



EXHIBIT 9 – DEFERRAL AND VARIANCE
ACCOUNTS

2018 Cost of Service

Cooperative Hydro Embrun Inc.
EB-2017-0035

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9.2 OVERVIEW

9.2.1 OVERVIEW

The purpose of this exhibit is to identify the variance/deferral accounts that have been used, provide the principal balance recorded in each variance/deferral account and derive the carrying charges on each account's balance up to and including December 31, 2017. The exhibit also describes the methodology proposed to allocate account balances to customer classes, describe the rationale supporting the proposed disposition period, describe the proposed charge parameters and quantify the proposed rate riders that will dispose of the recorded balances.

Section 9.3.1 contains descriptions of all the outstanding DVAs. CHEI follows and is in compliance with the OEB's Uniform System of Accounts for electricity distributors. All accounts are used in accordance with the Accounting Procedures Handbook, and CHEI confirms that with the exception of account 1595 which is currently undergoing an audit and as such was left out of the DVA calculations, the account balance shown in Table 1 reconciles with the trial balance reported through the Electricity Reporting and Record-keeping Requirements and CHEI's Audited Financial Statements.

Details and the status of the audit is discussed in Section 9.3.1.

CHEI has provided a continuity schedule of the Group 1 and Group 2 DVAs in Appendix 1 of this Exhibit. The Group 2 accounts will be discontinued on a going-forward basis and are explained in Section 9.3.2.

CHEI proposes to dispose of a debit of \$2,374 related to Group 1 and \$21,571 related to Group 2 Variance/Deferral Accounts. This credit includes carrying charges up to and including December 31, 2017. CHEI also proposes to dispose of the following:

- A net balance of \$10,951 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account,

- 1 Group 1 and Group 2 DVA balances are proposed to be disposed of over 1 year. CHEI has
- 2 followed the OEB's guidance as provided by the OEB's Electricity Distributor's Disposition of
- 3 Variance Accounts Reporting Requirements Report.

- 4 CHEI has not made any adjustments to DVA balances that were previously approved by the
- 5 Board on a final basis in Cost of Service and/or IRM proceedings. ¹

- 6 CHEI is not requesting any new accounts or sub-accounts at this time.

- 7 A breakdown of energy sales and cost of power expense balances, as reported in CHEI's Audited
- 8 Financial Statements, is provided Section 9.10.2.

- 9 CHEI confirms that it pro-rates the IESO Global Adjustment Charge into the RPP and Non-RPP
- 10 portions.

¹ MFR - Statement whether any adjustments made to DVA balances previously approved by OEB on final basis; explanation, amount of adjustment and supporting documents

9.3 STATUS & DISPOSITION OF DEFERRAL & VARIANCE ACCOUNTS

9.3.1 DESCRIPTION OF DVA USED BY THE APPLICANT²

The table below presents the list of deferral and variance accounts, with the proposed selection of balances for disposition. All account balances selected for disposition are as at December 31, 2016, being the most recent date the balances was subject to audit.

Board policy states: at the time of rebasing, all account balances should be disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline. In accordance with the above statement, CHEI proposes to dispose of all its balances. Each account is described at following Table 1 below.

Table 1 - Account and Balances sought for Disposition/Recovery

		Amounts from Sheet 2	Allocator
<i>LV Variance Account</i>	1550	101,520	kWh
<i>Smart Metering Entity Charge Variance Account</i>	1551	(155)	# of Customers
<i>RSVA - Wholesale Market Service Charge</i>	1580	(69,838)	kWh
<i>RSVA - Retail Transmission Network Charge</i>	1584	25,616	kWh
<i>RSVA - Retail Transmission Connection Charge</i>	1586	36,818	kWh
<i>RSVA - Power (excluding Global Adjustment)</i>	1588	(91,587)	kWh
<i>RSVA - Global Adjustment</i>	1589	38,265	Non-RPP kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2009)</i>	1595	0	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2010)</i>	1595	0	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2011)</i>	1595	0	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2012)</i>	1595	0	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2013)</i>	1595	0	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2014)</i>	1595	0	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)</i>	1595	0	kWh
Total of Group 1 Accounts (excluding 1589)		2,374	
<i>Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs</i>	1508	21,571	# of Customers
<i>Other Regulatory Assets - Sub-Account - Incremental Capital Charges</i>	1508	0	# of Customers

² MFR - List of all outstanding DVA and sub-accounts; provide description of DVAs that were used differently than as described in the APH

<i>Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act</i>	1508	0	# of Customers
<i>Other Regulatory Assets - Sub-Account - Other</i>	1508	0	# of Customers
<i>Retail Cost Variance Account - Retail</i>	1518	0	# of Customers
<i>Misc. Deferred Debits</i>	1525	0	# of Customers
<i>Retail Cost Variance Account - STR</i>	1548	0	# of Customers
<i>Board-Approved CDM Variance Account</i>	1567	0	# of Customers
<i>Extra-Ordinary Event Costs</i>	1572	0	# of Customers
<i>Deferred Rate Impact Amounts</i>	1574	0	# of Customers
<i>RSVA - One-time</i>	1582	0	# of Customers
<i>Other Deferred Credits</i>	2425	0	# of Customers
Total of Group 2 Accounts		21,571	
<i>PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)</i>	1592	0	kWh
<i>PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)</i>	1592	0	kWh
Total of Account 1592		0	
<i>LRAM Variance Account (Enter dollar amount for each class)</i>	1568	10,951	
<i>(Account 1568 - total amount allocated to classes)</i>		10,951	
Variance		0	
<i>Renewable Generation Connection OM&A Deferral Account</i>	1532	0	kWh
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		163,799	
Total of Account 1580 and 1588 (not allocated to WMPs)		(161,425)	
Balance of Account 1589 Allocated to Non-WMPs		38,265	
Group 2 Accounts (including 1592, 1532)		21,571	

9.3.2 DISPOSITION OF DVAS USED BY THE APPLICANT³

Group 1 Accounts

All accounts in Group 1 are used in accordance with the Accounting Procedure Handbook. For definitions of each account listed below, please refer to the Accounting Procedure Handbook using the following link:

http://www.ontarioenergyboard.ca/oeb/_Documents/Regulatory/Accounting_Procedures_Handbook_Elec_Distributors.pdf

1550 – LV Variance Account

For account 1550, CHEI is requesting disposition of the December 31, 2016, audited balance. December 31, 2016, audited reconciles with filing 2.1.7 of the RRR.

The balance requested for disposal, including carrying charges is a debit of 101,520.

1551 – Smart Metering Entity Charge Variance Account

For account 1551, CHEI is requesting disposition of the December 31, 2016, audited balance. December 31, 2016, audited reconciles with filing 2.1.7 of the RRR.

The balance requested for disposal, including carrying charges is a debit of \$155.

1580 – Retail Settlement Variance Account 1 – Wholesale Market Service Charges (“RSVAWMS”)⁴

For account 1580, CHEI is requesting disposition of the December 31, 2016, audited balance. December 31, 2016, audited reconciles with filing 2.1.7 of the RRR.

³ MFR - Explanation if account balances in *continuity* schedule differs from trial balance in RRR and AFS

⁴ MFR - Proposed disposition of Account 1580 sub-account CBR Class B in accordance with the CBR Accounting Guidance. In the DVA continuity schedule, applicants must indicate whether they serve any Class A customers. Account 1580 sub-account CBR Class A is not to be disposed through rates proceedings but rather follow the OEB's accounting guidance.

1 The balance requested for disposal, including carrying charges is a credit of \$69,838.

2 **1584 – Retail Settlement Variance Account – Retail Transmission Network Charges**
3 **(“RSVANW”)**

4 For account 1584, CHEI is requesting disposition of the December 31, 2016, audited balance.
5 December 31, 2016, audited reconciles with filing 2.1.7 of the RRR.

