



# **DECISION AND RATE ORDER**

**EB-2018-0270**

## **HYDRO ONE INC., HYDRO ONE NETWORKS INC. AND ORILLIA POWER DISTRIBUTION CORPORATION**

**Application for approval to purchase all issued and outstanding  
shares of Orillia Power Distribution Corporation**

**BEFORE: Cathy Spoel**  
Presiding Member

**Lynne Anderson**  
Member

**Michael Janigan**  
Member

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**July 9, 2020**

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# 1 INTRODUCTION AND SUMMARY

This is a Decision and Rate Order of the Ontario Energy Board (OEB) on an application (Application) filed by Hydro One Networks Inc. (Hydro One) and Orillia Power Distribution Corporation (OPDC) (collectively, the Applicants) under section 86 of the *Ontario Energy Board Act, 1998* (OEB Act). The Application requested approval for Hydro One Inc. (HOI), the parent company of Hydro One, to purchase all of the issued and outstanding shares of OPDC. HOI will then transfer the assets and liabilities of the electricity distribution business from OPDC to Hydro One. The Applicants also requested various related approvals under several different sections of the OEB Act.

The OEB issued its Decision and Order on the Application on April 30, 2020 in which it approved the Application, subject to a number of conditions (April Decision). As part of the April Decision, the OEB directed Hydro One to file a proposed tariff of rates and charges reflecting the OEB's findings and a recalculation of the earnings sharing mechanism (ESM) based on a 10% risk premium being applied. The OEB also directed Hydro One to file draft accounting orders to: (1) track the amounts associated with the ESM; and (2) track the impacts of the transition of OPDC financial reporting to United States Generally Accepted Accounting Principles (US GAAP) with respect to how costs are capitalized and depreciated.

The OEB has reviewed Hydro One's draft rate order and draft accounting orders. The OEB approves the draft tariff of rates and charges, as amended (final version attached at Schedule A) and draft accounting orders, as amended (final versions attached at Schedules B and C).

## 2 THE PROCESS

Pursuant to the April Decision, Hydro One filed a draft rate order and draft accounting orders on May 14, 2020. OEB staff and the School Energy Coalition (SEC) filed comments on the draft rate order and draft accounting orders on May 28, 2020. No other registered intervenor filed comments on Hydro One's draft rate order or draft accounting orders.

Hydro One filed responses to the comments on the draft rate order and draft accounting orders on June 11, 2020. As part of its filing, to address the comments of OEB staff and SEC, Hydro One included updated draft accounting orders.

### 3 DECISION ON THE DRAFT RATE ORDER

Hydro One filed its draft rate and accounting orders for OPDC in accordance with the April Decision. Hydro One noted that the draft rate order for OPDC was based on the current rate schedule<sup>1</sup> approved by the OEB, and was in effect as of May 1, 2020. However, the OEB's Vary Order<sup>2</sup> authorized OPDC to implement the Rate Rider for the Application of Tax Change (2020) on May 1, 2020 and to postpone the implementation for the balance of the Tariff of Rates and Charges to November 1, 2020.

Neither OEB staff nor SEC identified any concerns with the draft rate order proposed by Hydro One. However, given the Vary Order granting a postponement of the effective date of OPDC's rates to November 1, 2020, both OEB staff and SEC sought clarification from Hydro One regarding how the 1% reduction for the residential and general service rate classes will be applied if the transaction is completed prior to November 1, 2020.

Hydro One submitted that the 1% rate reduction applicable to the base distribution delivery rates of residential and general service rate classes would be implemented and effective for a period of five years from the closing of the transaction (planned for September 1, 2020). Hydro One stated that while OPDC was granted approval to postpone the implementation of its 2020 rates until November 1, 2020, it is only relevant to the application of Retail Transmission Service Rates since OPDC did not request approval to increase its 2019 base distribution delivery rates for 2020. As such, Hydro One stated that the 1% rate rider is calculated on the base distribution delivery rates shown in the approved 2020 Tariff of Rates and Charges – the same as shown in the proposed Tariff of Rates and Charges provided in the draft rate order.<sup>3</sup>

#### ***Specific Service Charges***

The Application sought an order to amend OPDC's Specific Service Charges (SSCs) to align with those approved for Hydro One through its Distribution Rates proceeding.<sup>4</sup> Through the April Decision, the OEB approved the Applicants' request stating that it is reasonable to apply Hydro One's SSCs to the OPDC service territory following consolidation.

