoice, please confirm which of the following approaches is used:
- CT 1142 is booked into Account 1588. CT 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589 respectively.
 - CT 148 is booked into Account 1589. The portion of CT 1142 equaling RPP minus HOEP for RPP consumption is booked into Account 1588. The portion of CT 1142 equaling GA RPP is credited into Account 1589.
 - If another approach is used, please explain in detail.
 - Was the approach described in response to the above questions used consistently for all years for which variances are proposed for disposition? If not, please discuss.

Reponse:

Hydro Ottawa follows approach 2 above. This approach was used consistently for all years in which variances are proposed for disposition.

11. Questions on CT 1142

- Please describe how the initial RPP related GA is determined for settlement forms submitted by day 4 after the month-end (resulting in CT 1142 on the IESO invoice).
- Please describe the process for trueing up CT 1142 to actual RPP kWh, including which data is used for each TOU/Tier 1&2 prices, as well as the timing of the true up.
- Has CT 1142 been trueed up for with the IESO for all of 2018?
- Which months from 2018 were trueed up in 2019?
 - Were these true ups recorded in the 2018 or 2019 balance in the General Ledger?
- Have all of the 2018 related true-up been reflected in the applicant's DVA Continuity Schedule in this proceeding?

Response:

- Estimated RPP kWh is based on total estimated purchases for the month from IESO, Hydro One and Embedded generators minus estimated non-capped kWh. Estimates are based on preliminary meter reading. The day 4 GA RPP amount is based on estimated RPP kWh multiplied by the GA 2nd estimate rate and is included in CT 1142 submission. This GA RPP amount is recorded to Account 1589.
- The RPP/Non-RPP is trueed-up to actual as billing data becomes available. The true up is based on the difference between actual billing data (Tiered or Time of Use fixed price minus customer specific commodity price or weighted average hourly commodity price, respectively) and the amount submitted for response A above. The true up for either pricing or volume commences the following month and includes any previous month's true up as well as, where applicable, the previous calendar year's true up due to cancel/rebill.
- Hydro Ottawa has true-up for CT 1142 with the IESO for 2018 on a monthly basis and the DVA continuity adjustments reflects adjustments up until the end of June 2019. Hydro Ottawa expects only minor true ups for 2018 going forward due to the possibility of cancel/rebills.

d. January 2018 to December 2018 were trueed-up in 2019. Yes, the true ups were recorded in the General Ledger balances.

e. Yes, the 2018 true-up in 2019 are reflected in the DVA Continuity Schedule in cell BQ31. The dollar value for 1588 is -\$657,064.64. Hydro Ottawa expects only minor true ups for 2018 going forward due to the possibility of cancel/rebills.

12. Questions on CT 148

- a. Please describe the process for the initial recording of CT 148 in the accounts (i.e. 1588 and 1589).
- b. Please describe the process for true up of the GA related cost to ensure that the amounts reflected in Account 1588 are related to RPP GA costs and amounts in 1589 are related to only non-RPP GA costs.
- c. What data is used to determine the non-RPP kWh volume that is multiplied with the actual GA per kWh rate (based on CT 148) for recording as the initial GA expense in Account 1589?
- d. Does the utility true up the initial recording of CT 148 in Accounts 1588 and 1589 based on estimated RPP/non-RPP consumption proportions to actuals based on actual RPP-non-RPP consumption proportions?
 - e. Please indicate which months from 2018 were true up in 2019 for CT 148 proportions between RPP and non-RPP
 - (i). Were these true ups recorded in the 2018 or 2019 balance in the General Ledger?
 - f. Are all true-ups for 2018 consumption reflected in the DVA Continuity Schedule?

Response:

a. The accrual for CT 148 is based on (Total estimated purchase minus estimated kWh for our Class A customers) * 2nd GA B rate. Total purchase includes purchases from IESO, Hydro One and Embedded generators. For further detail please see Exhibit 9-1-1 section 9.0 Global Adjustment. In each month, account 1589 includes that month's CT 148 accrual as well as the previous month's difference between the accrual CT 148 and actual CT 148.

b. Charge type 1142 includes true up submission for both 1588 and 1589. CT 148 is true up (1589) on a monthly basis; each month is updated based on the latest billed and unbilled data.

By business day 4 of each month end, Hydro Ottawa will estimate RPP kWh for the previous month, consisting of billed and unbilled. Estimated RPP kWh is based on total estimated purchases for the month from IESO, Hydro One and Embedded generators minus estimated non-capped kWh. Estimates are based on preliminary meter reading. In addition, the business day 4 submission includes an estimate of the weighted average price for commodity purchased from IESO, Hydro One and Embedded generators and an estimate of TOU, Tiered consumption buckets for our RPP customers.

The difference between fixed price for TOU and Tiered and the estimated weighted average price for RPP customers is submitted to the IESO. This difference is recorded to

The day 4 GA RPP amount is based on 'Estimated RPP kWh' multiplied by the GA 2nd estimate rate. This GA RPP amount is recorded to Account 1589.