6 The balance requested for disposal, including carrying charges is a debit of \$25,616.

7 **1586 – Retail Settlement Variance Account – Retail Transmission Connection Charges**
8 **(“RSVACN”)**

9 RSVACN is used to record the difference between the amount of retail transmission connection
10 costs paid to the IESO or host distributor and the amounts billed to customers for retail
11 transmission connection costs. These amounts are calculated on an accrual basis, as are the
12 carrying charges, which are assessed on the monthly opening principal balance of this RSVA
13 account.

14 For account 1586, CHEI is requesting disposition of the December 31, 2016, audited balance.
15 December 31, 2016, audited reconciles with filing 2.1.7 of the RRR.

16 The balance requested for disposal, including carrying charges is a debit of \$36,818.

17 **1588 – Retail Settlement Variance Account – Power (“RSVAPOWER”)**

18 The SVAPOWER account is to be used to record the net differences in energy costs using the
19 settlement invoice received from the IESO, host distributor, or embedded generator and the
20 amounts billed to customers for energy. These amounts are calculated on an accrual basis, as
21 are the carrying charges, which are assessed on the monthly opening principal balance of this
22 RSVA account.

23 The RSVA power account is designed to capture variances due to billing timing differences (i.e.,
24 electricity charged by the IESO to LDCs vs. electricity billed by LDCs to their customers), price
25 and quantity differences (i.e.: arising from final vs. preliminary IESO settlement invoices), and line
26 loss differences (i.e., actual vs. estimate line loss factors).

1 This account is not designed to capture any price differences between the regulated rice plan
2 (RPP) and spot prices applicable to RPP customers. This is the function of the Ontario Power
3 Authority (OPA) RPP variance account which is trued-up in accordance with the terms
4 established by the Board for the RPP.

5 Accordingly, since the RSVA power account is generic to all customers of an LDC, disposition of
6 the account balance in rates is attributable to all its customers.

7 For account 1588, CHEI is requesting disposition of the December 31, 2016, audited balance.
8 December 31, 2016, audited reconciles with filing 2.1.7 of the RRR.

9 The balance requested for disposal, including carrying charges is a credit of \$91,587.

10 **1589 – Retail Settlement Variance Account – Global Adjustment (“RSVAGA”)**

11 The RSVAGA account is used to record the net differences between the global adjustment
12 amount billed, to non-RPP consumers and the global adjustment charge to a distributor for
13 non-RPP consumers, using the settlement invoice received from the IESO, host distributor or
14 embedded generator. These amounts are calculated on an accrual basis, as are the carrying
15 charges, which are assessed on the monthly opening principal balance of this RSVA account.

16 The 1589 RSVA power – sub account Global Adjustments is designed for the global adjustments
17 applicable to non-RPP customers. Hence, the disposition of the account balance should be
18 attributable to non-RPP customers.

19 For account 1589, CHEI is requesting disposition of the December 31, 2016, audited balance.
20 December 31, 2016, audited reconciles with filing 2.1.7 of the RRR.

21 The balance requested for disposal, including carrying charges is a debit of \$38,265.

22 **1595 – Disposition and Recover/Refund of Regulatory Balances (2009)**

23 **1595 – Disposition and Recover/Refund of Regulatory Balances (2010)**

24 **1595 – Disposition and Recover/Refund of Regulatory Balances (2012)**

1 CHEI is currently having its balances in account 1595 audited by the OEB's Audit Group. At the
2 time of the filing, the final report had not been issues yet therefore the utility proposed to
3 dispose of the OEB audited balances in its 2019 IRM application.

4 **Group 2 Accounts⁵**

5 **1508 – Other Regulatory Assets – Sub-Account - Deferred IFRS Transition Costs.**

6 The OEB approved a deferral account for distributors to record one-time administrative
7 incremental IFRS transition costs which were not already approved and included for recovery in
8 distribution rates. These incremental costs were to be recorded in a sub-account of account:

9 **1508 – Other Regulatory Assets, Sub-account Deferred IFRS Transition Costs.**

10 CHEI has recorded its incremental costs in this account beginning in 2015. CHEI's application for
11 2018 rates is being filed under IFRS, and as such, the utility has completed all of its transition to
12 IFRS.

13 CHEI has an audited balance in its IFRS transition cost account of \$21,571. All costs included in
14 the account are fully incremental, and CHEI does not have any IFRS transition costs approved in
15 its current rate structure. All costs in the account are one-time costs related directly to the IFRS
16 project.

17 The one-time costs associated with the transition to IFRS were in relation to a preliminary
18 analysis performed by BDO back in 2015 and the incremental cost related to IFRS of the year-
19 end audit of 2015. OEB Appendix 2-YA is shown at Appendix A of this Exhibit.

⁵ MFR - Request for disposition of Account 1508 sub-account IFRS Transition Costs if balances are still in account and not previously requested for disposition:

- completed Appendix 2-YA

-statement whether any one time IFRS transition costs are embedded in 2017 revenue requirement, where and why it is embedded, and the quantum

-explanation for material variances in Account 1508 sub-account IFRS Transition Costs Variance

- explanation on why costs incurred after adoption of IFRS, if any, and the nature of the costs

- statement that no capital costs, ongoing IFRS compliance costs are recorded in 1508 sub-account; provide explanation if this is not the case.

1 The analysis which was performed included the following services:

2 Hands on Assistance: Property, Plant & Equipment Analysis

- 3 ✓ Identify material PP&E accounts and perform the following analysis
- 4 ✓ Identification of any components which require separate accounting
- 5 ✓ Analysis of original cost and accumulated depreciation under CGAAP vs. IFRS
- 6 ✓ Assess the remaining useful lives of assets
- 7 ✓ Analyze depreciation under CGAAP vs. IFRS
- 8 ✓ Develop a Fixed Asset Listing/Sub-Ledger for the account
- 9 ✓ Assistance with changes to existing PP&E processes
- 10 ✓ Assistance with communicating changes to your operations staff and consultants

11 Analysis of accounting for the following additional items:

- 12 ✓ Regulatory Assets & Liabilities
- 13 ✓ Customer Contributions
- 14 ✓ Computer Software
- 15 ✓ Impairment of Assets
- 16 ✓ Deferred taxes

17 Changes to the financial statements to ensure all IFRS required disclosure and accounting
18 changes were adopted.

19 **Contributed Assets:**

20 Detailed analysis of Contributed Assets based on finalized PP&E changes to determine likely
21 adjustments and create a continuity schedule to maintain these records (additions/disposals).

22 CHEI attests that no "one-time" administrative incremental IFRS transition costs are embedded
23 in the proposed 2018 revenue requirement.