Hydro One's Tariff of Rates and Charges filed on May 14, 2020 indicated that OPDC's current SSCs would remain in effect until the date OPDC's customers are integrated

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<sup>1</sup> EB-2019-0061

<sup>2</sup> The OEB issued the Vary Order for EB-2019-0061 on April 28, 2020.

<sup>3</sup> Hydro One Reply Submission / pp. 3-4

<sup>4</sup> The Distribution Rates Proceeding was assigned OEB file number EB-2017-0049, as referenced at Exhibit A / Tab 2 / Schedule 1 / p. 5

into Hydro One's billing system.<sup>5</sup> Hydro One has indicated that it will fully integrate OPDC into its distribution business within 18-months of the close of the transaction.<sup>6</sup>

As Hydro One has indicated an 18-month window for completion of integration, Hydro One has not provided a specific date for when the SSCs established for Hydro One through the EB-2017-0049 proceeding will apply to current OPDC customers. Hydro One did not specify if it would request approval of these updated SSCs as part of a future OEB application.

## Findings

The OEB finds that the Tariff of Rates and Charges accurately reflects the April Decision and is consistent with the OEB's standard tariff format, except for the SSCs.

The OEB does not accept Hydro One's proposal to include OPDC's current SSCs in the Tariff of Rates and Charges until integration of the billing system is completed. That is not consistent with the April Decision, and would necessitate a further application in the future to amend the Tariff of Rates and Charges. In its Application Hydro One requested approval to align the SSCs for OPDC customers with those of Hydro One Distribution. If Hydro One was amending its request to delay implementation until customers are integrated into Hydro One's billing system, this should have been made clear in its argument-in-chief, with details of any implications.

The OEB finds that the Tariff of Rates and Charges must include Hydro One SSCs. The OEB accepts that there may be transitional issues with implementing the new SSCs and therefore will permit a transition period until March 1, 2022 to implement any of the SSCs that are difficult to implement prior to integration of the billing system. The OEB notes that Hydro One is not required to charge a SSC if it is not applicable to ODPC customers. On closing of the transaction, Hydro One shall file a letter with the OEB confirming which SSCs require a transition period, and shall file a further letter when the transition has been completed so that at all times the OEB is aware of which SSCs are being applied. Until an SSC has been transitioned, the existing OPDC SSCs apply.

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<sup>5</sup> Hydro One Draft Rate Order / Attachment 1 / p. 10

<sup>6</sup> Exhibit A / Tab 3 / Schedule 1 / p. 3

## 4 DECISION ON THE DRAFT ACCOUNTING ORDER

### 4.1 Accounting Changes under US GAAP Deferral Account

In accordance with the April Decision, Hydro One proposed that Account 1576 would be used to record the impact of any applicable accounting changes to depreciation expense and capitalization policies on property, plant and equipment (PPE) arising from OPDC's transition from Modified International Financial Reporting Standards (MIFRS) to US GAAP for financial and regulatory purposes. Both OEB staff and SEC submitted comments on the mechanics of the proposed account.

OEB staff submitted that the description of the account did not align with OEB staff's understanding of how the account is intended to operate. OEB staff noted that the account should operate in a similar manner to the approach used with Account 1576 when distributors transitioned to MIFRS – determine a principal balance in the deferral account based on the difference between the PPE of a utility using the previous and new accounting policies. At the end of the deferred rebasing period, the balance in the account would reflect the cumulative difference between the closing net PPE balance calculated using OPDC's existing accounting policies and the closing net PPE using Hydro One's policies.<sup>7</sup> As such, OEB staff stated that the description of the account should be revised to state that it is to record the annual difference between the net PPE balances calculated using OPDC's accounting policies and the net PPE balances calculated using Hydro One's accounting policies.<sup>8</sup>

OEB staff further submitted that Hydro One's proposal to exclude a rate of return component from Account 1576 is inconsistent with OEB policy. OEB staff also noted that it was inconsistent with the manner in which all electricity distributors have disposed of Account 1576 since the 2014 rate year and that no additional carrying charges should accrue in this account prior to disposition.