Once billing data is available, Hydro Ottawa will true-up the Day 4 estimate to actual billed, and the estimated billed IESO rate to IESO billed rate ("RPP true-up"). The GA RPP true-up amount is a credit or a debit depending on whether the original RPP kWh estimate was overstated or was understated. The GA RPP true-up also includes a rate component; the GA RPP true-up will include the difference between the GA 2nd estimate rate and the GA actual paid rate. This GA RPP true-up amount is recorded to Account 1589.

c. The initial recording of the GA expense is based on an estimate of non-RPP kWh volume (based on preliminary meter reading) multiplied by the GA 2nd estimate rate. The GA expense is true up to the actual GA per kWh rate (based on CT 148) in the subsequent month in the CT 1142 submission. However, on an annual basis, the GA expense is recorded using the actual GA per kWh rate (based on CT 148) as Hydro Ottawa uses the final invoice to record the GA expense for the month of December.

d. Yes, the CT 148 RPP/Non-RPP is true-up to actual as billing data becomes available. As noted above, the CT 148 RPP/Non-RPP true-up is part of CT 1142.

e. May 2018 to December 2018 were true-up in 2019. Yes, the true ups were recorded in the General Ledger balances.

f. Yes the 20187 true-up in 20198 are reflected in the DVA Continuity Schedule in cell BQ32. The dollar value for 1589 is \$-2,105,226.70. Hydro Ottawa expects only minor true-ups for 20187 going forward due to the possibility of cancel/rebills.

13. Questions regarding principal adjustments and reversals on the DVA Continuity Schedule:

Questions on Principal Adjustments - Accounts 1588 and 1589

- a. Did the applicant have principal adjustments in its 2019 rate proceeding which were approved for disposition?
- b. If yes, please provide a break-down of the total amount of principal adjustments that were approved (e.g. true-up of unbilled, true up of CT 1142, true up of CT 148 etc.) for each of Accounts 1588 and 1589.
- c. Has the applicant reversed the adjustment approved in 2019 rates in its current proposed amount for disposition?

NB: only the principal adjustments amounts that were disposed in the previous proceeding should be reversed in this proceeding. For example, if no amount related to unbilled to billed adjustment for 2018 consumption was included in 2019 proceeding, this amount should not be included as a "reversal" from previous year.

- d. Please confirm that the allocation of charge type 148 has been true up to actual proportion of RPP/non-RPP consumption in the GL.

Response:

a. Yes, -\$984,279.38 for 1588 and \$243,572.76 for 1589.

b. The 1589 adjustment of \$243,572.76 can be further broken down into the RPP Settlement trueup amount of \$1,174,500.69 and the unbilled to actual revenue difference of \$-930,927.95.

c. Hydro Ottawa included the adjustments in the 2017 transactions as normal course; therefor adjustments already included in the 2018 proceeding are offset by the approved disposition. As a result, no additional adjustments were required.

d. Hydro Ottawa confirms.



1595 Analysis Workform

Version 1.0

Account 1595 Analysis Workform

Input cells
Drop down cells

Utility Name | Hydro Ottawa Limited

Utility name must be selected

Please select "yes" for the 1595 Rate Years being Requested for Disposition

2012	No
2013	No
2014	No
2015	No
2016	Yes
2017	Yes

1595 Analysis Workform

Step 1

Components of the 1595 Account Balances:	Principal Balance Approved for Disposition	Carrying Charges Balance Approved for Disposition	Total Balances Approved for Disposition	Rate Rider Amounts Collected/(Returned)	Residual Balances Pertaining to Principal and Carrying Charges Approved for Disposition	Carrying Charges Recorded on Net Principal Account Balances	Total Residual Balances	Collections>Returns Variance (%)
Total Group 1 and Group 2 Balances excluding Account 1589 - Global Adjustment	-\$17,118,291	-\$162,372	-\$17,280,663	-\$17,185,661	-\$95,002	\$55,641	-\$39,361	0.5%
Account 1589 - Global Adjustment	\$12,168,610	\$152,789	\$12,321,399	\$12,144,864	\$176,535	-\$72,857	\$103,678	1.4%
Total Group 1 and Group 2 Balances	-\$4,949,681	-\$9,583	-\$4,959,264	-\$5,040,797	\$81,533	-\$17,216	\$64,317	-1.6%
Total residual balance per continuity schedule:							\$64,317	
Difference (any variance should be explained):							\$0	

*Unresolved differences of +/- 10% require further analysis and explanation. Amounts originally approved for disposition based on forecasted consumption or number of customers must be compared to actual figures.

Additional Notes and Comments

1595 Analysis Workform

Step 1

Components of the 1595 Account Balances:	Principal Balance Approved for Disposition	Carrying Charges Balance Approved for Disposition	Total Balances Approved for Disposition	Rate Rider Amounts Collected/(Returned)	Residual Balances Pertaining to Principal and Carrying Charges Approved for Disposition	Carrying Charges Recorded on Net Principal Account Balances	Total Residual Balances	Collections>Returns Variance (%)
Total Group 1 and Group 2 Balances excluding Account 1589 - Global Adjustment	-\$15,125,232	-\$39,937	-\$15,165,169	-\$14,966,375	-\$198,794	-\$96,784	-\$295,578	1.3%
Account 1589 - Global Adjustment	-\$6,949,342	-\$129,883	-\$7,079,225	-\$6,919,300	-\$159,925	-\$42,027	-\$201,952	2.3%
Total Group 1 and Group 2 Balances	-\$22,074,574	-\$169,820	-\$22,244,394	-\$21,885,675	-\$358,719	-\$138,810	-\$497,529	1.6%
Total residual balance per continuity schedule:							-\$497,529	
Difference (any variance should be explained):							\$0	

*Unresolved differences of +/- 10% require further analysis and explanation. Amounts originally approved for disposition based on forecasted consumption or number of customers must be compared to actual figures.

Additional Notes and Comments