24 The October 2009 APH FAQ #3 regarding costs that are permitted to be recorded in the
25 Account 1508 Other Regulatory Assets, sub-account Deferred IFRS Transition Costs Account and
26 Account 1508 Other Regulatory Assets, sub-account IFRS Transition Costs Variance Account,
27 states the following:

1 *"The costs authorized for recording in the deferral or variance account referenced in the*
2 *answers to questions 1 and 2 above shall be incremental one-time administrative costs*
3 *caused by the transition of accounting policies, procedures, systems and processes to IFRS.*
4 *The incremental costs eligible for inclusion in these accounts may include professional*
5 *accounting and legal fees, salaries, wages and benefits of staff added to support the*
6 *transition to IFRS and associated staff training and development costs.*

7 *These accounts are exclusively for necessary, incremental transition costs and shall not*
8 *include ongoing IFRS compliance costs or impacts arising from adopting accounting policy*
9 *changes that reflect changes in the timing of the recognition of income. The incremental*
10 *costs in these accounts shall not include costs related to system upgrades, or replacements or*
11 *changes where IFRS was not the major reason for conversion. In addition, incremental IFRS*
12 *costs shall not include capital assets or expenditures.*

13 *The costs recorded in these accounts will be subject to a prudence review before disposition.*
14 *The criteria of materiality, causation, and prudence will be considered at the time of*
15 *proposed disposition. Only costs that are clearly driven by the necessity of transitioning to*
16 *IFRS, and are genuinely incremental to costs that would have been otherwise incurred, will*
17 *be considered for approval for recovery in rates.*

18 *The transition to IFRS is effective for fiscal year-ends beginning on or after January 1, 2015.*
19 *Accordingly, incremental transition costs incurred after the beginning of the year of adoption*
20 *are expected to be minimal."*

21 CHEI's costs associated with the conversion to IFRS relate solely to professional accounting and
22 as such meet the criteria of the APH.

23 CHEI notes that no material variances in excess of the materiality threshold have been recorded
24 in 1508 Other Regulatory Assets, sub-account IFRS Transition Costs Variance account. CHEI also
25 notes that no capital costs, ongoing IFRS compliance costs, or impacts arising from adopting
26 accounting policy changes are recorded in Account 1508 Other Regulatory Assets, sub-account

1 Deferred IFRS Transition Costs Account or Account 1508 Other Regulatory Assets, sub-account
2 IFRS Transition Costs Variance Account.

3 With the adoption of IFRS in 2015, CHEI is not planning on using this account once its
4 disposition is complete.⁶ This statement is based on the utility's best known information at the
5 time of the application.

6 9.3.3 INTEREST RATE APPLIED

7 The table below provides the interest rates by quarter that are applied to calculate actual and
8 forecast carrying charges for each regulatory and variance account.⁷

9 **Table 2 - Interest Rates Applied to Deferral and Variance Accounts (%)**

<i>Period</i>	Interest Rate
Q1 2011 (Actual)	1.47%
Q2 2011 (Actual)	1.47%
Q3 2011 (Actual)	1.47%
Q4 2011 (Actual)	1.47%
Q1 2012 (Actual)	1.47%
Q2 2012 (Actual)	1.47%
Q3 2012 (Actual)	1.47%
Q4 2012 (Actual)	1.47%
Q1 2013 (Actual)	1.47%
Q2 2013 (Actual)	1.47%
Q3 2013 (Actual)	1.47%
Q4 2013 (Actual)	1.47%
Q1 2014 (Actual)	1.47%
Q2 2014 (Actual)	1.47%
Q3 2014 (Actual)	1.47%
Q4 2014 (Actual)	1.47%
Q1 2015 (Actual)	1.47%
Q2 2015 (Actual)	1.10%
Q3 2015 (Actual)	1.10%
Q4 2015 (Actual)	1.10%
Q1 2016 (Actual)	1.10%
Q2 2016 (Actual)	1.10%

⁶ MFR - Identification of Group 2 accounts that will continue/discontinue going forward, with explanation

⁷ MFR - Confirm use of interest rates established by the OEB by month or by quarter for each year

Q3 2016 (Actual)	1.10%
Q4 2016 (Actual)	1.10%
Q1 2017 (Actual)	1.10%
Q2 2017 (Proj)	1.10%

1
2 Note that CHEI has used the latest OEB prescribed interest rates as published on the website at:
3 <http://www.ontarioenergyboard.ca/OEB/Industry/Rules+and+Requirements/Rules+Codes+Guidelines+and+Forms/Prescribed+Interest+Rates>
4

5 Closing Interest Balances as of December 31, 2016, Adjust for Dispositions during 2015 are
6 detailed in the table below:

7 **Table 3 - Closing Interest Balances as of Dec 31, 2016, Adj. for Dispositions during 2017**

		2017	2.1.7 RRR	
<i>Account Descriptions</i>	Account Number	Closing Principal Balances as of Dec 31-16 Adjusted for Dispositions during 2017	Closing Interest Balances as of Dec 31-16 Adjusted for Dispositions during 2017	As of Dec 31-16
Group 1 Accounts				
LV Variance Account	1550	\$97,687	\$3,834	\$101,520
Smart Metering Entity Charge Variance Account	1551	-\$209	\$54	-\$155
RSVA - Wholesale Market Service Charge ¹⁰	1580	-\$75,428	-\$3,141	-\$78,569
Variance WMS – Sub-account CBR Class A ¹⁰	1580	\$0	\$0	
Variance WMS – Sub-account CBR Class B ¹⁰	1580	\$8,700	\$31	\$8,731
RSVA - Retail Transmission Network Charge	1584	\$25,292	\$324	\$25,616
RSVA - Retail Transmission Connection Charge	1586	\$36,331	\$487	\$36,818
RSVA - Power (excluding Global Adjustment)	1588	-\$91,645	\$58	-\$91,587
RSVA - Global Adjustment	1589	\$37,231	\$1,034	\$38,265
Group 2 Accounts				
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	\$21,372	\$199	\$21,571
LRAM Variance Account¹²	1568	\$0	\$10,951	

8

9.3.4 DEPARTURE FROM BOARD APPROVED BALANCES

CHEI has not made any adjustments to deferral and variance account balances that were not previously approved by the Board on a final basis either cost of service or IRM proceedings.

9.3.5 RECONCILIATION OF ENERGY SALES AND COST OF POWER EXPENSES TO FINANCIAL STATEMENTS

The filing requirements state that a breakdown of energy sales and cost of power expenses, as reported in the 2016 audited financial statements is requested. The sale of energy is a flow through revenue, and the cost of power is a flow through expense. CHEI has no profit or loss resulting from the flow through of energy revenues and expenses as variances are included in the RSVA balances.

Please refer to the table below for a reconciliation of the 2016 RRR 2.1.7 with the 2016 Financial Statements.⁸

Table 4 - Energy Sales and Cost of Power Expenses from Financial Statements

	2018
<i>4705-Power Purchased</i>	\$291,428
<i>4707-Global Adjustment</i>	\$2,939,964
<i>4708-Charges-WMS</i>	\$180,101
<i>4710-Cost of Power Adjustments</i>	\$0
<i>4712-Charges-One-Time</i>	\$0
<i>4714-Charges-NW</i>	\$203,006
<i>4715-System Control and Load Dispatching</i>	\$0
<i>4716-Charges-CN</i>	\$155,475
<i>4720-Other Expenses</i>	\$0
<i>4725-Competition Transition Expense</i>	\$0
<i>4730-Rural Rate Assistance Expense</i>	\$0
<i>4750-Charges - LV</i>	\$49,679

⁸ MFR - Breakdown of energy sales and cost of power by USoA - as reported in AFS mapped and reconciled to USoA. Provide explanation if making a profit or loss on commodity.

4751-IESO Smart Meter Entity Expenses	\$18,786
<i>Total</i>	\$3,838,439

1

4006-Residential Energy Sales	-\$2,642,055
4010-Commercial Energy Sales	-\$509,771
4015-Industrial Energy Sales	-\$26,648
4020-Energy Sales to Large Users	\$0
4025-Street Lighting Energy Sales	-\$1,839
4030-Sentinel Lighting Energy Sales	0
4035-General Energy Sales	-\$17,706
4040-Other Energy Sales to Public Authorities	0
4045-Energy Sales to Railroads and Railways	0
4050-Revenue Adjustment	0
4055-Energy Sales for Resale	-\$33,373
4060-Interdepartmental Energy Sales	0
4062-Billed WMS	-\$180,101
4064-Billed One-Time	0
4066-Billed NW	-\$203,006
4068-Billed CN	-\$155,475
4071-Charges – Smart Metering Entity Charge	0
4075-Billed - LV	-\$49,679
4076-IESO Smart Meter Entity Billed	-\$18,786
<i>Total</i>	-\$3,838,439

2 As can be seen in the comparison above, there is no difference between energy sales and cost
3 of power expense reported numbers. CHEI confirms that this is the case for all historical years as
4 well.