OEB staff suggested that the names of the accounts proposed by Hydro One should be changed. OEB staff submitted that Account 1576 – Accounting Changes under US GAAP be revised to Account 1576 – Accounting Policy Changes while Account 4305 – Regulatory Debits be revised to Account 4305/4310 – Regulatory Debit/Regulatory Credit.<sup>9</sup>

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<sup>7</sup> OEB Staff Submission / p. 4

<sup>8</sup> OEB Staff Submission / p. 5

<sup>9</sup> *Ibid.*

Similar to OEB staff, SEC submitted that Hydro One should record the difference in depreciation and capitalization, and therefore the difference in closing rate base for PPE, between the depreciation rates and capitalization policies used by OPDC prior to the transaction, and the depreciation rates and capitalization policies used by Hydro One after the transition. Each year, the difference – both to depreciation and to capitalization – should be applied to the actual assets used to serve OPDC customers to determine the rate base differential at the end of the year. SEC also noted that both existing and new assets should be included.<sup>10</sup>

In the updated draft accounting order for the US GAAP Deferral Account filed on June 11, 2020, Hydro One provided clarification regarding the mechanics of the account. This included a revision stating that no additional carrying charges shall accrue in the account prior to its disposition. In addition, a revision was made to state that at the end of the deferred rebasing period, the balance in the account shall reflect the cumulative difference between the closing net PPE balance calculated using OPDC's existing accounting policies and the closing net PPE calculated using Hydro One's policies.<sup>11</sup>

## Findings

The OEB approves the accounting order for the US GAAP Deferral Account as amended by Hydro One in its reply submission, with one modification. In the April Decision the OEB determined that the account would operate in a similar manner to the approach used with Account 1576. However, the OEB also determined that the deferral account will be reviewed at the next rebasing rate application to determine the appropriate approach for disposition. No determination has been made on how the account will be disposed. Therefore, in the final accounting order the OEB has eliminated the wording “will require the use of separate rate riders for the disposition of the balance in Account 1576” that was included in the modified draft accounting order. The final accounting order is included as Schedule B.

## 4.2 ESM Recalculation and ESM Deferral Account

The April Decision directed Hydro One to recalculate the excess earnings based on a risk premium of 10% on forecast OM&A expenditures and to file a draft accounting order to track the amounts associated with the ESM. In its May 14, 2020 filing, Hydro One provided a recalculated ESM and draft accounting order for the ESM Deferral Account. The recalculated ESM guaranteed OPDC customers approximately \$3.7

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<sup>10</sup> SEC Submission / p. 2

<sup>11</sup> Hydro One Reply Submission / Attachment 2 / p. 1

million in years six through ten of the deferred rebasing period – an increase from the \$3.2 million proposed in the Application.<sup>12</sup> Hydro One also stated that it will establish the ESM Deferral Account as Account 2435, Accrued Rate-Payer Benefit, to record the guaranteed ESM benefits to former OPDC customers from September 1, 2026 until August 31, 2030.

OEB staff submitted that the draft accounting order for the ESM deferral account was consistent with the April Decision while SEC stated that it had no issues with the wording used in the draft accounting order.<sup>13</sup> OEB staff also noted that the recalculated ESM was consistent with the April Decision, but values presented for “Rate Base” and “Equity Component of Rate Base” did not align with Hydro One’s evidence dated April 26, 2019. However, OEB staff highlighted that the resulting difference was not material.<sup>14</sup>

Hydro One clarified the discrepancy in the values presented for “Rate Base” and “Equity Component of Rate Base” as an ESM modeling oversight as the OM&A risk factor impact was included in the calculation of the working capital used to determine the OPDC rate base through the deferred rebasing period. The impact of the oversight, as stated by Hydro One, results in an additional \$7,000 refund to customers of OPDC over years six through ten of the deferred rebasing period.<sup>15</sup>

## Findings

The OEB finds that the draft accounting order is consistent with the OEB’s April Decision, and the final accounting order is included as Schedule C. The OEB accepts Hydro One’s explanation for the immaterial difference to the rate base calculation.