5

9.3.6 PROPOSED CHARGE PARAMETERS

CHEI proposes to return the balances recorded in variance/deferral accounts through a volumetric rate rider and will follow the Board’s guidance as provided in its Decision on the disposition of Regulatory Assets. The table below summarizes the proposed charge parameters by customer class.

Table 5 - Summary of Proposed Charge Parameters

	Allocator	
<i>LV Variance Account</i>	1550	kWh
<i>Smart Metering Entity Charge Variance Account</i>	1551	# of Customers
<i>RSVA - Wholesale Market Service Charge</i>	1580	kWh
<i>RSVA - Retail Transmission Network Charge</i>	1584	kWh
<i>RSVA - Retail Transmission Connection Charge</i>	1586	kWh
<i>RSVA - Power (excluding Global Adjustment)</i>	1588	kWh
<i>RSVA - Global Adjustment</i>	1589	Non-RPP kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2009)</i>	1595	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2010)</i>	1595	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2011)</i>	1595	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2012)</i>	1595	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2013)</i>	1595	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2014)</i>	1595	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)</i>	1595	kWh
Total of Group 1 Accounts (excluding 1589)		
<i>Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs</i>	1508	# of Customers
<i>Other Regulatory Assets - Sub-Account - Incremental Capital Charges</i>	1508	# of Customers
<i>Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act</i>	1508	# of Customers
<i>Other Regulatory Assets - Sub-Account - Other</i>	1508	# of Customers
<i>Retail Cost Variance Account - Retail</i>	1518	# of Customers
<i>Misc. Deferred Debits</i>	1525	# of Customers
<i>Retail Cost Variance Account - STR</i>	1548	# of Customers
<i>Board-Approved CDM Variance Account</i>	1567	# of Customers
<i>Extra-Ordinary Event Costs</i>	1572	# of Customers
<i>Deferred Rate Impact Amounts</i>	1574	# of Customers
<i>RSVA - One-time</i>	1582	# of Customers
<i>Other Deferred Credits</i>	2425	# of Customers
Total of Group 2 Accounts		
<i>PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)</i>	1592	kWh

<i>PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)</i>	1592	kWh
Total of Account 1592		
<i>LRAM Variance Account (Enter dollar amount for each class)</i>	1568	
<i>(Account 1568 - total amount allocated to classes)</i>		
	Variance	
<i>Renewable Generation Connection OM&A Deferral Account</i>	1532	kWh
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		
Total of Account 1580 and 1588 (not allocated to WMPs)		
Balance of Account 1589 Allocated to Non-WMPs		
Group 2 Accounts (including 1592, 1532)		

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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.

9.4 DERIVATION OF COST OF POWER

9.4.1 BREAKDOWN OF THE COST OF POWER

CHEI calculated the cost of power for the 2017 Bridge Year and the 2018 Test Year based on the results of the load forecast discussed in detail in Exhibit 3. The commodity prices used in the calculation were prices published in the Board’s Regulated Price Plan Report – November 1, 2016, to October 27, 2017. Should the Board publish a revised Regulated Price Plan Report prior to the Board’s Decision in the application, CHEI will update the electricity prices in the forecast.

The sale of energy is a flow through revenue, and the cost of power is a flow through expense. Energy sales and the cost of power expense are presented in the table below. CHEI records no profit or loss resulting from the flow through energy revenues and expenses. Any temporary variances are included in the RSVA account balances.

The components of CHEI’s cost of power are summarized in Table 6 below and detailed in Table 8 to 17;

Table 6 – Summary of Cost of Power

CoP Components	Total \$
<i>Commodity</i>	\$3,481,608
<i>Transmission Network</i>	\$242,206
<i>Transmission Connection</i>	\$187,049
<i>Wholesale Market Service</i>	\$112,518
<i>Rural Rate Protection</i>	\$65,635
<i>Smart Meter Entity Charge</i>	\$21,625
<i>Low Voltage</i>	\$98,402
TOTAL	\$4,209,043

1

Table 7 - Calculation of Commodity

Last Actual kWh's			
<i>Customer Class Name</i>	Last Actual kWh's	non-RPP	RPP
<i>Residential</i>	19,268,403	463,023	18,805,380
<i>General Service < 50 kW</i>	4,547,781	326,010	4,221,771
<i>General Service > 50 to 4999 kW</i>	4,242,389	4,242,389	0
<i>Unmetered Scattered Load</i>	93,284	-	93,284
<i>Street Lighting</i>	321,015	321,015	0
TOTAL	28,472,872	5,352,437	23,120,435
%	100.00%	18.80%	81.20%
Forecast Price			
<i>HOEP (\$/MWh)</i>		\$22.59	
<i>Global Adjustment (\$/MWh)</i>		\$84.50	
<i>Adjustments</i>			
TOTAL (\$/MWh)		\$107.09	\$112.39
\$/kWh		\$0.10709	\$0.11239
%		18.80%	81.20%
WEIGHTED AVERAGE PRICE	\$0.1114	\$0.0201	\$0.0913

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Table 8 - Electricity Projections

Customer Class Name	2017			2018		
	Volume	rate (\$/kWh):	Amount	Volume	rate (\$/kWh):	Amount
<i>Residential</i>	22,215,003	0.11000	\$2,443,650	22,548,045	\$0.11139	\$2,511,710
<i>General Service < 50 kW</i>	5,215,832	0.11000	\$573,742	5,260,949	\$0.11139	\$586,037
<i>General Service > 50 to 4999 kW</i>	3,860,951	0.11000	\$424,705	2,949,371	\$0.11139	\$328,541
<i>Unmetered Scattered Load</i>	86,927	0.11000	\$9,562	85,667	\$0.11139	\$9,543
<i>Street Lighting</i>	406,995	0.11000	\$44,769	410,950	\$0.11139	\$45,777
TOTAL	31,785,708		\$3,496,428	31,254,982		\$3,481,608

4

5 The Commodity share of the Cost of Power is calculated in the same manner as has been
6 previously approved by the OEB in CHEI's previous Cost of Service application as well as other
7 applications. The utility used Table ES-1: Average RPP Supply Cost Summary from the Regulated
8 Price Plan Price Report - November 1, 2016, to October 31, 2017, issued by the Ontario Energy
9 Board on October 19, 2016.

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Table 9 - RPP Supply Cost Summary

Table ES-1: Average RPP Supply Cost Summary (for the 12 months from May 1, 2016)

RPP Supply Cost Summary	
for the period from November 1, 2016 through October 31, 2017	
Forecast Wholesale Electricity Price	\$22.59
Load-Weighted Price for RPP Consumers (\$ / MWh)	\$24.63
Impact of the Global Adjustment (\$ / MWh)	+ \$84.50
Adjustment to Address Bias Towards Unfavourable Variance (\$ / MWh)	+ \$1.00
Adjustment to Clear Existing Variance (\$ / MWh)	+ \$2.26
Average Supply Cost for RPP Consumers (\$ / MWh)	= \$112.39

2

3 The utility uses the split between the RPP and Non-RPP to determine the weighted average
4 price. The weighted average price is applied to the projected 2018 Load Forecast to determine
5 the commodity to be included in the Cost of Power. The commodity for 2018 is projected at
6 \$3,481,608.

7

8

Table 10 - Transmission Network

Customer <i>Class Name</i>	2017			2018		
	Volume	Rate	Amount	Volume	Rate	Amount
<i>Residential</i>	22,215,003	0.0073	\$162,709	22,548,045	0.0075	\$168,597
<i>General Service < 50 kW</i>	5,215,832	0.0068	\$35,393	5,260,949	0.0069	\$36,445
<i>General Service > 50 to 4999 kW</i>	12,701	2.7157	\$34,491	12,736	2.7724	\$35,309
<i>Unmetered Scattered Load</i>	86,927	0.0068	\$590	85,667	0.0069	\$593
<i>Street Lighting</i>	590	2.0482	\$1,208	603	2.0910	\$1,262
TOTAL	27,531,053		\$234,392	27,908,001		\$242,206

9 The Transmission Network charges are calculated in the OEB's RTSR model. The Rates are
10 applied to the 2018 Load Forecast to determine the amount to be included in the Cost of Power.
11 The RTSR model is filed in conjunction with this application. The transmission network charges
12 included in the Cost of Power for 2018 is projected at \$242,206.

13

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Table 11 - Transmission Connection

Customer <i>Class Name</i>	2017			2018		
	Volume	Rate	Amount	Volume	Rate	Amount
<i>Residential</i>	22,215,003	0.0057	\$127,726	22,548,045	0.0059	\$132,492
<i>General Service < 50 kW</i>	5,215,832	0.0050	\$26,028	5,260,949	0.0051	\$26,830
<i>General Service > 50 to 4999 kW</i>	12,701	2.0225	\$25,688	12,736	2.0670	\$26,326
<i>Unmetered Scattered Load</i>	86,927	0.0050	\$434	85,667	0.0051	\$437
<i>Street Lighting</i>	590	1.5636	\$922	603	1.5979	\$964
TOTAL	27,531,053		\$180,798	27,908,001		\$187,049

2 The Transmission Connection charges are also calculated in the OEB’s RTSR model. The Rates
3 are applied to the 2018 Load Forecast to determine the amount to be included in the Cost of
4 Power. The RTSR model is filed in conjunction with this application.

5

6

Table 12 - Wholesale Market

Customer <i>Class Name</i>	2017			2018		
	Volume	rate (\$/kWh):	0.0052	Amount	Volume	rate (\$/kWh):
<i>Residential</i>	22,215,003	0.00360	\$79,974	22,548,045	0.00360	\$81,173
<i>General Service < 50 kW</i>	5,215,832	0.00360	\$18,777	5,260,949	0.00360	\$18,939
<i>General Service > 50 to 4999 kW</i>	3,860,951	0.00360	\$13,899	2,949,371	0.00360	\$10,618
<i>Unmetered Scattered Load</i>	86,927	0.00360	\$313	85,667	0.00360	\$308
<i>Street Lighting</i>	406,995	0.00360	\$1,465	410,950	0.00360	\$1,479
TOTAL	31,785,708		\$114,429	31,254,982		\$112,518

7

8 On December 15, 2016, the OEB released Decision and Order for the Wholesale Market Service
9 (WMS) effective January 1, 2017. The Board’s decision is summarized as follows:

- 10 • The WMS rate used by rate-regulated distributors to bill their customers shall be \$0.0032
11 per kilowatt-hour, effective January 1, 2017. For Class B customers, a CBR component of
12 \$0.0004 per kilowatt-hour shall be added to the WMS rate for a total of \$0.0036 per
13 kilowatt-hour. For Class A customers, distributors shall bill the actual CBR costs to Class A
14 customers in proportion to their contribution to peak.

1 In compliance with this order, CHEI has applied the Board Approved \$0.0036/kWh to its 2018
2 Load Forecast to include \$114,642 in its Cost of Power.

3

4 **Table 13 - Remote Electricity Rate Protection**

<i>Customer Class Name</i>	2017		2018			
	Volume	rate (\$/kWh):	Amount	Volume	rate (\$/kWh):	Amount
<i>Residential</i>	22,215,003	0.00130	\$28,880	22,548,045	0.00210	\$47,351
<i>General Service < 50 kW</i>	5,215,832	0.00130	\$6,781	5,260,949	0.00210	\$11,048
<i>General Service > 50 to 4999 kW</i>	3,860,951	0.00130	\$5,019	2,949,371	0.00210	\$6,194
<i>Unmetered Scattered Load</i>	86,927	0.00130	\$113	85,667	0.00210	\$180
<i>Street Lighting</i>	406,995	0.00130	\$529	410,950	0.00210	\$863
TOTAL	31,785,708		\$41,321	31,254,982		\$65,635

5 On December 15, 2016, the OEB released Decision and Order for the Rural or Remote Electricity
6 Rate Protection (RRRP) effective January 1, 2017. The Board’s decision is summarized as
7 follows:

- 8 • The RRRP charge used by rate regulated distributors to bill their customers shall be 0.21
9 cents per kilowatt-hour, effective January 1, 2017. This unit rate shall apply to a
10 customer’s metered energy consumption adjusted by the distributor’s Board-approved
11 Total Loss Factor.

12 In compliance with this order, CHEI has applied the Board Approved \$0.0021/kWh to its 2018
13 Load Forecast to include \$66.875 in its Cost of Power.

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Table 14 - Smart Meter Entity

<i>Customer</i>	2017			2018		
	<i>Class Name</i>	<i>Volume</i>	<i>rate (\$/kWh):</i>	<i>Amount</i>	<i>Volume</i>	<i>rate (\$/kWh):</i>
<i>Residential</i>	2,040	0.79000	\$1,612	2,100	0.79000	\$19,908
<i>General Service < 50 kW</i>	168	0.79000	\$133	172	0.79000	\$1,632
<i>General Service > 50 to 4999 kW</i>	9	0.79000	\$7	9	0.79000	\$85
TOTAL	2,217		\$1,752	2,281		\$21,625

2

In compliance with this order, CHEI has applied the Board Approved \$0.79/kWh to its 2018

3

Customer Forecast to include \$21,625 in its Cost of Power.

4

5 Low Voltage Charges:

6

The table below presents the derivation of proposed retail rates for Low Voltage ("LV") service.

7

The 2018 estimates of total LV charges were calculated based on an average of the last 2 years.

8

The projections were allocated to customer classes, according to each class' share of projected

9

Transmission-Connection revenue, in accordance with Board policy. The resulting allocated LV

10

charges for each class were divided by the applicable 2018 volumes from the load forecast, as

11

presented in Exhibit 3. Current LV revenues are recovered through a separate rate adder and

12

therefore are not embedded within the approved Distribution Volumetric rate. 2018 LV rates

13

appear on a distinct line item on the proposed schedule of rates.