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<sup>12</sup> The guaranteed ESM amount proposed in the Application was calculated with a 20% risk premium.

<sup>13</sup> OEB Staff Submission / p. 3 and SEC Submission / p. 1

<sup>14</sup> OEB Staff Submission / p. 3

<sup>15</sup> Hydro One Reply Submission / p. 4

## 5 YEAR 11 REVENUE REQUIREMENT

In its May 14, 2020 filing, Hydro One provided clarification for the fully allocated revenue requirement that will be used to determine the customer rates in Year 11 for the former customers of OPDC. Hydro One noted that in order to update the status quo cost to serve of \$14.4 million (i.e., the upper goal post), the following parameters with then-current information will need to be updated in Year 11:

- Cost of Capital – debt interest and equity return: will reflect the cost of capital parameters as issued by the OEB for the Year 11 rate-setting year
- The corporate tax calculation will reflect the then-current tax rates applicable to utilities and any other tax changes that impact utility customers
- Low Voltage (LV) Charges will reflect the rates that OPDC customers would have been charged in Year 11 by Hydro One in absence of the transaction

In its submission, OEB staff assumed that the calculation for the update will be a part of Hydro One's cost of service proceeding that proposes to rebase the OPDC rate zone following the deferred rebasing period. Through its reply submission, Hydro One agreed that in its application to set Year 11 rates for OPDC customers, it will provide all calculations used to determine the upper goal post revenue requirement.<sup>16</sup>

OEB staff acknowledged that it is reasonable for Hydro One to update its Year 11 status quo forecast as proposed and noted that cost of capital and tax rates are outside of the Applicants' control and LV Charges are outside of OPDC's control. In addition, OEB staff submitted that the update would represent a safeguard to consumers by holding the Applicants to no higher than their projected OM&A, Depreciation and Rate Base as contained in the Application. Further, the update would ensure OPDC and Hydro One customers will not pay more than would have otherwise been the case in the absence of the transaction, including for cost of capital, tax rates and LV Charges.<sup>17</sup>

SEC also agreed with the proposal by Hydro One, but highlighted two exceptions. First was that the tax rates to be applied should be those applicable to a utility such as OPDC, not Hydro One. SEC argued that as it is a status quo scenario, it should reflect the size and nature of OPDC, and as such, the draft rate order should make this clear. The second exception noted by SEC pertained to Hydro One's usage of "any other tax changes that impact utility customers". SEC submitted that it was unable to ascertain what was meant by this statement and, unless there is a more detailed explanation, it is

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<sup>16</sup> Hydro One Reply Submission / p. 7

<sup>17</sup> OEB Staff Submission / p. 7

too nebulous to be included.<sup>18</sup> Hydro One clarified that its proposal is to update the Year 11 upper goal post tax calculation to incorporate any new tax law, regulations or administrative practice changes that were implemented during the ten-year deferred rebasing period, by any government body.<sup>19</sup>

## Findings

The OEB accepts the preliminary calculation for the Year 11 revenue requirement and agrees that it is appropriate to update the cost of capital, tax rates and LV Charges at end of the deferred rebasing period. The OEB agrees that cost of capital and tax rates are outside of Hydro One's control and LV Charges are outside of OPDC's control. There will be no update to the projected OM&A, depreciation and rate base. The OEB also agrees that the tax rates should be those applicable to a utility such as OPDC and include any new tax law, regulations or administrative practice changes that were implemented during the ten-year deferred rebasing period.

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<sup>18</sup> SEC Submission / p. 2

<sup>19</sup> Hydro One Reply Submission / p. 7

## 6 IMPLEMENTATION

The draft rate order approved in this Decision and Rate Order is to be effective on completion of the transaction.

The approved Tariff of Rates and Charges is attached as Schedule A to this Decision and Rate Order.

The approved Accounting Changes under US GAAP Deferral Account is attached as Schedule B to this Decision and Rate Order.

The approved ESM Deferral Account is attached as Schedule C to this Decision and Rate Order.