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Table 15 - Low Voltage Charges

	2014	2015	2016	2017	2018
4075-Billed - LV	\$66,955	\$64,899	\$53,630	\$61,828	\$61,828
4750-Charges - LV	\$72,735	\$71,341	\$82,149	\$90,279	\$98,400

Customer Class Name		Revenue	% Alloc
Residential	kWh	\$132,492	70.83%
General Service < 50 kW	kWh	\$26,830	14.34%
General Service > 50 to 4999 kW	kW	\$26,326	14.07%
Unmetered Scattered Load	kWh	\$437	0.23%
Street Lighting	kW	\$964	0.52%
TOTAL		\$187,049	100.00%

Customer Class Name	Not Uplifted Volumes	Rate	per
Residential	21,616,344	\$0.0032	kWh
General Service < 50 kW	5,043,563	\$0.0028	kWh
General Service > 50 to 4999 kW	2,827,501	\$0.0049	kW
Unmetered Scattered Load	82,127	\$0.0028	kWh
Street Lighting	393,969	\$0.0013	kW
TOTAL	29,963.508		

Customer		2017			2018		
Class Name		Volume	Rate	Amount	Volume	Rate	Amount
Residential	kWh	21,046,900	\$0.0018	\$37,884	21,616,344	\$0.0032	\$69,700
General Service < 50 kW	kWh	4,941,575	\$0.0016	\$7,907	5,043,563	\$0.0028	\$14,115
General Service > 50 to 4999 kW	kW	12,701	\$0.5928	\$7,529	2,827,501	\$0.0049	\$13,849
Unmetered Scattered Load	kWh	82,356	\$0.0016	\$132	82,127	\$0.0028	\$230
Street Lighting	kW	590	\$0.4583	\$270	393,969	\$0.0013	\$507
TOTAL		26,084,126		\$53,722	29,963,508		\$98,402

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9.5 RETAIL SERVICE CHARGE

9.5.1 OVERVIEW⁹¹⁰

CHEI does not have any balances in accounts 1518 and 1548. CHEI attests that it has followed Article 490 of the Accounting Procedure Handbook which is summarized below.

With respect to Account 1518, APH Article 220 states:

1518 RCVA Retail

A. This account shall be used monthly to record the net of:

1) Revenues derived, including accruals, from the following services:

- a) Establishing Service Agreements;
- b) Distributor-Consolidated Billing; and
- c) Retailer-Consolidated Billing.

AND

2) ii) the costs of entering into Service Agreements, and related contract administration, monitoring, and other expenses necessary to maintain the contract, as well as the incremental costs incurred to provide the services in (b) and (c) above, as applicable, and the avoided costs credit arising from Retailer-Consolidated Billing, including accruals.

With respect to Account 1548, APH Article 220 states:

1548 RCVASTR

⁹ MFR - Retail Service Charges - material balance in 1518 or 1548

- confirm variances are incremental costs of providing retail services; identify drivers for balances
- provide schedule identifying all revenues and expenses listed by USoA for 2013, actual/forecast for bridge and test year
- state whether Article 490 of APH has been followed; explanation if not followed

¹⁰ MFR - Retail Service Charges - zero balance in 1518 or 1548 - state whether Article 490 of APH has been followed; explanation if not followed

- 1 A. This account shall be used monthly to record the net of:
- 2 1) Revenues derived, including accruals, from the Service Transaction Request services and
- 3 charged by the distributor, as prescribed, in the form of
- 4 (i) Request fee;
- 5 (ii) Processing fee;
- 6 (iii) Information Request fee;
- 7 (iv) Default fee; and
- 8 (v) Other Associated Costs fee;
- 9 AND
- 10 2) The incremental cost of labour, internal information system maintenance costs, and delivery
- 11 costs related to the provision of the services associated with the above items.

9.6 ONE-TIME INCREMENTAL IFRS COST

9.6.1 OVERVIEW OF ONE TIME COSTS

CHEI has detailed its One-Time Incremental IFRS Transition Costs in Appendix 2-U which provides a summary of these incremental costs and is consistent with Board. Details are presented in Section 9.3.2.

9.7 ACCOUNT 1575 IFRS-CGAAP TRANSITIONAL PP&E AMOUNT

9.7.1 OVERVIEW¹¹

The difference in depreciation due to the adoption of new useful lives was recorded in account 1575 in CHEI's last Cost of Service and amortized over four years. CHEI has not used this account in this application.

9.8 ACCOUNT 1576, ACCOUNTING CHANGES UNDER CGAAP

9.8.1 OVERVIEW

CHEI officially transitioned to MIFRS on January 1, 2015. As was presented in CHEI's 2014 Cost of Service, the difference in depreciation due to the adoption of new useful lives was recorded in account 1575 and amortized over four years. CHEI has not used Account 1576 in this application. Therefore, CHEI is requesting the discontinuation of this account.¹²

¹¹ MFR - 1575 IFRS-CGAAP PP&E account

- Account 1575 and 1576 can't be used interchangeably
- breakdown of balance, including explanation for each accounting change; Appendix 2-EA
- listing and quantification of drivers
- volumetric rate rider to clear 1575; separate rider must be on a fixed basis for the residential class;
- rate of return component is to be applied to 1575 but not recorded in 1575
- statement confirming no carrying charges applied to 1575
- explanation for the basis of the proposed disposition period to clear Account 1575 rate rider
- show the balance in DVA continuity schedule

¹² MFR - Changes to depreciation and capitalization in 2012 or 2013 - Account 1576 IFRS-CGAAP PP&E
- Appendix 2-BA must not be adjusted for 1576

9.9 DIST DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

9.9.1 DVA BALANCES

The table below presents the list of deferral and variance accounts, with the proposed selection of balances for disposition. All account balances selected for disposition are as at December 31, 2016, being the most recent date the balances was subject to audit.

Board policy states that at the time of rebasing, all account balances should be disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline. In accordance with the above statement, CHEI proposes to dispose of all its balances listed in the table below.

The 2018_DVA_Continuity_Schedule detailing each account is being filed in conjunction with this application.¹³

Table 16 - DVA Balances sought for Disposition

		Amounts from Sheet 2	Allocator
LV Variance Account	1550	101,520	kWh
Smart Metering Entity Charge Variance Account	1551	(155)	# of Customers
RSVA - Wholesale Market Service Charge	1580	(69,838)	kWh
RSVA - Retail Transmission Network Charge	1584	25,616	kWh
RSVA - Retail Transmission Connection Charge	1586	36,818	kWh
RSVA - Power (excluding Global Adjustment)	1588	(91,587)	kWh
RSVA - Global Adjustment	1589	38,265	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2009)	1595	0	kWh
Disposition and Recovery/Refund of Regulatory Balances (2010)	1595	0	kWh
Disposition and Recovery/Refund of Regulatory Balances (2011)	1595	0	kWh

-
- breakdown of balance related to 1576, Appendix 2-EB or 2-EC drivers of change in closing net PP&E identified and quantified
 - volumetric rate rider to clear 1576; the rider for the residential class must be on a fixed basis
 - rate of return component is to be applied to 1576 but not recorded in 1576
 - statement confirming no carrying charges applied to 1576
 - explanation for the basis of the proposed disposition period to clear Account 1576 rate rider

¹³ MFR - Identify all accounts for which LDC is seeking disposition; identify DVA for which LDC is not proposing disposition and the reasons why

Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	0	kWh
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	0	kWh
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	0	kWh
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	0	kWh
Total of Group 1 Accounts (excluding 1589)		2,374	

Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	21,571	# of Customers
Other Regulatory Assets - Sub-Account - Incremental Capital Charges	1508	0	# of Customers
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act	1508	0	# of Customers
Other Regulatory Assets - Sub-Account - Other	1508	0	# of Customers
Retail Cost Variance Account - Retail	1518	0	# of Customers
Misc. Deferred Debits	1525	0	# of Customers
Retail Cost Variance Account - STR	1548	0	# of Customers
Board-Approved CDM Variance Account	1567	0	# of Customers
Extra-Ordinary Event Costs	1572	0	# of Customers
Deferred Rate Impact Amounts	1574	0	# of Customers
RSVA - One-time	1582	0	# of Customers
Other Deferred Credits	2425	0	# of Customers
Total of Group 2 Accounts		21,571	

PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	0	kWh
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	0	kWh
Total of Account 1592		0	

LRAM Variance Account (Enter dollar amount for each class)	1568	10,951	
(Account 1568 - total amount allocated to classes)		10,951	
Variance		0	

Renewable Generation Connection OM&A Deferral Account	1532	0	kWh
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Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		163,799	
Total of Account 1580 and 1588 (not allocated to WMPs)		(161,425)	
Balance of Account 1589 Allocated to Non-WMPs		38,265	

Group 2 Accounts (including 1592, 1532)		21,571	
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1 CHEI does not have any Market Participant and as such, it does not need to establish separate
2 rate riders to recover balances in the RSVA's from Market Participants who must not be
3 allocated the RSVA balances related to charges for which the MP's settle directly with the IESO.¹⁴

4 CHEI does not currently have any balances proposed for disposition that are not consistent with
5 the last Audited Financial Statements.^{15 16 17}

6 Please note that the since the utility is in the process of having its account 1595 audited by the
7 OEB, the utility is not proposing to dispose of its balances until the audit has been completed.
8 The utility proposes instead of either updating its application during interrogatories or
9 postponing its disposition until its 2019 rate application.