## 7 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The draft rate order set out in Schedule A of this Decision and Rate Order is approved.
2. The draft accounting order set out in Schedule B of this Decision and Rate Order is approved.
3. The draft accounting order set out in Schedule C of this Decision and Rate Order is approved.
4. Hydro One Networks Inc. shall implement the specific service charges as set out in Schedule A of the Decision and Rate Order upon closing of the transaction. Hydro One Networks Inc. is granted an extension until March 1, 2022 to implement any specific service charges that are difficult to implement prior to integration of the Hydro One Networks Inc. and Orillia Power Distribution Corporation billing systems.
5. Upon closing of the transaction, Hydro One Networks Inc. shall file a letter with the OEB confirming which specific service charges require the extension described in Order 4. Hydro One Networks Inc. is also required to file a letter with the OEB once all applicable specific service charges have been implemented.

**DATED** at Toronto July 9, 2020

### ONTARIO ENERGY BOARD

*Original Signed By*

Christine E. Long  
Registrar and Board Secretary

**SCHEDULE A**

**TARIFF OF RATES AND CHARGES**

**HYDRO ONE INC., HYDRO ONE NETWORKS INC. AND ORILLIA  
POWER DISTRIBUTION CORPORATION**

**EB-2018-0270**

**JULY 9, 2020**

# Orillia Power Distribution Corporation

## TARIFF OF RATES AND CHARGES

Effective Date May 1, 2020 unless indicated otherwise

Implementation Date November 1, 2020 unless indicated otherwise

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-0270 and 2019-0061

### RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	27.93
Rate Rider for Smart Meter Incremental Revenue Requirement - in effect until the effective date of the next cost of service-based rate order	\$	2.56
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Rate Rider for Application of Tax Change (2020) - implementation May 1, 2020 and in effect until April 30, 2021	\$	(0.06)
Rate Rider for Hydro One Networks' Acquisition Agreement - effective and implemented September 1, 2020 and in effect until August 31, 2025	\$	(0.28)
Low Voltage Service Rate	\$/kWh	0.0006
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0058
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0048

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

# Orillia Power Distribution Corporation

## TARIFF OF RATES AND CHARGES

Effective Date May 1, 2020 unless indicated otherwise

Implementation Date November 1, 2020 unless indicated otherwise

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EB-2018-0270 and 2019-0061

### GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification refers to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

#### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

#### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	37.42
Rate Rider for Smart Meter Incremental Revenue Requirement - in effect until the effective date of the next cost of service-based rate order	\$	7.48
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Rate Rider for Hydro One Networks' Acquisition Agreement - effective and implemented September 1, 2020 and in effect until August 31, 2025	\$	(0.37)
Distribution Volumetric Rate	\$/kWh	0.0165
Rate Rider for Hydro One Networks' Acquisition Agreement - effective and implemented September 1, 2020 and in effect until August 31, 2025	\$/kWh	(0.0002)
Low Voltage Service Rate	\$/kWh	0.0006
Rate Rider for Application of Tax Change (2020) - implementation May 1, 2020 and in effect until April 30, 2021	\$/kWh	(0.0001)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0048
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0046

#### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

# Orillia Power Distribution Corporation

## TARIFF OF RATES AND CHARGES

Effective Date May 1, 2020 unless indicated otherwise

Implementation Date November 1, 2020 unless indicated otherwise

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-0270 and 2019-0061

### GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Class A and Class B consumers are defined in accordance with O.Reg.429/04. Further servicing details are available in the distributor's Conditions of Service.

#### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

If included in the following listing of monthly rates and charges, the rate rider for the disposition of WMS - Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

If included in the following listing of monthly rates and charges, the rate rider for the disposition of Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

#### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	340.60
Rate Rider for Hydro One Networks' Acquisition Agreement - effective and implemented September 1, 2020 and in effect until August 31, 2025	\$	(3.41)
Distribution Volumetric Rate	\$/kW	3.5825
Rate Rider for Hydro One Networks' Acquisition Agreement - effective and implemented September 1, 2020 and in effect until August 31, 2025	\$/kW	(0.0358)

# Orillia Power Distribution Corporation

## TARIFF OF RATES AND CHARGES

Effective Date May 1, 2020 unless indicated otherwise

Implementation Date November 1, 2020 unless indicated otherwise

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

	EB-2018-0270 and 2019-0061	
Low Voltage Service Rate	\$/kW	0.2230
Rate Rider for Application of Tax Change (2020) - implementation May 1, 2020 and in effect until April 30, 2021	\$/kW	(0.0130)
Retail Transmission Rate - Network Service Rate	\$/kW	2.1472
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.8103