¹⁴ MFR - Establish separate rate riders to recover balances in the RSVA's from Market Participants who must not be allocated the RSVA balances related to charges for which the MP's settle directly with the IESO.

¹⁵ MFR - Statement whether DVA balances before forecasted interest match the last AFS; explain any variances

¹⁶ MFR - Provide explanations if variances are < 5% threshold if the variances in question relate to: (1) matters of principle (i.e. conformance with the APH or prior OEB decisions, and prior period adjustments); and/or, (2) the cumulative effect of immaterial differences over several accounts total to a material difference between what is proposed for disposition in total before forecasted interest and what is recorded in the RRR filings

¹⁷ Provide an explanation of variance > 5% between amounts proposed for disposition and amounts reported in RRR for each account.

9.9.2 CALCULATION OF RATE RIDER

CHEI notes that all relevant calculations are embedded in the 2018_DVA_Continuity_Schedule_CoS OEB provided model.¹⁸

The utility did not propose any billing determinants that are different than the OEB standard. CHEI does not need to establish separate rate riders to recover the balances in the RSVAs from Market Participants (“MPs”) who must not be allocated the RSVA account balances related to charges for which the MPs settle directly with the IESO (e.g. wholesale energy, wholesale market services).

CHEI is proposing to dispose of these balances over a period of one year. The rate rider calculations are calculated in the OEB’s EDVARR model. The rate riders are reproduced at the next page.¹⁹

The following explains the recovery for each grouping in accordance with both the minimum filing requirements and Rate Design Policy.²⁰

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

- Rate riders for Deferral / Variance Accounts Balances excluding Global Adjustment is to be calculated based on kWh/KW for all classes.

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

- Rate riders for Global Adjustment are to be calculated based on kWh/W for all classes.

¹⁸ Completed DVA continuity schedule for period following last disposition to present - live Excel format

¹⁹ MFR - Propose rate riders for recovery or refund of balances that are proposed for disposition. The default disposition period is one year; if the applicant is proposing an alternative recovery period must provide explanation.

²⁰ MFR - Propose charge type (fixed or variable) for recovery purposes in accordance with Rate Design Policy

1 **Rate Rider Calculation for RSVA - Power - Global Adjustment**

- 2 • Rate riders for Deferral / Variance Account Balances excluding Global Adj. - NON-WMP is
3 to be calculated based on kWh/kW for all classes.

4 **Rate Rider Calculation for Group 2 Accounts**

- 5 • As per the Board's letter issued July 16, 2015, outlining details regarding the
6 implementation of the transition to fully fixed distribution charges for residential
7 customers, Residential rates for group 2 accounts are to be on a per customer basis.

1

Table 17 - Deferral and Variance Rate Riders²¹

Please indicate the Rate Rider Recovery Period (in years)

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

1550, 1551, 1584, 1586, 1595

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Balance (excluding 1589)	Rate Rider for Deferral/Variance Accounts	
RESIDENTIAL	kWh	21,728,718	\$114,776.74	0.0053	\$/kWh
GENERAL SERVICE LESS THAN 50 KW	kWh	5,044,032	\$26,665.44	0.0053	\$/kWh
GENERAL SERVICE 50 TO 4,999 KW	kW	12,737	\$19,426.09	1.5251	\$/kW
UNMETERED SCATTERED LOAD	kW	-	\$434.40	-	\$/kW
STREET LIGHTING	kW	1,295	\$2,496.27	1.9284	\$/kW
Total			\$163,798.94		

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

1580 and 1588

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Balance (excluding 1589)	Rate Rider for Deferral/Variance Accounts	
RESIDENTIAL	kWh	21,728,718	-\$113,147.71	- 0.0052	\$/kWh
GENERAL SERVICE LESS THAN 50 KW	kWh	5,044,032	-\$26,265.73	- 0.0052	\$/kWh
GENERAL SERVICE 50 TO 4,999 KW	kW	12,737	-\$19,126.46	- 1.5016	\$/kW
UNMETERED SCATTERED LOAD	kW	-	-\$427.70	-	\$/kW
STREET LIGHTING	kW	1,295	-\$2,457.77	- 1.8986	\$/kW
Total			-\$161,425.36		

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²¹ MFR - Show relevant calculations: rationale for allocation of each account, proposed billing determinants

Rate Rider Calculation for RSVA - Power - Global Adjustment

Balance of Account 1589 Allocated to Non-WMPs

Rate Class (Enter Rate Classes in cells below)	Units	kWh	Balance of RSVA - Power - Global Adjustment	Rate Rider for RSVA - Power - Global Adjustment	
RESIDENTIAL	kWh	535,001	\$4,038.24	0.0075	\$/kWh
GENERAL SERVICE LESS THAN 50 KW	kWh	389,506	\$2,940.03	0.0075	\$/kWh
GENERAL SERVICE 50 TO 4,999 KW	kWh	3,673,016	\$27,724.32	0.0075	\$/kWh
UNMETERED SCATTERED LOAD	kWh	-	\$0.00	-	\$/kWh
STREET LIGHTING	kWh	471,986	\$3,562.60	0.0075	\$/kWh
Total			\$38,265.20		

Rate Rider Calculation for Group 2 Accounts

Rate Class (Enter Rate Classes in cells below)	Units	# of Customers	Balance of Group 2 Accounts	Rate Rider for RSVA - Power - Global Adjustment	
RESIDENTIAL	# of Customers	2,100	\$15,119.74	\$ 0.60	per customer per month
GENERAL SERVICE LESS THAN 50 KW	# of Customers	172	\$3,509.85	\$ 1.6994	per customer per month
GENERAL SERVICE 50 TO 4,999 KW	# of Customers	9	\$2,555.84	\$ 23.6652	per customer per month
UNMETERED SCATTERED LOAD	# of Customers	17	\$57.15	\$ 0.2739	per customer per month
STREET LIGHTING	# of Customers	530	\$328.43	\$ 0.0517	per customer per month
Total			\$21,571.00		

Rate Rider Calculation for Accounts 1575 and 1576

Please indicate the Rate Rider Recovery Period (in years)

Rate Class (Enter Rate Classes in cells below)	Units	# of Customers	Balance of Accounts 1575 and 1576	Rate Rider for Accounts 1575 and 1576	
RESIDENTIAL	# of Customers	2,100	-\$0.31	- 0.0000	per customer per month
GENERAL SERVICE LESS THAN 50 KW	# of Customers	172	-\$0.07	- 0.0000	per customer per month
GENERAL SERVICE 50 TO 4,999 KW	# of Customers	9	-\$0.05	- 0.0005	per customer per month
UNMETERED SCATTERED LOAD	# of Customers	17	\$0.00	- 0.0000	per customer per month
STREET LIGHTING	# of Customers	530	-\$0.01	- 0.0000	per customer per month
Total			-\$0.44		

Rate Rider Calculation for Accounts 1568

Please indicate the Rate Rider Recovery Period (in years)

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Balance of Account 1568	Rate Rider for Account 1568
RESIDENTIAL	kWh	21,728,718	\$7,675.81	0.0004
GENERAL SERVICE LESS THAN 50 KW	kWh	5,044,032	\$1,781.84	0.0004
GENERAL SERVICE 50 TO 4,999 KW	kW	12,737	\$1,297.52	0.1019
UNMETERED SCATTERED LOAD	kWh	82,135	\$29.01	0.0004
STREET LIGHTING	kW	1,295	\$166.73	0.1288
Total			\$10,950.91	

\$/kWh

\$/kWh

\$/kW

\$/kWh

\$/kW

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9.10 GLOBAL ADJUSTMENT

9.10.1 PRO-RATION OF GLOBAL ADJUSTMENT INTO RPP/NON-RPP²²

CHEI confirms that it pro-rated the IESO Global Adjustment Charge into the RPP and non-RPP portions and that Global Adjustment is only being applied to customers that are non-RPP. CHEI maintains a database which splits the Global Adjustment between the amounts belonging to the RPP customers versus the amount belonging to the Non-RPP customers. This has been done to determine the portion belonging to the Account 1588 – RSVA – Power (excluding Global Adjustment) and Account 1589 – Power – Sub-account – Global Adjustment.

The proration of the monthly Global Adjustment amount in the database based on the RPP versus Non-RPP kWh quantities submitted on the monthly IESO settlement reports. This allows for effective splitting of Account 1589 Global Adjustment variance account from the Account 1588 Cost of Power variance account.

9.10.2 DERIVATION AND CALCULATION OF THE GA RATE RIDER

CHEI did not have any customers switch from Class B to Class A during the 2016 rate year. As a result, completion of tab 5a. GA_Allocation_Class A is not applicable.²³

CHEI did not establish separate rate riders to recover balances in the RSVA's from Market Participants who must not be allocated the RSVA balances related to charges for which the MP's settle directly with the IESO as CHEI does not have any Market Participants.²⁴

²² MFR - Statement confirming that IESO GA charge is pro-rated into RPP and non-RPP; provide explanation if not pro-rated.

²³ MFR - Indicate whether a Class B customer switched to Class A during the 2015 rate year in DVA Continuity Schedule

²⁴ MFR - Establish separate rate riders to recover balances in the RSVA's from Market Participants who must not be allocated the RSVA balances related to charges for which the MP's settle directly with the IESO.

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2 **9.10.3 GLOBAL ADJUSTMENT AND THE IESO SETTLEMENT PROCESS PROCESS²⁵**

3 The way CHEI settles with the IESO depends on the following 2 factors: (i) whether the customer
4 is a Regulated Price Plan ("RPP") consumer; and (ii) whether the customer is a Class A or Class B
5 consumer.

6 CHEI's situation has not changed since it completed the OEB's Global Adjustment questionnaire
7 in early 2016 and since it also reported its process as part of its 2017 IRM.

8 CHE's process can be summarized as follows.

9 CHE does not have any Class A customers. For its Class B customers, CHE reviews the general
10 service accounts not eligible on a bi-monthly basis to determine which customers are eligible for
11 the RPP. Any billing adjustments are made as part of the next billing period.

12 CHE uses Global adjustment 2nd estimate rate posted on the IESO website for the settlement
13 month. The variance recorded and reflected in RSVA GA 1589 on a quarterly basis. However,
14 CHE tracks the variances in a spreadsheet monthly. When completing RPP vs. market price claim
15 submitted via the IESO Portal, CHE uses a bottom up approach. The utility pulls pull out the RPP
16 revenues for the month, divide that amount by the fixed OEB power rate to determine the kWh.
17 With the total amount of kWh's sold obtained, CHE then multiplies the amount with the
18 estimated power rate, and that results in the amount of dollars claimed/paid from/to IESO. CHE
19 performs a trues-up monthly upon receipt of the power bills from IESO and Hydro One. The
20 difference between estimates and actuals, whether a payment or a claim is settled in the
21 following month.

²⁵ MFR - Description of settlement process with IESO or host distributor, specify GA rate used for each rate class, itemize process for providing estimates and describe true-up process, details of method for estimating RPP and non-RPP consumption, treatment of embedded generation/distribution.

- 1 In terms of Control and Oversight, CHE follows a substantive approach using reconciliation
- 2 procedures to ensure accuracy and completeness for the settlement submission process where
- 3 possible. In addition, CHE does monthly bill testing for each class of customer, recalculates the
- 4 various charges based on approved rates and ensure all correct GL accounts are used. CHE also
- 5 has routine month end balancing processes to ensure sub ledger.

1 **9.11 OTHER RATE RIDERS INCLUDING NEW RATE RIDERS**

2 **9.11.1 REQUEST FOR NEW VARIANCE ACCOUNT**

3 The applicant is not requesting any new accounts or sub-accounts at this time. CHEI will
4 continue to monitor OEB directives and implement new accounts as set out by the OEB and
5 identified in the Accounting Procedures Handbook or other sources of information as required
6 complying with the regulation.^{26 27}

7 **APPENDICES**

8

Appendix A	OEB-Appendix 2-Y

9

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²⁶ MFR - Statement as to any new accounts, and justification.

²⁷ MFR - New DVA - information provided which addresses that the requested DVA meets the following criteria: causation, materiality, prudence; include draft accounting order.

File Number: _____ 0
 Exhibit: _____
 Tab: _____
 Schedule: _____
 Page: _____
 Date: _____

**Appendix 2-YA
 One-Time Incremental IFRS Transition Costs**

The following table should be completed based on the information requested below. An explanation should be provided for any blank entries. The entries should include one-time incremental IFRS transition costs that are currently included in Account 1508, Other Regulatory Assets, sub-account Deferred IFRS Transition Costs Account, or Account 1508, Other Regulatory Assets, sub-account IFRS Transition Costs Variance Account.

Nature of One-Time Incremental IFRS Transition Costs ¹	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Audited Carrying	Forecasted Costs	Forecasted Costs	Carrying Charges	Total Costs and Carrying Charges	Reasons why the costs recorded meet the criteria of one-time IFRS administrative incremental costs
	Costs Incurred	Costs Incurred	Costs Incurred	Costs Incurred	Charges			January 1, 2016 to December 31, 2016/April 30, 2017 (As appropriate)		
	2012	2013	2014	2015	To December 31, 2015	2016	2017 ³			
Professional accounting fees				\$ 21,571					\$ 21,571	
Professional legal fees									\$ -	
Salaries, wages and benefits of staff added to support the transition to IFRS									\$ -	
Associated staff training and development costs									\$ -	
Costs related to system upgrades, or replacements or changes where IFRS was the major reason for conversion									\$ -	
									\$ -	
									\$ -	
									\$ -	
Amounts, if any, included in previous Board approved rates (amounts should be negative) ²									\$ -	
									\$ -	
Insert description of additional item(s) and new rows if needed.									\$ -	
Total	\$ -	\$ -		\$ 21,571	\$ -				\$ 21,571	

Note:

1 The Deferred IFRS Transition Costs Account and the IFRS Transition Costs Variance Account are exclusively for necessary, incremental transition costs and shall not include ongoing IFRS compliance costs or impacts arising from adopting accounting policy changes that reflect changes in the timing of the recognition of income. The incremental costs in these accounts shall not include costs related to system upgrades, or replacements or changes where IFRS was not the major reason for conversion. In addition, incremental IFRS costs shall not include capital assets or expenditures.

2 If there were any amounts approved in previous Board approved rates, please state the EB #.

3 Any forecasted One-time costs past 2015 should be fully explained in the application, since distributors were required to adopt IFRS or an alternative accounting standard by January 1, 2015.