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

# Orillia Power Distribution Corporation

## TARIFF OF RATES AND CHARGES

Effective Date May 1, 2020 unless indicated otherwise

Implementation Date November 1, 2020 unless indicated otherwise

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2018-0270 and 2019-0061

### UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	10.59
Distribution Volumetric Rate	\$/kWh	0.0095
Low Voltage Service Rate	\$/kWh	0.0006
Rate Rider for Application of Tax Change (2020) - implementation May 1, 2020 and in effect until April 30, 2021	\$/kWh	(0.0001)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0048
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0046

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Orillia Power Distribution Corporation**  
**TARIFF OF RATES AND CHARGES**  
**Effective Date May 1, 2020 unless indicated otherwise**  
**Implementation Date November 1, 2020 unless indicated otherwise**  
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EB-2018-0270 and 2019-0061

## SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are unmetered lighting load supplied to a sentinel light. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	3.88
Distribution Volumetric Rate	\$/kW	10.1477
Low Voltage Service Rate	\$/kW	0.1698
Rate Rider for Application of Tax Change (2020) - implementation May 1, 2020 and in effect until April 30, 2021	\$/kW	(0.0709)
Retail Transmission Rate - Network Service Rate	\$/kW	1.5898
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.3781

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

# Orillia Power Distribution Corporation

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### STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved Ontario Energy Board street lighting load shape template. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	4.56
Distribution Volumetric Rate	\$/kW	15.1656
Low Voltage Service Rate	\$/kW	0.1663
Rate Rider for Application of Tax Change (2020) - implementation May 1, 2020 and in effect until April 30, 2021	\$/kW	(0.0646)
Retail Transmission Rate - Network Service Rate	\$/kW	1.5816
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.3498

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

# Orillia Power Distribution Corporation

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### STANDBY POWER SERVICE CLASSIFICATION

This classification applies to an account with load displacement facilities that contracts with the distributor to provide emergency standby power when its load displacement facilities are not in operation. The level of billing demand will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation such as nameplate rating of the load displacement facility. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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### MONTHLY RATES AND CHARGES - Delivery Component - APPROVED ON AN INTERIM BASIS

Distribution Volumetric Rate - \$/kW of contracted amount	\$/kW	1.0713
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# Orillia Power Distribution Corporation

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EB-2018-0270 and 2019-0061

### microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	4.55
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# Orillia Power Distribution Corporation

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### ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for Transformer Losses - applied to measured demand & energy	%	(1.00)

### SPECIFIC SERVICE CHARGES

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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#### Customer Administration

Easement letter - letter request	\$	89.67
Easement letter - web request	\$	25.00
Returned cheque charge	\$	7.00
Account set up charge/change of occupancy charge (plus credit agency costs, if applicable)	\$	38.00
Special meter reads (retailer requested off-cycle read)	\$	90.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

#### Non-Payment of Account (see Note 1)

Late payment - per month (effective annual rate 19.56% per annum or 0.04896% compounded daily rate)	%	1.50
Collection - reconnect at meter - during regular hours	\$	65.00
Collection - reconnect at meter - after regular hours	\$	185.00
Collection - reconnect at pole - during regular hours	\$	185.00
Collection - reconnect at pole - after regular hours	\$	415.00

#### Other

Service call - customer owned equipment - during regular hours	\$	210.00*
Service call - customer owned equipment - after regular hours	\$	775.00*
Temporary service install & remove - overhead - no transformer	\$	Actual Costs
Temporary service install & remove - underground - no transformer	\$	Actual Costs
Temporary service install & remove - overhead - with transformer	\$	Actual Costs
Specific charge for access to power poles - telecom	\$	44.50
Reconnect completed after regular hours (customer/contract driven) - at meter	\$	245.00
Reconnect completed after regular hours (customer/contract) driven) - at pole	\$	475.00
Additional service layout fee - basic/complex (more than one hour)	\$	577.91
Pipeline crossings	\$	2,430.28
Water crossings	\$	3,618.57

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		4,830.33 plus
		Railway
Railway crossings	\$	Feedthrough Costs
Overhead line staking per meter	\$	4.30
Underground line staking per meter	\$	3.09
Subcable line staking per meter	\$	2.70
Central metering - new service <45 kw	\$	100.00
Conversion to central metering <45 kw	\$	1,572.92
Conversion to central metering >=45 kw	\$	1,472.92
Connection impact assessments - net metering	\$	3,239.70
Connection impact assessments - embedded LDC generators	\$	2,921.93
Connection impact assessments - small projects <= 500 kw	\$	3,315.83
Connection impact assessments - small projects <= 500 kw, simplified	\$	2,001.42
Connection impact assessments - greater than capacity allocation exempt projects - capacity allocation required projects	\$	8,765.05
Connection impact assessments - greater than capacity allocation exempt projects - TS review for LDC capacity allocation required projects	\$	5,817.80
Specific charge for access to power poles - LDC	\$	see below
Specific charge for access to power poles - generators	\$	see below
Specific charge for access to power poles - municipal streetlights	\$	2.04
Sentinel light rental charge	\$	10.00
Sentinel light pole rental charge	\$	7.00

\*Base Charge only. Additional work on equipment will be based on actual costs.

Specific Charge for LDCs Access to the Power Poles (\$/pole/year)

LDC rate for 10' of power space	\$	87.90
LDC rate for 15' of power space	\$	105.48
LDC rate for 20' of power space	\$	117.20
LDC rate for 25' of power space	\$	125.57
LDC rate for 30' of power space	\$	131.85
LDC rate for 35' of power space	\$	136.73
LDC rate for 40' of power space	\$	140.64
LDC rate for 45' of power space	\$	143.83
LDC rate for 50' of power space	\$	146.50
LDC rate for 55' of power space	\$	148.75
LDC rate for 60' of power space	\$	150.68

# Orillia Power Distribution Corporation

## TARIFF OF RATES AND CHARGES

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EB-2018-0270 and 2019-0061

Specific Charge for Generator Access to the Power Poles (\$/pole/year)		
Generator rate for 15' of power space	\$	105.48
Generator rate for 20' of power space	\$	117.20
Generator rate for 25' of power space	\$	125.57
Generator rate for 30' of power space	\$	131.85
Generator rate for 35' of power space	\$	136.73
Generator rate for 40' of power space	\$	140.64
Generator rate for 45' of power space	\$	143.83
Generator rate for 50' of power space	\$	146.50
Generator rate for 55' of power space	\$	148.75
Generator rate for 60' of power space	\$	150.68

### NOTES

1. Ontario Energy Board Rate Order EB-2017-0183, issued on March 14, 2019, identifies changes to the Non-Payment of Account Service Charges effective July 1, 2019.

# Orillia Power Distribution Corporation

## TARIFF OF RATES AND CHARGES

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EB-2018-0270 and 2019-0061

### RETAIL SERVICE CHARGES (if applicable)

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	102.00
Monthly fixed charge, per retailer	\$	40.80
Monthly variable charge, per customer, per retailer	\$/cust.	1.02
Distributor-consolidated billing monthly charge, per customer, per retailer	\$/cust.	0.61
Retailer-consolidated billing monthly credit, per customer, per retailer	\$/cust.	(0.61)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.51
Processing fee, per request, applied to the requesting party	\$	1.02
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	\$	no charge
More than twice a year, per request (plus incremental delivery costs)	\$	4.08
Notice of switch letter charge, per letter (unless the distributor has opted out of applying the charge as per the Ontario Energy Board's Decision and Order EB-2015-0304, issued on February 14, 2019)	\$	2.04

### LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0561
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0455

**SCHEDULE B**

**ACCOUNTING ORDER: ACCOUNTING CHANGES UNDER US GAAP**

**HYDRO ONE INC., HYDRO ONE NETWORKS INC. AND ORILLIA  
POWER DISTRIBUTION CORPORATION**

**EB-2018-0270**

**JULY 9, 2020**

## Hydro One Networks Inc. Distribution

### Draft Accounting Order

#### Accounting Entries

#### Accounting Changes under US GAAP Deferral Account

The Ontario Energy Board (“**OEB**”) is establishing a new “Accounting Policy Changes” Deferral Account to record the impact of any applicable accounting changes to depreciation expense and capitalization policies on property, plant, and equipment (“**PPE**”) resulting from Orillia Power Distribution Corporation’s (“**OPDC**”) transition from modified International Financial Reporting Standards (“**MIFRS**”) to US GAAP for financial and regulatory accounting purposes. The deferral account will track impacts (both debits and credits) of the transition to US GAAP with respect to how costs are capitalized and depreciated. At the end of the deferred rebasing period, the balance in the account shall reflect the cumulative difference between the closing net PPE balance calculated using OPDC’s existing accounting policies and the closing net PPE calculated using Hydro One’s policies. The deferral account balance will be reviewed at the next rebasing rate application to determine the appropriate approach for disposition.

The account will be established as Account 1576<sup>1</sup> Accounting Policy Changes effective the date of transaction close. As per the OEB issued “Accounting Policy Changes for Accounts 1575 and 1576”, a rate of return component will be applied to the balance in Account 1576 upon its disposition in rates. No additional carrying charges shall accrue in this account prior to disposition.

The following outlines the proposed accounting entries for this deferral account.

<u>USofA #</u>	<u>Account Description</u>
<i>DR/CR: 1576</i>	<i>Accounting Policy Changes</i>
<i>CR/DR: 4305/4310</i>	<i>Regulatory Debit/Regulatory Credit</i>

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<sup>1</sup> Note that Account 1576, Accounting Changes under CGAAP was opened to record changes to depreciation expense and capitalization policies as required by the OEB in 2013. The nature of this account is similar to the Accounting Changes under US GAAP deferral account being proposed; therefore, Hydro One requests to apply for this USofA account updated for the accounting policy that is being used.

*To record the annual difference between the net PPE balances calculated using OPDC's accounting policies and the net PPE balances calculated using Hydro One's accounting policies.*

**SCHEDULE C**

**ACCOUNTING ORDER: ESM DEFERRAL ACCOUNT**

**HYDRO ONE INC., HYDRO ONE NETWORKS INC. AND ORILLIA  
POWER DISTRIBUTION CORPORATION**

**EB-2018-0270**

**JULY 9, 2020**

## Hydro One Networks Inc. Distribution

### Draft Accounting Order

#### Accounting Entries

#### ESM Deferral Account

In its Decision and Order in EB-2018-0270 (the “Decision”), the Ontario Energy Board (“OEB”) approved Hydro One’s proposed Earnings Sharing Mechanism (“ESM”) along with the establishment of a new deferral account (“ESM Deferral Account”) that will record the guaranteed ESM share of revenues (50% of excess earnings calculated consistent with the methodology approved in the Decision) attributable to the former customers of Orillia Power Distribution Corporation (“OPDC”). The ESM for years six through ten, has been re-calculated consistent with the OEB’s direction in the Decision. The annual amounts that will be credited to the ESM Deferral Account, along with information regarding the calculations have been included in Table C of the Draft Rate Order (“DRO”). The excess earnings will be shared with OPDC ratepayers and will be disposed of at the conclusion of the 10-year OEB-approved deferred rebasing period, consistent with the Decision.

The account will be established as Account 2435, Accrued Rate-Payer Benefit, and will record the guaranteed ESM benefits to former OPDC customers from September 1, 2026 (the beginning of year six of the deferred rebasing period) until August 31, 2030, the end of the deferred rebasing period. Hydro One will record interest on the balance recorded in this deferral account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

<u>USofA #</u>	<u>Account Description</u>
DR: 4395	Rate-Payer Benefit Including Interest
CR: 2435	Accrued Rate-Payer Benefit

Entry to record the annual ESM excess earnings payable to former OPDC customers during the extended rebasing deferral period in years six through ten of OPDC’s deferred rebasing period.

USofA #

Account Description

DR: 4395

Rate-Payer Benefit Including Interest

CR: 2435

Accrued Rate-Payer Benefit

To record interest improvement, at the OEB-approved rate, on the principal balance of the ESM deferral account.